

It's Not a Real Bubble Because It's Only An Asset Bubble

10-28-13

Interesting commentary by Randall Forsyth on Greenspan's new book. Greenspan admits to being surprised by the “screwy” things done by the Wall Street crowd. Since they had experienced a number of bubbles followed by bursting bubbles in the past few decades, Greenspan was certain that rational self-interest had finally taken hold – now the financial speculators would maintain sufficient liquidity to deal with a weakening economy before it collapsed. After all, isn't that what us common folk are expected to do – plan for a rainy day?

“Rational self-interest” exemplifies the utter stupidity of libertarian free market types like Greenspan. It's impossible to discern any intelligence in people who haven't figured out that capitalism is inherently anarchic and *irrational*. The only version that demonstrates some rationality in the economic sphere is totalitarian fascism, but then it tends to go crazy in the political domain. Capitalism is a game in which a certain amount of return on investment (capital) *must* be invested somewhere in order to continue to grow and stay in the game. When safe areas to invest start to vanish, then bad areas begin to seem acceptable.

There have been several major burst bubbles in the past thirty years. In all cases the Fed and other governmental entities have intervened supplying massive liquidity to absorb the losses. In other words a bailout – In other words, only a fool would let rational self-interest stop the government backed craziness. What's the solution? Going back to pre-1970 conditions when investment companies weren't incorporated and those supplying investment capital risked losing their personal fortunes, or ever further back when joint stock corporations were a rare phenomenon? No, because that fuel needed to run the economy has to come from somewhere, if not from private sources than from the state. That would mean a form of state capitalism and the fascistic politics that goes along with it.

Of course, the government can impose rather strict economic regulations. That happened during the Depression and the seriousness of this last collapse has managed to provoke another bout of government imposed rationality. As Forsyth notes, we only have a bubble in the asset portion of the economy. The real economy is quite stagnant. Why – *because of the new regulations*. Thus that quiet interlude of decent living lies between the Scylla and Charybdis of the normal functioning of capitalism. There is no solution, either play the game or cash out with what you have and look for one that gives you a chance.

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