

Dalio Fears Revolution

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Raymond Dalio (Dallolio), founder of the world's biggest hedge fund (Bridgewater Associates \$160 billion under management), said by Forbes in 2017 to have a personal wealth of \$18.6 billion and married to the great granddaughter of railroad robber baron Cornelius Vanderbilt, is concerned that the rapidly growing left-right populist movement may be a precursor of a drive by the poor and exploited class to rid them of the class that made them so.

This week he presented the results of his analysis that showed quite clearly and accurately the huge and growing gap between the rich and poor, not only in wealth, but in basic needs like food, housing, medical care, and education. At the end of his widely distributed presentation he presented the usual list of lame reforms; like maybe the rich can pay their fair share of taxes, and perhaps a country as rich as ours can provide decent medical care.

On the surface his actions are surprising. The ruling class knows that it's wise not to display fear. They are so few that any sign of weakness may embolden their enemy. But perhaps he knows there is nothing to fear. They have swept the field of their enemies. They are in total control with massive forces at hand. So the only thing of interest in his presentation is the real or feigned ignorance as to the causes of such a wide economic disparity.

For Dalio the ever-widening gap is the result of technological efficiency which eliminates well-paying jobs. But doesn't want to admit that maximizing exploitation and profit by whatever means, technology or brute force, is the very definition of capitalism because that would mean the only solution is the removal of that system. As for an alternative like communism – that fails *“because people were not motivated to work hard if they didn't get commensurately rewarded...”* But if the productive class gets in return all they can produce, isn't that a commensurate reward? How can a very poor country like Cuba still provide the basic needs of its people while much richer countries in its region have huge proportions of their people living in misery?

One reader of his blog finds Dalio's notion of socialism funny and cites a much better source (<https://www.teenvogue.com/story/what-capitalism-is/amp>) where we learn from Kim Kelly that, *“Capitalism takes the position that “greed is good,” which its supporters say is a positive thing — greed drives profits and profits drive innovation and product development, which means there are more choices available for those who can afford them. Its opponents say that*

capitalism is, by nature, exploitative, and leads to a brutally divided society that tramples the working classes in favor of fattening the rich's wallets."

So the question we have before us is – Why are teenage girls being better informed as to the real nature of things than the movers and shakers of the elite are by the man who calls himself an “*economic engineer*”? It’s because billionaire capitalists are only good at doing certain things – like raping, looting and pillaging the earth and its inhabitants. Fixing the damage it does must come from others.

Economic Info

-- Everyone who pays any attention to financial reports knows that corporate stock buyback is one of the most lucrative uses for its financial assets. Instead of a real economy firm using its resources for product development, expansion, efficiencies and all those things that would justify its existence and perhaps even help the working class find decent paying jobs, they choose to take the failsafe approach: buy a huge amount of one's own stock; that will raise its trading value; and you have created risk-free wealth. But it's rarely stated that since 2010 most equity purchases are by corporations -- \$420 billion annually. Purchases by households are less than \$10 billion, as are those of pension funds, mutual funds and foreign investors. Some liberals are talking about ending the buybacks. That is highly unlikely because its the only thing that can be used to create the illusion of a recovery -- even if few actually believe it. It’s also how pensions are funded and the main way the middle class has access to free money through mutual funds. Goldman Sachs provided the data but that hasn’t done anything to change its mind.

-- The IMF released some interesting data that reveals the basis for the populist rebellion against mainstream capitalism. From 1984 to 2007 the economies of the most advanced nations grew an average of 3.05%. Note that the period including a major housing crash recession in the late 80's - early 90's, the Asian Flu, failure of Long Term Capital Management (late 90's), and the dot.com bust, all of which still led to 3.05%. From 2010 those economies have only averaged 1.87%. The monetary value gap up to 2019 is \$3.4 trillion. Including the deficit from the 2008-2009 slump it's \$7.7 trillion. Without real growth it will be \$12 trillion by 2024. The system generates enough fear and loathing in the masses even when things are 'good.' Imagine the hostility index in five years. But the good news is that the economic system is shrinking. It's like an evaporating black hole which

according to theory ends its existence with a slight 'pop'. I would predict much more than that from capitalism.

-- Over recent decades Japan has displayed one of the most interesting models of late capitalism. Following the war it jumped into modernizing capitalism with both feet. It was probably the first to focus on quality, building markets before profit, and careful last in-first out control of components to finished production. It was a model of perfection until it collapsed at the end of the 80's. Since then it has been the model for trying everything and anything to revive its economy, and consistently failing in every case. By some counts its gone through 23 QE's in various forms. In recent years its been in a fight to prevent the dreaded deflationary spiral. The JCB currently has 528 trillion yen (about \$475 billion) in securities on its balance sheet, all but 75 billion in Japanese government bonds. 2% or more inflation has been promised for years, yet as of February 2019 it's still only 0.2% year-over-year. Maybe it has something to do with a government buying its own debt with its own money. Still, Japan has created a new model for world capitalism that has become mainstream: repeatedly doing what is known not to work while maintaining a positive outlook.

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