

## Mystery? What Mystery?

08-26-16

*“...if nature had produced spontaneously all the objects which we desire, and in sufficient abundance for the desires of all, there would have been no source of dispute or of injury among men, nor would any man have possessed the means of ever acquiring authority over another.”*

Many on reading the above would be convinced that the author must be Marx or one of his supporters. They then would likely add to their error by saying that it expressed a psychological need for humans to dominate one another.

James Mill, father of John Stuart, is responsible for the quotation which can be found in his 1820 *Essay on Government*. And any who believe in the psychobabble-ist interpretation must attempt to prove that the human body can survive purely on such idealist vapors. That part of us which is solidly attached to nature must have real, physical sustenance in order to maintain its existence. Under conditions of scarcity it will compel the mind to discover ways (usually associated with their justification) to expropriate those necessities from others living under the weakest defensive conditions.

Mill lived during times of a vigorous young capitalism. Every thinking person understood that, in capitalism, they were experiencing a system fundamentally different than those that came before. Slave and feudal societies were largely stagnant and internally stationary systems – they grew through conquering and immiserating others. Something of the past always projects into the present but capitalism had no need of the mean aggrandizement such as was common in the earlier systems. Where it was well established it knew that it could produce on its own all that humankind required by using its modern methods to extract from nature and then process, grow and manufacture all the products that people need or desire. The fact that it can, but really can't is why it today finds itself stifled and in decline.

Capitalism is a market economy -- it produces goods and services for sale. They usually have a use value that satisfies a human need, but it is not need that ultimately effects an exchange. Without a profitable sale the transaction will not be consummated regardless of need. That's the state of long-in-the-tooth capitalism today. It's gone as far as it can in serving to create the basis for the next great advancement of the human race, but it won't get off the stage of human existence. It remains as a constant impediment to the necessary changes that must be made for humans to continue as a viable life form on earth.

According to Marx, when a social system becomes such an impediment it will be removed through a popular upheaval. Lenin blew any chance for that to happen when he surrendered to Germany in 1918 after which he was forced into opportunistic policies in order to wheedle what he could from developed capitalist nations. Then Stalin took the next step by leading a counterrevolution that

overthrew the first established attempt to advance humans to a new and higher form of life and culture. It was only a matter of time before the creature threw off the shell of its false appearance and completed its step backwards -- to capitalism. Trotsky described, with amazing accuracy (in *The Revolution Betrayed* 1936), the trajectory of the Stalinist counterrevolution. Scarcity in the aftermath of the civil war destruction. The bureaucracy establishing itself as a privileged dictatorship over the masses. Would it be satisfied with merely the assurance that it would be first in line for the necessities? No, says Trotsky: *"This argument ignores not only the instability of the bureaucrat's own rights, but also the question of his descendants. The new cult of the family has not fallen out of the clouds. Privileges have only half worth, if they cannot be transmitted to one's children. But the right of testament is inseparable from the right of property. It is not enough to be the director of a trust; it is necessary to be a stockholder. The victory of the bureaucracy in this decisive sphere would mean its conversion into new possessing class."* And so the luxury-loving "communist" bureaucracy developed a close relationship with the old bourgeoisie that stayed home. Trotsky thought the latter would lead the counterrevolution dragging the Stalinists along with them. Instead it was the reverse -- the nominal communists led the reversal bringing along the bourgeoisie to link them up with the outside world. We've seen this most clearly in the Chinese reversion to capitalism. Yet the mainstream (and many Marxists) don't know what to say. It's an impossibility that genuine Marxists communists could lead a return to capitalism, but so many took them to be some sort of what they said they were, that it's quite embarrassing to admit not knowing something that was as plain as day.

So what are we to do with the mess we are in today? A number of mainstream economists (like DeLong and Snider) think that the very weak "recovery" can better be described as a weak depression. Many have noted the systematic undermining of personal rights in the developed nations. The rulers know their system is failing and are preparing steps to defend against repercussions. A real opposition has yet to come to the fore. Until that is formed a guerrilla war against the hated unreal economy is possible. Most of the financial sector by means of a popular uproar. Let the Fed's nurse corps shift its drip lines and transfusions to the real economy until it peacefully (hopefully) passes away.

=====

Speaking of stagnation, American financial indexes have traded within a 1.5% range for more than 30 days. The first time that's happened since 1965. Markets have been experiencing a low volume reversal the past few weeks.

The Japanese government pension fund lost \$52 billion last quarter. It took an entire year ending in March to lose about the same amount.

There was a time when central bank balance sheets stayed close to the cash they possessed. The American Fed had been the closest but now the ratio of balance sheet to cash is about 4 to 1 (in trillion of dollars). The ECB is about 3 to 0.5.

Much was made of the possibly one-off rise in July new home sales. Real demand would mean more construction of single family homes and multi-unit rental, but that has slackened. Meanwhile, the sale of existing homes fell significantly in

June compared to the previous June. July was also down (first time since November). With low mortgage rates and high prices more homeowners should be taking advantage of conditions. Genuine full employment with its greater income and increased confidence should flush people out of their homes. That it doesn't is another of the many signs pointing to serious flaws in the "full employment" conclusion.

Durable goods shipments (ex trans) was down about 4% in July year over year. The mainstream covered up the bad news by highlighting the less important month to month increase. New orders also fell -- 3.1%. They are 6.4% less than what they were two year ago. New orders for capital goods (less air and defense) declined 7.1% in July. It's the third worst month since 2009. Capital goods shipments fell 9.5% -- the worst post crisis month.

And quarter GDP cut to 1.09% from 1.21%. That means GDP growth has been 0.93% the last three quarters. S&P 500 corporate profit total (pre tax) declined a total of \$966 billion over the past 5 quarters. Corporate cash flow has remained at about the \$2 trillion mark for the past 27 quarters (2009). Yet the index is still above its last record crossing.

Reuters reports that August auto sales are expected to be 5.2% below where they were the previous August. Thus the only strong point of the real economy seems to be weakening.

<http://www.unrealeconomy.org>