

## Do We Need a New Capitalism?

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*Do We Need a New Capitalism?* asks a senior officer of an investment company in an essay in search of causes for the repeated calamities the system has inflicted on the peoples of the earth. He also wants us to uncover possible ways to adjust capitalism so that it accepts the right of others to have decent lives without having every glimmer of hope for one wrecked before it can be materialized.

No doubt the author expects the reader to not notice that it is a trick question. The inclusion of the word 'new' is the giveaway because, of course, we do not 'need' capitalism at all. The only people, by definition, that can't live without it are the capitalists. The productive class does not need a class of parasites to manage its life. Rather that is a burden they wish to be rid of.

It's widely accepted that the then existing capitalism peaked in the early 1970's. The author cites Nixon's 1971 Bretton Woods removal of the dollar from a gold-based support system as the key moment when capitalism began its inexorable decline.

Without an anchor the world's universal trading currency had a freely floating value. That made the economy 'unmoored from reality'. Uncertainty, instability, volatility required the mass production of stabilizing paper, such as derivatives, in order to gain a brief stable basis for real and fictitious transactions.

After three recessions and three bear markets, and the worldwide trend for the masses to support any form of leadership as long as it seemed different than entrenched type that has lost all credibility.

At this point solutions must be proposed which will make the most brilliant minds capitalism has to offer appear as fools. *Capitalism requires a moral compass, a policing of the tendency to greed that is inherent in all humans.*

Unfortunately what is proposed as a brilliant stroke to make us all appear as rotten as the successful capitalist is not only utterly false, but stated in such a manner that reveals itself to be a lie. If greed is inherent, then it is embedded in our genes (as asserted by the

Randists) and there would be scarcely any thought of a cooperative or socialist alternative. We would be inclined to accept whatever nature gave us and learn to live with it. But to the credit of the author he uses the term 'tendency' which reverses implicit causality and thrust of the statement.

There is a sad ending to the rest of the essay. A sound currency would solve many of our economic and life problems, but since there is no way to make such soundness a reality we must imagine a moral soundness – that we believe in the stability of costs for the essentials of life and promise to do what we can toward that end. Praying, hand-wringing, just do whatever you can to train vultures to behave like the humans they were born to be.

### **Economic Info**

– Mr. Roubini has come to the fore now that the world is struggling to maintain its coherence to tell us they it will take ten years of depression before we before will return to something like normality. The Great Financial Crisis that we have yet to fully recover from took years before the economy hit bottom. Covid-19 brought the system down in three weeks.

Forget about a V recovery. If we are fortunate it will be a U recovery – a prolonged period of no or slow growth before a gradual improvement. It possibly may even be something worse – an L recovery in which the economy hits rock bottom and then mostly moves sideways never reaching a full recovery. That happens to be where we are from the last downturn.

A recovery means the return to where the economy would have been but for the slump. That point must account for time and population growth and is determined by following a baseline of past economic development. A recovery does not mean taking 10 years to get back to where you would have been but for the depression. Ten years later we had 30 million more Americans. Everyone is aware of the decades long sluggish growth of the Japanese economy, but on a per capita basis the Japanese economic growth is almost twice as strong as ours (1.4% to 0.8%). Following the 1992 to 2005 baseline the US economy based on GDP growth is now \$5.3 trillion behind where it should be for a true recovery. Thus the origin and explanation for why there has been a prolonged sense of decay and decline. And now we have Covid-19 to deal with.

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