

# The World Afire

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Everyone has heard reports of the massive Amazon fire and the added risk it contributed to global warming. And when the danger slackened in the south it burst anew in the north with fires and power outages in California. There have also been forest fires in Portugal and other locations, but the most hazardous hot spots around the world are of a social nature, popular spontaneous uprisings against the capitalist screws withdrawing the minimal lifelines that make bare existence possible.

So far there have been active or recent events in Argentina, Chile, Ecuador, Venezuela (US assisted), Nicaragua (US assisted), Honduras, Haiti, Lebanon, Egypt, Libya (imperialist initiated civil war), Syria (from 2011 uprising to imperialist initiated civil war), Sudan, Somalia (imperialist destroyed country and then civil war), Iraq (imperialist invaded country followed by corrupt puppet government and opposition to it), Afghanistan (imperialist invaded country followed by puppet government and loss of much of the country in a civil war), Democratic Republic of the Congo invaded by Rwanda and Uganda forces), Hong Kong (21 weekends of riots by middle class student brats demanding preferred foreign dictatorship), and many more, not forgetting France.

Narrowing the field to those protesting economic hardships, the spark that ignited most of them was the transfer of state subsidies that ease a social need so that the state can payoff usurious loans from foreign banks. Is that really necessary? Do the ruling classes around the world want to be so 'in your face' when it comes to displaying their greed? Many of them are concerned. Small conflagrations can unite and spread. Some of the wealthiest are begging to be taxed at higher rates. Investment outfits have stopped saying their only concern is to increase shareholder value. But most significantly, those charged by the rulers to do their thinking for them now understand that, while you can make the masses listen to your lies, the measure of disbelief may reach a point that its blowback threatens the continued existence of the liars.

Mervyn King, former head of the Bank of England, in his Per Jacobsson Lecture 2019, *The World Turned Upside Down: Economic Policy in Turbulent Times*, said that their beloved system is in serious danger because nothing is working to return it to a level where those under its rule can imagine a better future.

Before the Financial Crisis at least one of every two years had world GDP growth above 4%. In the years since 2007 there hasn't been a single year above 4%. Uncertainty is rising, both as indicated in the IMF index of trade uncertainty and the Baker, Bloom and Davis index of global economic policy uncertainty which is higher now than during the financial crisis.

King describes the problem as a low growth trap, otherwise referred to as secular stagnation, and that it's something more difficult to get out of than conventional slumps because the solution for those is increasing aggregate demand. Normally rising wages and lowering interest rates can revive an economy. But the capitalist states have been so good at breaking unions and converting those that exist into semi company unions that wages are stuck in low. And cutting interest rates isn't going to stimulate spending if the general view of the future is a bleak one.

To make things worse, the ruling class is normally successful at promoting a positive future for the common herd even if they have their own doubts, but when nothing arises to support their lies, doubt becomes fear and they retreat into the ready cash of the market bubble and let the real economy go to hell. Banks don't like to loan to real economy enterprises unless there is clear growth as is manifested by rising prices. Without that there is concern about debts being repaid.

The IMF determined that between 2007-2017 governments, directly or through international institutions created as financial safety nets, pumped \$3.5 trillion into financial institutions in 37 countries. This angered the general public but the continuing existence of capitalism is of more concern than is the state of the general public. Curiously, King suggests that a shift of resources may be needed; from expenditures on things like commercial property to infrastructure. There was an across the board screaming in opposition by the mouth pieces of capital when expenditure on the miserable state of infrastructure was broached at the time of the crisis -- *that certainly wouldn't work* -- meaning that funds going toward real material needs would make less available for bailing out financial institutions – so that's where the money went. Finance superseded real life. They got what they wanted and now they are paying the price.

### **Economic Info**

– The market had a fair week despite more negative data. Industrial production and new home sales were worst than expected, but the usual nonsense about quarterly profits disguised real economic conditions. First the media expressed grave concern that a slumping economy would be mirrored in profit reports. Then miraculously they were OK thanks to some amateur tricks. Like Tesla surprised with a profit which came mainly from firing hundreds of workers. Then once the euphoria takes hold a surprise 26% drop in Amazon profits is lost in the festivities.

– China now leads the world in unicorns – privately held start-ups valued at more than \$1 billion. They have 206 compared to the US's 203. Together the two countries have 80% of the world's junior capitalist creativity. Yet we still have fools that refer to China as communist.

– According to the consultancy firm McKinsey a majority of the world's banks may not be able to survive the next financial crisis because returns on equity are

not keeping up with costs. Proposed solutions are increased technology, mergers and farming out operations.

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