

## Was Last Friday Almost It?

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Last Friday, investment banks including Goldman Sachs and Morgan Stanley, sold large blocks of shares. Selling shares in blocks is not uncommon but not in chunks valued at \$1 billion or more. Normally these transactions would be conducted after the close, but at least some of them occurred during trading hours. And then when there is no information as to why they are being sold one can't help but notice that many had a value below the trading price. Hence, there must be something wrong, and thus -- a mini-panic.

The secret agent behind this, as it stands at the moment, near financial disaster, very similar to bank troubles in Austria and France that served as final straws before the Great Depression and the 2008 financial crisis, is one "Bill" Hwang, son of a Christian pastor who enjoys nothing more than walks in Central Park while listening to readings from the Bible. From this he learned that the story of Jesus converting water into wine could expand the purchasing power of money by funneling it through the cheapest, crappy-est, form of derivatives.

But hard times were experienced prior to his failed miracle. In 2012 Hwang was forced to shut down his hedge funds after being found guilty of insider trading and manipulating Chinese banks stocks. He was fined \$44 million (or \$60 million) and banned from the investment advisory business. But Hwang was not ejected from Christian wealth making. He created a 'Family Office' which is a cute way to describe setting up one's personal fortune as an investment fund. Such entities are largely unregulated. He called his firm Archegos: Greek for '*one who leads the way*'. Note that there is no indication where it will lead.

Hwang began with \$10 to \$20 billion and quickly leveraged it with over-the-counter derivative swaps that are linked to stocks. The safest swaps are linked to interest rates (current total about \$10.3 trillion), and those linked to currencies (\$2.4 trillion). One can easily see that a link to stock valuations is where the water to wine trick broke down. As of July 2020 only \$284 billion were linked to stocks.

But it worked for a while and many big banks wanted a part of Archegos after it quickly grew to \$50 billion. Goldman Sachs hesitated because of Hwang's criminal past, but eventually couldn't resist the easy money and joined the gang. Hwang should have rejected Goldman's money because as soon as there was some weakness and a margin call, Goldman sold its stake and pulled down Archegos. Credit Suisse and Nomura are known to have lost billions. Latest estimate of total losses is \$100 billion. But Hwang will no doubt rise again as long as we still have capitalism and a Christian love for the system.

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### **Economic Info**

-- Every now and then there is an attempt in Congress to raise the national minimum wage which is currently less than half of what most advanced capitalist economies pay. There are screams from the right about all the damage it will do to the economy without any effort to explain why nothing of the sort happened in those other countries. Of course, it would likely mean a small decline in the rate of profit, but those foreign capitalists seem to have remained as wealthy and competitive as ever.

One good to determine a just sum would be to tie the minimum wage to the growth in Wall Street bonuses. That way capitalists devoted to the productive segment of the economy could shift responsibility and expense to the ultra-parasitic sector of their economy. Since 1985 the average Wall Street bonus increased 1,217%, from \$13,970 to \$180,000 in 2020. That would mean a fair increase for workers from the current \$7.25 an hour to a very decent \$44.00 per hour.

The total bonus of the 182,100 members of the Wall Street gang based in NYC totaled \$31.7 billion which is more than enough for 1 million jobs at \$15 for one year. All this only relates to bonuses. The average income in toto is \$406,000 -- for the top CEO's it's \$28 million. Furthermore, these people don't buy products that stimulate the economy, they just save it, or invest it to stuff themselves with more accumulated wealth. On the other hand, lower income folks would have more to improve their family living conditions. That would be a boon to a stagnant economy. So case closed: At least \$44 per hour would harm no one and benefit many.

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