Subject: Re: Modern Monetary Theory
Posted by Rusty on Sat, 05 Aug 2023 16:20:12 GMT
View Forum Message <> Reply to Message

Banking not only has it's compound interest to amplify money, thanks to legislation of both political parties. It enjoys the thrill of investing in the casino of Wall St too. And when it looses just asks for a bail out from the Federal Reserve.

Our Ponzi scheme economy: The Breeding of Money.

On The Breeding Of Money - by Gordog
bý Gordog

Some continue to delude themselves about the so-called US economy, which is nothing but a house of cards---and this meaningless, completely fabricated 'metric' of GDP. In real terms, China's economy is already bigger by half then the US. And that is being charitable.

Let us review some basic facts about how NUMBERS actually work. This is known as MATHEMATICS.

Take for instance the Ponzi Scheme. This is an ingenious bilking scam where a group of investors is promised a guaranteed rate of return. Since there is no PRODUCTIVE business of any kind that can generate any return, the only way to pay those initial investors is to draw in more investors over the next term, usually a year. The incoming investors are likewise paid their return by the next crop of investors, etc. Now it is obvious just from this description that the amount of new investors has to INCREASE each year, in order for this to stay afloat.

The mathematical underpinning of this scheme is exponential growth. This is a mathematical function where the growth of something is a function of the EXPONENT of TIME.

In simple terms: if you start with a single cell that splits in two...then those two each split in two and so on, it is obvious that the number of cells doubles at a given rate of time. In a Petri dish, such organisms will rapidly multiply in number until they have exhausted all the nutrients available...and everybody DIES!

Now let's consider a bank that is lending money at interest. Here we have a group of BORROWERS rather than investors.

If in the first year, the bank has a given number of borrowers, it will receive back not just the amount of money it has lent, but an additional amount of money in interest. This accumulation of interest will continue building in perpetuity, according to the exponential math exactly like the Ponzi Scheme or Petri dish.

This is the fundamental mathematics of both. Only they are mirror images of each other. One is drawing in lenders [investors], while the other is drawing in borrowers. From the wiki entry on exponential growth:

Finance:

Compound interest at a constant interest rate provides exponential growth of the capital. See also rule of 72.
Pyramid schemes or Ponzi schemes also show this type of growth resulting in high profits for a few initial investors and losses among great numbers of investors.
For instance if you borrow money at a rate of 9 percent interest per year, the amount you owe is DOUBLE after just 8 years [provided you are required to just pay it all back in one lump sum and not payments].

Now let's take into account that the ONLY way for brand new money to come into existence is if it is created as a BANK LOAN. That is actually how our system works. The borrower can be a consumer, a corporation or a government. It doesn't matter. But somebody has to step up to the bank counter and say 'I want a loan' before any new money can come into existence.

So here is the catch 22: Because the borrowers in any given year are also paying back interest, that means that more and more brand new money has to come into being each year, simply to account for that extra interest money that wasn't there before!

So you need an ever greater amount of borrowers stepping up and asking for loans.

Where do they come from? Can you just keep going like this forever?

Obviously the Petri dish and the Ponzi Scheme both tell us that this is a house built on foundations of sand. It cannot possibly continue in perpetuity. It all has to come crashing down.

Consider that 100 years ago, very few ordinary people needed to borrow money. Oftentimes people would buy a house or a car with money they had saved. By the time of the postwar years of the 1940s, you already had a new kind of borrowing culture emerging, where people would often seek credit to buy their own home more quickly.

[Recall the scene in Frank Capra's It's a Wonderful Life, where George Bailey [Jimmy Stewart] who runs a family savings and loan that lends to aspiring homeowners, confronts the badguy Henry Potter who is a slumlord and wants to ruin the small family S&L.]

For good or bad, this depiction of getting ordinary folks to borrow money so they can more quickly own their own home, as something positive and progressive, took root. Of course getting people to borrow for buying a house and car was just the beginning. Soon, you needed a whole new crop of borrowers, so we started women entering the workforce and becoming part of the debt slave pool.

[Remember, just like the Ponzi Scheme, the interest lending scheme needs EVER GREATER numbers of borrowers each year.]

Then when that dried up, you had to start importing brand new PEOPLE, ie immigrants! Today that is an increasingly fraught subject as the wheels continue to come off this Ponzi machine and there is less to go around for everybody. So people start resenting the newcomers. Yet, the powers that be insist on bringing in ever more people! They are needed. Each one is going to go to the bank and borrow to buy a car, a house, etc. Just like that Ponzi Scheme somehow has to find new investors to avert going tits up. Then you had credit cards, and then a very big one:

EDUCATION. Now you have not only mom and pop debt slaving away, but even junior has to be pressed into the chain gang, before having even gotten an education or a vocation in life.

Is there any possible stone that has been left unturned in the search for new debt slaves? And this is all supposed to be so 'glorious'?

Some have foreseen all of those problems, such as Michael Hudson. He told us long ago that ancient civilizations had all come up against the same problem with EXPONENTIAL MATH: When you attach interest to loans, the amount of debt reaches unmanageable levels and has to simply be wiped clean. We see this from the graph of exponential math:

A real productive economy can be expected to grow only linearly, as in the red line. And even then, at some point it cannot grow any more!

But the amount of accumulated debt starts overtaking the amount produced by the real economy until it is double, triple or even many more times that of the real, productive economy. Obviously, the only thing you are doing is producing money itself, not actual and real things! That is why we have had ZIRP for more than a decade now. Zero interest rate policy. Not wanting to actually write off unpayable debt, at least cutting the money creation rate to zero is supposed to accomplish the same thing.
On the matter of wealth and gaining it, The Great Thinker had much to say:

There are two sorts of wealth-getting, as I have said; one is a part of household management, the other is retail trade: the former necessary and honorable, while that which consists in exchange is justly censured; for it is unnatural, and a mode by which men gain from one another.
The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it. For money was intended to be used in exchange, but not to increase at interest.

And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of getting wealth this is the most unnatural.

Aristotle, Politics Book One, Part X

As I have come to learn from reading, listening and interpreting for myself a few years now. The U.S. government does not HAVE to borrow to pay it's bills. It is a sovereign country with it's own currency. It does so to keep our Ponzi going. And deficit growing. The IMF and World Bank are an investment vehicle that's led to impoverishing counties to make them debt slaves and sell off their assets in their country. The US trade debt is from cycling back dollars from foreign trade in the form of IOU's, (bonds). Without producing any goods in exchange. This free lunch as it's known is what partly accounts for countries grouping together to circumvent our advantage and their disadvantage. The BRICS initiative. As well as our use of sanctions to try and control countries that are not in compliance with our National Security interests. Which are world wide and contentious in scope by means of regime change, clandestine operations and nearly continuous hot spot wars since the end of WWII.
If we do not come to terms with the way our economy and society have played out. It seems to me that a good part of the world will shun our business in time. And we have the wild card of our

environmental reckoning to deal with. Now is a crucial time it seems to start cooperating rather than agitating.