

## What's with Stockman? – Zero COGS

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David Stockman's rambling but challenging the late John Leonard for overblown colorfulness, rants have become a curious phenomenon. Zero COGS (Cost Of Goods Sold – had to look it up, though it was the plural for cognition). Yes, everybody knows that the Fed is juicing the market. Sure we have a bubble. Of course it will soon burst. No one doubts that a near zero interest rate and tons of freshly printed cash encourages speculation. Does he really expect the Fed to say – yeah, we know that we built a house of cards, but it was a desperate situation and we had to do whatever worked?

What almost drives Stockman off the rails about the Fed's policies and energizes his criticism is the desire to hide the fact that the Fed is largely basing their actions on his beloved garbage monetarism. Thus we see Keynes' name scattered throughout his diatribe – Keynesian monetarism, etc. But the Fed policy bears little resemblance to the Keynes policy that was implemented in the FDR years. Lower interest rates and deficit spending on infrastructure improvements to prime the economic pump. When Keynes was asked during the war by the British propaganda ministry to ridicule Nazi economic policies, he couldn't do it because he thought it quite a successful one. The large build-up of heavy industry and infrastructure got Germany out of the depression. Apparently British capitalists agreed because they negotiated a free trade pact with their Nazi capitalist counterparts (of course, with approval of both states). This deal with a totalitarian dictatorship; this after Kristallnacht; this after tens of thousands of Jews and anti-Nazis had been killed or jailed. But it was unfortunately also the day after Germany invaded Czechoslovakia thus becoming a dead letter. But this is what freedom means to those lying hounds Hayek, Mises, and friend-of-Pinochet Friedman drool over - complete license to screw over the productive class. Too bad it had to be rescinded. Maybe the next step would have been national unity.

James Tobin is demonized for infecting the Democratic Party with a new and improved version of Keynesian policy. But Tobin is most notable for advocating a tax on stock trading in order to lessen speculation. Stockman wants the Zero COGS removed so that the interest rate would rise and stifle speculation. Thus both see speculation as a major problem but Stockman would let the free market do the job rather than the government. What is living under a dictatorship like? It is being ruled by a power over which one has no control. What would it be like living under a free market economy? Being ruled by a power over which one has not control. Yet we're supposed to take these idiots seriously. The dirty secret of free market theory is that it's designed to regulate the actions of a gang of thieves at least to the extent that they only destroy those outside the clique and not themselves. They thought they solved the problem of “no honor among thieves” by having them hang-up their pieces before entering the market. But there they are with the Derringers and boot knives.

What Stockman and his like refuse to accept is that their miserable system would be breathing its last without Fed-made bubbles. This is the Fed which he refers to

as if it were a government controlled entity when it is in fact a consortium of private bankers that meet under federal auspices. It only operates in the financial interest of the moneyed collective.

People on dialysis have a tough life. They must spend hours every few days attached to machines that keep them alive. Stockman should bow before the Fed machine and give thanks, and just as we hope that those on dialysis receive kidney transplants before its effectiveness dissipates, so also should we hope for a system transplant before this one descends into an intractable totalitarianism.

Interesting that China is also concerned about speculation as seen in the 10% decline in copper prices. Chinese speculators buy copper to use as collateral for loans in dollars which they use to invest in renminbi based assets thus circumventing capital and credit controls. But the Chinese government as altered the normally stable value of the currency forcing speculators to sell their collateral. Major supposedly positive news today was the increase in Feb. factory output. Note, this is output, not sales. Most of it was autos which now has the highest absolute inventory in its history. Inventory to sales is the highest since 2009. Reportedly dealers are making heavy cuts to move them. In short - this is another 'good' for 'bad'.

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