

# **Dominance of Irrationality**

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A kind of recapitulation -- A social system's economy is where producers and consumers make an exchange in order to satisfy their needs and wants. In an idealized system there would be a high ratio of individuals simultaneously being both producers and consumers with limiting factors being age, disabilities, and a planned period of rest; always keeping consumers the most numerous, but not to an objectionable extent.

In the economy of most social systems there will be a defined means of exchange, either barter or a representation of the use value that satisfies a fair exchange because few social systems have existed where needs and want could be freely exchanged between producers and consumers.

The world is currently dominated by social systems based on capitalism. The capitalist produces nothing but through his ownership and control of the means of production and distribution he is able to extract in the exchange process from those that are productive a certain value of the product of his labor above the cost of that labor, and from that surplus, after replenishing means of production and satisfying his personal needs and wants, the remainder is capital to be used to expand his capital making enterprises.

But things often don't go as planned in a capitalist social system. First, the class of producers are not pleased with the existing relations of production and require an expensive repressive apparatus to keep them in their place. And then there is a flaw in the system itself that at times causes it to stumble and fall over its own greedy feet, only to recover and swear off doing what caused the stumble only to eventually do it again.

Now after many reforms and adjustments to maintain a solid perpetual footing it has only managed to reach the ultimate stumble -- a fall right out of the economy itself, that is, the economy that actually matters -- leaving only the one that can expand wealth unproductively within itself-- the financial sector that receives, creates and manipulates a plethora of financial instruments.

Even many of the financial experts thought that the Fed stimulus programs meant the printing of money, and that would trickle down to the consumer and increase their purchasing power thus stimulating demand in the real economy. But that would cause inflation which the wealthy loathe because it cheapens the value of the ill gotten loot. Instead it distributed vast sums of cheap credit into the banking system expecting it to be loaned out in ways that would through its indirection slowly and safely revive the real economy. At the same time it allowed banks to

deposit huge sums in excess of their reserve requirements for which the Fed will pay interest.

So it gives banks free money. Lets them deposit the free money with the Fed, and then everyone is supposed to be stunned that they prefer to make money that way rather than through risky loans.

Of course, there is so much money/credit to be distributed that plenty is loaned out to real economy industries so they can also play the monetary profit gain through mergers and acquisitions, stock buybacks, foreign exchange dealings, and a good deal deposited directly into their pockets in the form of dividends.

And so over the past 11 years the powers that be are shocked that the world economy has done nothing more than go from depression to real or threatened recession, and achieving nothing that qualifies as a genuine recovery.

Fiscal programs that spend on infrastructure improvement and other essential services have helped raise the economy from the depth of the depression . But that is not nearly so profitable and risk free as simply having the capitalist state dish out the money to their capitalist family much like parents replace a lost tooth by sneaking cash under their child's pillow.

A rational economy would be strictly based on the production useful goods and services because they are what people need or want. It would not make the necessities of life merely a slap dash byproduct for the acquisition of wealth.

For capitalism that insanity is the definition of rationality. Thinking that it is an essential feature of what it means to be a human being, and that it poses no risks to their continued existence is irrational. But that also makes all uncritical thinking under capitalism fundamentally irrational. Alexandria Ocasio-Cortez recently gave a speech in which she called capitalism "irredeemable". Yet her political program is entirely based on the redemption of capitalism. A for of fixing capitalism that is entirely irrational.

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#### Some Economic Data

- Germany’s industrial production fell, year over year, for the last three months, and five of the last six months. That’s worse when it went through a brief recession in 2012.
- A BEA revision made what was already a bad Xmas season worse but subtracting another \$5 billion from December 2018 retail sales.
- The ECB, fresh off ending its \$2.5 trillion of stimulus because they determined that mission was accomplished, has found that the ‘robust’ European economy

grew only 0.2% in the 4<sup>th</sup> quarter of 2018. And so they revived the stimulus program, but a kind that is a bit different so it can be viewed as new and not the same old lost cause. It's called Targeted Long Term Refinancing Operations, TLTRO, which means loans to commercial banks "to stimulate more lending to households and business." Banks – lending – what will they think of next?

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