

Unending World Crises

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The markets were down for the 8th week out of 9. Nasdaq has been in bear territory circa 25% below its high for several weeks. The DJIA and S&P have skirted the same yet are officially in a state of correction. The financial sector, the only part of capitalism that could manufacture the illusion of recovery from the 2008 economic collapse, has been kept alive only because the Fed, like a witch doctor sucking the venom from a snake bite to save a life, has loaded its balance sheet with trillions in dead investments which remain nominally alive as long as they remain blessed by the NY Fed.

Reporting on the state of the economy has been unusually absurd. First, the problem is shipping bottlenecks creating shortages of supply, and then suddenly retailers have too much of it and are having problems storage. There is a labor shortage when the labor force participation rate is near its standard (not including the depths of Covid) low 62%. What is consistent is that economic conditions worldwide are in or approaching recession, and what had been considered growth from the depths of 2008 are the equivalent of a person falling, eventually rising to his feet, and scarcely being able to move from where he stands.

Stagnant and sick is the state of the world economy, including its strongest capitalist state (China) which might seem stronger only because it's failing from a higher pre-condition. Meanwhile, the US with its real economy now 18% less than China's unleashes its only effective means to maintain its position in the world. A war that is creating an Orwellian 're-blocking' of capitalist states. What is happening now is not merely a little push and shove back but is evolving into a world historic event of major proportions.

Putin may win the core of his objectives in the Ukraine in a war caused by conditions made in the US. Recall that Biden kept predicting an invasion while Putin was still focusing on a negotiated settlement. Biden could speak so confidently because he had ordered the gradually increasing shelling and rocketing of Donbas cities and towns until Putin had only one option left – settle what were essentially just demands by the use of force.

Putin may win in Ukraine but lose at home. His neo-liberal economics, and his naive belief that he was on good terms with the West, led to the loss of billions held by oligarchs abroad. They have now retreated to their home base and demanding compensation.

'The oligarchs want to be compensated for what they have lost offshore with an even larger stock of assets onshore, including takeover of exiting foreign companies and privatization of state assets; low-interest Central Bank finance; import substitution and labour subsidies; tax holidays; postponement of ecological compliance; deregulation; amnesty for past crimes, immunity from prosecution for future ones.'

Putin appears to be on course to accept most of the demands, but that is not what the Russian people would accept nor certain powerful persons in Russia such as its renowned economist Sergei Glazyev, and in the Duma Mikhail Delyagin who chairs the Duma's Committee on Economic policy. Glazyev's proposal:

"Western competitors are handing over the Russian market without a fight, and it's a sin not to take advantage of it." To build a war economy.

And rather gifting enterprises abandoned by foreign firms to the oligarchs *"I would transfer such enterprises to labour collectives. No one else is interested in saving the jobs. But this is the main criterion that is proposed to be introduced as an obligation for those who claim to manage abandoned enterprises."*

The magnitude of what has occurred has yet to be digested by many: Foreign investments, decades in the making, have been dissolved. Originally they were expected to be temporary closures. This could be turned to the advantage of Russia and to the immense damage of western capitalism. Their arrogant pulling out of one market may mean closure and expulsion from others if a block in process of forming by Russia/China among nations more or less screwed over by the US, Canada, EU, UK, NZ, Australia, Japan gets up and running. The US may be in the process of being *hoist by its own petard*.

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