

Panama and the Ubiquity of Capitalist Corruption

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Panama is a country that owes its existence to an American supported uprising in a province of Colombia and followed by a military intervention that prevented Colombian actions to suppress it. All for the purpose of digging a ditch across the new country for inter-ocean shipping, and the de facto ownership of a large part of Panama to manage and protect its creation. During the entire history of Panama the US managed the leadership qualifications going so far as to invade the country should there be any resistance to its demands. Panama is also one of the many locations, quite a few being islands and other small places, that create the means for tax evaders and more sinister criminals to hide their activities -- like, who is doing what. The scandal that erupted following the hacking of the Mossack & Fonseca law firm that was involved in a myriad of dirty dealings has returned attention to an often thought but rarely discussed question -- Are the normal practices of capitalism so inherently corrupt that there can be no effective separation between legality and criminality? Thinking on this subject by a defender of the system was nicely expressed in an article by Megan McArdle, a writer for Bloomberg, entitled *The Panama Papers Actually Reflect Pretty Well on Capitalism*. The nub of the defense: "What we've seen from the papers so far is not so much an indictment of global capitalism as an indictment of countries that have weak institutions and a lot of corruption. And for all the outrage in the United States, so far the message for us is pretty reassuring: [We aren't one of those countries.](#)" She then goes on to say that thievery has been around long before capitalism, that there are innocent reasons for hiding things (Jews hiding funds in Switzerland for safekeeping before flight - a vile comparison), then goes off into a lot of blather that has nothing to do with the subject being discussed. The first thing that pops out after reading this article: Strange that she should write these things when there has been a well established history of American capitalists committing such offenses (like all those American names the US finally squeezed out of Swiss banks). 11 million pages were hacked from M&F -- Why assume they've all been checked and few Americans were found?. The Firm was founded by the son of a Nazi SS war criminal, excused from being brought to justice by his righteous American captors, and who reportedly later worked for the CIA. It's said to have 37 offices around the world, but curiously none officially in the US. A lawsuit several years ago revealed that it created 100 companies in Las Vegas that stole millions of dollars from Argentinean contracts. The Guardian counts 200 Americans exposed for offenses so far from this current hack job. That paper also explains why the firm apparently hasn't set up operations in this country. "Forget Panama - It's easier to hide your money in the US than almost anywhere else." The US happens to be one of the few nations not to have signed on to the OECD futile attempts to deal with such corruption. So what's to be said of the likes of McArdle, a Bloomberg think piece writer? To paraphrase Marx: The vastness of capitalist corruption is best measured by the idiocy of its defenders. I suggest *McArdle* as an appropriate unit of measurement.

An interesting study by economists L. F. Katz and A. B. Krueger, as reported by Bloomberg, supports analysis by alternative sources that the amazing jobs numbers reported by the BLS are based on numbers, not jobs. Between 2005 and

2015 job growth in the following categories: Independent contractors, temps, on call workers, and those that work for contractors grew from 10.1% to 15.8% of the labor force. Krueger – “All of the net employment growth in the US economy appears to have occurred in alternative work arrangements.” These categories lumped together have come to be called Gig Work. In another related report, this one from Challenger, Gray and Christmas, the number of layoffs in March increased by 32% year over year, and were that same 32% for the quarter YOY. Jeffrey Snider of Alhambra Investments exposed the silliness of the official numbers. With retail sales growth largely stagnant in the 3% range (currently slightly below – typically below means firing, and above means hiring), we are expected to believe that the BLS actually counted a staggering 261,000 hirings in the first quarter. Of course, the real economy has already proven the figures to be false, had they been true the economy would be thriving rather than hanging by a thread as it bounces along the bottom.

Wednesday was time for another jolt to keeps the wobbling financial plates spinning. The Fed minutes of its last meeting were released. 9 of 10 voted for no rate increase with most saying global weakness will persist for some time. Then Bullard, head of the St. Louis Fed in a Bloomberg interview, said "growth has been somewhat tepid...tracking forecasts have been marked down."

China land sales fell 21.6% in 2015 to about \$525 billion. With a large volume of unsold housing the demand for property by developers to expand construction has weakened. The slowdown in land sales has a serious secondary effect of forcing cuts in local government expenditures since from 30 to 60% of its earnings comes from such sales. In case anyone is wondering how a country can be communist while systemically privatizing its land base -- *It can't*. A communist society by definition means that all land is held in common where it can be exchanged for use but not sold for ownership. The basis for this is that humans are land-based creatures -- the amount of earthly land is limited -- therefore no one has the right to gorge themselves on the ownership of the most essential of human need - a place to set oneself down.

The Institute of International Finance reported that the corporate profit decline is an international phenomenon. That means that corporations suffering a decline in their home country are not likely to make up the difference by investing abroad.

Omaha.com reported that total American rail shipments were down 6% so far this year compared to the year before. And it's not just oil and coal. Grain - 8%, Sand Gravel and stone - 20%, metal products -14%, scrap metal -13%. The real stuff for a really thriving economy -- which explains why it isn't.

The markets were down for the second out of the last three weeks. Perhaps Fed-talk is weakening. Today Dudley (head of NY Fed) said any tightening would be "cautious and gradual." Yellen also chimed in saying that employment growth was strong, but still has room for expansion (of the real thing). And today the S&P closed at precisely where it was in November 2014. The only difference being that earnings per share was \$106 then and only \$86.44 now.

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