

## Invisible Money

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When the Quantitative Easings were enacted to lift the world economy out of the Great Slump, it was generally believed that whatever its effect on the real economy it would certainly lead to a rapid rise in monetary inflation. It was assumed that central bank purchase of government and corporate issued securities would mean a vast increase of printed currency in circulation. But that didn't happen because major banking systems largely enact transactions electronically. Credits and liabilities are agreed upon without the exchange of any physical money. It's much like cryptocurrency-- a virtual reality.

Another major concern has been this country's huge and essentially unpayable national debt which is frequently made worse because of tax cuts intended to stimulate the economy. An individual with a debt rising faster than his ability to pay it off would find it increasingly difficult to remain an active participant in the business world. The same should apply to the US: Why should other nations trust the currency of a nation that is essentially bankrupt? China has a large debt but it's backed up by the huge accumulated surplus it has earned as the exporter to the world. Shouldn't the strong yuan take over for the weak dollar? That hasn't happened partly because the government doesn't allow it to freely float in the market, but mainly because a phantom currency has superseded the conventional rules of monetary transactions.

It's called the eurodollar because it developed its present form out of the trade between the US and Europe but is now not grounded in any particular part of the world. The eurodollar doesn't exist; it is not a sum of US dollars being held by banks abroad for the purpose of conducting international business. It has been absorbed by the vast array of financial instruments and the one that has recently received much attention is the eurodollar futures market. There has been much talk about the flattening of the curve between two and ten year treasuries which apparently signifies a flight to safety. Much the same has happened with eurodollar, the exception being that it is already in a state of inversion. That means that the financial sense of major investors is that the current depressed state of the economy is likely to worsen.

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A strange thing happened on Friday when 2<sup>nd</sup> quarter GDP growth was reported. It came in as 4.1%, the highest quarterly growth since the third quarter of 2014. But the markets plunged at what should have been good news. Possibly they noticed that the US had a huge net export surplus that quarter, something that almost never happens. Had they believed that genuine economic strength was indicated in the report business would be building up inventories to prepare for rising demand. Instead they sunk again. Subtracting the export fluke second quarter GDP comes in at a reasonable 2.6%. The dollar benchmark is being changed from 2009 to 2012, so all figures back to 1947 will be subject to change.  
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According to the Institute on Taxation and Economic Policy tax cuts from 2000 to 2015 when they are fully implemented will total \$10 trillion. \$2 trillion of which will go to the top 1%. That sector will pay \$111 billion less taxes combined this year alone than if the tax rate remained as it was in 2000. The American Society of Civil Engineers says the nation's infrastructure needs at least \$2 trillion in ten years to bring it up to a passable level. Incidentally, one can get a sense of just how much a trillion is by this factoid: If you spent \$20 a second, it would take 1500 years before you ran out of money. Think of all the stress Besos and the rest must be under keeping so much wealth in the investment flow.

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