

The Horseshit Problem

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In New York City there were at least 150,000 horses working the streets each depositing an average of 22 pounds of horseshit a day -- that's 45 tons per month. For a time the swept and shoveled droppings were sold to country farmers because it was excellent manure for their crops. But as the areas surrounding the city grew in population and industrialization the need for horse manure diminished resulting in a great backlog of horseshit that became increasingly difficult to dispose of. In the late 1890's some experts projected that the city's losing battle with horseshit disposal will have it piled as high as the third floor of buildings by 1930.

That problem had a happy ending. Automobiles were already on the road in the 1890's but few imagined that they in their assorted forms would replace horse transport so rapidly. The solution was buzzing all around but still unseen as such until a threshold was crossed.

But along with horseshit problems there are also horseshit solutions. On December 28, 2000 the Clinton administration announced that the nation's public debt problem was over. The demise of the USSR and the Internet dot com boom had brought about a number of budgetary surpluses. \$363 billion of the national debt had been paid down and another \$237 billion was projected to be paid off in FY 2001. "By dedicating the entire budget surplus to debt reduction, The United States can eliminate its publicly held debt by FY 2009."

That year happened to be the worst year of the worst financial crisis since the Great Depression. Trillions of debt was created in the bailout efforts and the total debt now stands at \$19 trillion. Yet while the US and world real economy continues to creep toward collapse US equity markets set new records -- this week the DJIA crossed the 20,000 line for the first time. Rising markets are supposed to be foreseeing a positive future, but there is a time when a constantly negative present becomes a defined future. Instead we have an increasing pile of equity horseshit.

The enthusiasm is founded on power at the top. For the first time since the 20's the capitalists have their people directly in power. Rather than having to pull strings to get their way with politicians and bureaucrats, they are right there feeding at the trough. But problems are already developing. The people that elected Trump were promised popular, not fat cat, rule. Trump certainly isn't going to switch gears and start doing things for the working class. In a capitalist society there is only one class that leads and has its way. So Trump must now create some distractions. The wall, racist immigration decrees, tariff threats -- the whole notion of making America great again means an attack on the rest of the

world -- and the rest of the world will have to devise a defense or succumb. Trump's conduct in his first week indicates that crises will occur sooner rather than later. Then the horseshit, rather than piling up, will surely hit the fan.

It's December 2008, the world banking crisis is flourishing, and the financially troubled Banca Monte dei Paschi di Siena, a Deutsche Bank client, has just lost \$462 million on a single investment. Even worse – as matters stood, the bank had to announce their shoddy business practices to the world by including it in their financial report. Or did they?

DB said, no and developed an elegant plan that can serve as solid evidence that late capitalism has us all anxiously awaiting its ultimate lateness. It merely had Paschi do a trade with DB that was a sure winner worth \$462 million. That would wipe the loss off the bank's financial report. Then later, to assure that DB does not absorb the vanished Paschi loss, the latter will make a second trade with DB that is a sure loser. The former derivative contract would trade in 2008 and the latter in 2009. The trades were exactly the opposite of each other – thus one had to win and the other had to lose. To make it seem like a real transaction, Paschi would buy bonds from a third bank that had purchased them from DB; Paschi would hand them over to DB as collateral; DB would sell them and transfer the “money” to Paschi.

Last month a trial began in Milan for several bankers involved in the fraud, here very inadequately derived and described from a Bloomberg article to show that while the little people run the world the big people run it into the ground.

In 2015 US GDP was 9% above pre-crisis level. That took 31 quarters. After the severe 1974-75 recession the GDP grew by 22% over 31 quarters. Recoveries ain't what they used to be. And according to today's fourth quarter GDP report there won't be a real recovery for many quarters to come. Fourth quarter first reading of GDP came in as 1.856%. A huge decline from the 3.5% of the third quarter which was supposed to indicate a transition to real growth. That five of the last six quarters were below 2% indicates just the opposite.

New home sales came in at 536,000 in December. A major decline from November's 596,000 decline. Home sales between 1995 and 2008 were above 850,000 annually with a peak of 1.4 million. With years of very low interest rates, the lack of existing homes being on the market, rising rents, and a so-called recovery, sales should be booming. The most likely reason for this is the lack of well-paying jobs in the age group that would normally be most interested in purchasing a new home.

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