Capitalist Stagnation: From Cycles to Syphilis

09-16-16

ITT technical colleges, founded in 1947 to train de-mobbed GI's in skilled trades, announced that it was in the process of liquidating its enterprises. At least it will be an orderly closure for the for-profit educational institution unlike the chaotic collapse of Corinthian Colleges last year which shut down in the midst of students on their way to school. The University of Phoenix, the largest for-profit educational system, closed half of its physical campuses in 2012. The education sector of the for-profit capitalist market system exposes the lie that this mode of governing an economy is either efficient or effective in serving the needs of its victims. On the other hand they are very good at generating a federally guaranteed profit. To boost their profit-making objective the staff guides students into easy courses they can pass in order to keep student loan funds incoming even though what is learned does nothing to increase their chances of getting a decent job. Helpful instructors are always available to inflate test scores should the easy courses not be enough to achieve passing grades. There are 2.4 million students attending for profit colleges, that is 10% of the nation's total college enrollment. That 10% has incurred $32 billion in student debt; 25% of the total student debt guaranteed by the government. We read plenty from libertarians opposed to government support programs because it conflicts with their their survival of the fittest delusion even though it's their pristine market system that feeds off it like an avaricious parasite.

The same can be said for Obama's refusal to allow a public option in setting up his health care program. He knew that the public would flock to it because profit and good health care are fatal opposites. With the transfer of much domestic production abroad our rulers have adopted desperate measures to provide alternative means for profit making for the excess members of their class . Obama's scheme is falling apart because, like spoiled brats, the health insurers are displeased with their rate of profit. Either more money from the government, or more gouging of the poor devils that are forced (at the risk of a federal penalty) to place themselves under their “care.”

An even more despicable example of the capitalist drive to promote profit above basic human need has in Chile resulted in the largest public protest (1.3 million) since the overthrow of Pinochet fascism. South America has experienced massive upheavals after imperialist supported dictatorships sold public water supply systems to foreign for-profit buyers. Withholding something so basic as water unless the thirsty could pay for it went a bit too far and some countries this policy has been reversed or ameliorated. What makes the Chile case so interesting is that the Pinochet police state provided the perfect laboratory for libertarian experimentation. After Pinochet murdered, jailed or forced into exile tens of thousands rebellious workers, the atmosphere was ideal for capitalism to breathe freely. Thus the Hayek/Mises lovers of libertarian freedom (read – *license)* managed to implement several programs that fit their notion of capitalist perfection. One involved the dissolution of the Chilean pension system, similar to those in many nations – contributions from employee, employer and the state, and replace it with one that had only a single source of income – employees would be forced to kick in 10% of their earnings. Since capitalists everywhere would love to impose the same on their productive class, the new Chilean pension program received high praise. One problem – it was worthless except for the private for profit outfits that invested the income of others. Today the average monthly pension is a mere $315 stipend. The monthly minimum wage in Chile is $384. The payout would more than double had not most of the incoming funds gone directly into the pockets of the capitalist parasites running the investment firms. The corrupt "socialist" government has supplemented those with the lowest pensions ($140) with taxpayer funds but is steadfast in not returning to the world norm. Once a capitalist dog finds such a delicious bone to gnaw on, it's almost impossible to tear it away from him.

Late stage capitalism faces a serious dilemma – It has an excess of capitalists. While a few can be allowed to fall into lower classes, too many would weaken the entire system. Thus the extreme measures taken to capture areas formally out of bounds that can be exploited for profit. It's similar to problems faced by aristocratic regimes. Hungary had the highest ratio of aristocrat/gentry – to the lesser classes, in Europe. Those at the bottom (the most numerous of their class) were called "peasants in moccasins". But since they were still gentry they had to have *positions* – something at formally above the masses. Thus all commissioned officers were aristocrats but the lowest gentry had to at least be NCOs. In civil society they would have a low level position in the bureaucracy. This setting them apart from the masses created a loyal bulwark against threats from the masses. Capitalists and petty capitalists are much like the aristocrat and gentry. The late stage of capitalism is similar to the late stage of a disease, for example, syphilis – capitalism being a social form of syphilis eating away at the basic needs of what a society must have in order to survive.

Bloomberg did a good service for market speculators last week by announcing that the next chance for a rate hike depended on the state of mind of FOMC member Lael Brainard. So on Monday she did her duty in countermanded the hawkish pronouncements of Lockhart and Rosengarten by saying the economy is plenty weak enough to prolong the status quo for some time.

Bloomberg also provided another example of how dishonesty is applied in presenting data. On its web site it displayed a huge banner announcing that Chinese August imports were up 6.3% compared to the previous August. It doesn't matter how they detailed the data in an article. First impressions carry most of the weight. Those details as reported by Jeffrey Snider were that China is importing huge amounts of commodities, apparently taking advantage of low prices. In August it imported 1.5 million barrels per day of oil per day (the entire world consumes about 1.3 million barrels per day) than it did the previous August. He also noted that internal production of oil and coal was lower (thus making it clear that the increase in imports had nothing to do with growing industrial demand). And then wrote that export were down 2.4% in August – that is now 17 of 20 months that Chinese exports declined. In a graph we were able to see that following a gigantic collapse below the baseline in 2009 both exports and imports rose to a high the next year, then gradually declined until by late 2014 it was once again below the baseline. The distance below that line diminished slightly for imports but increased for exports. Imports are something an economy can manipulate since there are always sources selling to a willing buyer, but exports are in the hands of a foreign buyer – thus, exports tell more about the real health of the Chinese economy.

But even Bloomberg sometimes cites negative trends (though in a piece that rejects any attribution to Bloomberg). The author pointedly noted that it's not populist right wingers like Trump and Farage calling for trade restrictions that pose the most danger for the world economy. It's those that have quietly implemented the policy that deserve attention. In 2015 there were three times more restrictive trade policies enacted than those of a freer trade nature. Such a "beggar-thy-neighbor" outlook was an element of the Great Depression that made conditions infinitely worse. Jeffrey Snider thinks we are already in one – such data supports his notion.

Negative reports on retail sales and industrial production have apparently closed and possibility of a rate increase until probably the election. As usual the mainstream reports minimized the seriousness of the reports by presenting month to month figures for retail sales. Snider showed how long term data is much more revealing. Retail sales only grew 4.3% the last two years. Below 3% yearly is the norm for a recessionary indicator. Healthy growth is in the 6-9% range (apparently sales grew 12% in the two years ending 2012). The two year average two year growth rat es in the years before we entered this millennium were 17%.

Snider's *Return of the Quants* article this week was especially interesting. In it he notes that banks and other financial institutions are bringing in mathematicians (quantitative analysts) and their machines to replace economists and the like as a cost saving measure. Snider considers Quants and their algorithmic approach to solving human problems a main cause of the world's economic malaise. After noting that the method involves incorporating constantly changing real world variables he says: *In other words, it doesn't matter how elegant the formulas and the detailed internal linguistics that are used to justify its "significance", statistics are always prone to failure in any dynamic system because they right at the start have to assume that the near future will look like the recent past. Even the best models fail time and again upon this concept of "tail risk." It was, in fact, the Gaussian copula that convinced me in 2007 that there was no escaping what was to come.*

Or in my "other words", humans are historical social beings -- they live in a world of their own making that is constantly undergoing immensely complex historical change that cannot be reduced to algorithmic equations. In an earlier article I cited the work of mathematical physicist Roger Penrose who has written much on the limitations of the algorithmic method in figuring out humans. Good to see that some economists recognize the problem.