

# Mad Money Theory

03-08-2019

Given the ongoing ten year recession that followed the relatively brief depression there has been a great deal of research into past remedies, much like scientists searching for new means to fight malaria and other infections, they hope to discover the secret cure that will to open the way to real economic growth.

The solution must deal with the whip-sawing effect of various forms of stimulus that have barely managed to prop up the real economy while at the same time increasing the size of the government deficit and contributing to the vastness of private sector debt. Thus a blast from the past has been refurbished and renamed Modern Monetary Theory.

Much of the recent discussion on MMT has been between Stephanie Kelton, a promoter of the theory, and Paul Krugman who says he either doesn't understand what they are talking about, or if he does, then they are obviously wrong. This is odd because both Krugman and the MMT's, unlike conservatives, are unconcerned about running large deficits to revive an economy. But for Krugman deficits are part of a fiscal policy handled by Congress while monetary policy is the Fed's business -- interest rates, doing stuff with treasuries, and the like.

According to the MMT folks the US is in a privileged position in that its government can run monetary deficits, cash and securities, to stimulate the economy with little concern about inflation because of world demand for the dollar as a means of trade. The US has more than \$15 trillion of its securities invested yet yields remain low. Krugman thinks something like that might work but if stimulus only comes from the government side without private investment input, then there would have to very strong growth in the real economy in order to finance the debt load or there would be very high inflation.

But the real underlying issue that is causing all the confusion comes from the fact that current fiscal and monetary policies the world over seem to have very little effect, good or bad, on bringing the state of world capitalism into anything resembling its old vigor. Japan's central bank has been buying up practically all of the government debt, its public debt is about 250% of its GDP, without doing much for growth or inflation. The rest of the world has done the same to a lesser extent with much the same result.

In the panic to keep afloat the economy after the catastrophic collapse they gave only one sector a sugar high while permitting the other sector, which happened to be the only one most people care about because it is where they live and work, to shrink and stagger along. The only real growth has been in the anger of the

masses of humanity victimized by the system. The capitalists had better spend more on anger management than on padding their wallets or they may lose a system that they can call their own.

-----

So how does a 'communist' nation deal with capitalist economic difficulties? Well China stimulated the Shanghai exchange in the first part of this year to the tune of a \$1.8 trillion gain. That put loads of spending money into the hands of an elite that doesn't deserve any of it, and will most likely invest it rather than buy goods that would stimulate the real economy. It also followed Trump's lead by announcing a \$298 billion tax cut. Today the February trade report was announced. Exports, expected to decline about 5% actually fell by 21%. Imports were down about 5%. The Shanghai exchange lost almost that much in a single day of trading. Gee, 'communism' is just as stupid as capitalism. From this we had a cold war?

-----

This was the first week of the still new year when the hyped veil of hope -- hope as in whistling passed the graveyard -- began to slide revealing real conditions that even the most crazed speculator had to recognize as a threat to his mass of ill gotten gains.

There was a negative stream economic data that covered the world culminating in a February jobs report that was as ridiculously low (20,000) as the previous month's was ridiculously high (311,000). The gap between imports and exports set a 10 year high in 2018 and is set to worsen further this year judging by early returns.

There has been a recent \$10 trillion run up in America stocks. This week gave back a decent chunk of it. Virtually all of the indices are now showing a 52 week negative red.

<http://unrealeconomy.org>