

Leveraged for the Fall

11-12-2021

American markets have rumbled through six weeks of growth and many new highs. The investor class is delirious with joy - everything they touch spews dividends. Meanwhile the underclass is slouching toward Bethlehem or any place that frees them from the market hell a deathly ill system promotes as their sole chance for survival if not success.

The Great Financial Crisis began August 9, 2007 when several European banks failed. Central banks and their governments got together and thought they had contained the problem, but a year later special legislation was enacted to permit the bailing out of the biggest American private banks (and the insurance firm AIG) with public money. The same scenario is currently being played out but always in a different format because governance in the form of the *'invisible hand of the markets'* must be made to seem real so that governments can institute policies that can fix today's problems with new schemes that this time get to the crux of the problem. Which will *always* fail because the application of anything rational to solve the problems of a brain dead system is sure to kill it.

For example, try to explain this – according to the Feds Financial Accounts of the US at the end of 2019 the market value of publicly traded stocks (equities) had reached \$38.47 trillion and then by June 30, 2021 it had reached \$54.76 trillion – a 42% increase in the midst of a pandemic that had pole-axed the real economy. Nevertheless the US stock market had an equity valuation of \$54.76 trillion which is larger than the combined GDP of the US, China, Japan, Germany, France, Spain, Italy and the UK. All one has to do is to, let's say, get 500 people to invest thousands of dollars of borrowed money for a share of a \$10 bill. It's value goes up. Real money is extracted. The debts can't be paid. The economy goes bust. The state taxes its citizens to pay off the debts of the rich, and it's back to square one.

It's no mystery why millions of Americans are voting against capitalism with their feet. This economy is still missing 5 million

workers while the number of available jobs is at near record levels. The U. of Michigan consumer confidence index which was at a multi-year low of 66.8 in October is expected to decline further to 62.8 this month. A record 4.4 million Americans quit their jobs in September while job vacancies are at a near record level.

Meanwhile the pandemic keeps coming back despite heaps of medical intervention. The attitudinal state of the masses is becoming increasingly disordered. Things were bad enough before Covid and now the regimes that brought this scourge upon us can't kill it or even give the impression that it knows what it's doing. Another winter of discontent is approaching.

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