



neverhadaboss.com

updates on the insane world of money and power  
*On Debt* (Political Economics)

I just saw the headline that Trump is going to do an emergency primetime address on the proposed wall between Mexico and the USA. That sent me back to when I was 16 years old, and I rode a 250 BSA down to Tijuana (they didn't even stop you at the Mexican border in those days), and from there, east, across the mountains into Mexicali where there was a parade going on. On the American side is Calexico, and the countries were divided by a *line* of colorful bricks (La Linea). The parade crossed back and forth over the line, without incident.

There's a term—forward deployment—that I find especially useful. Our two-hundred military bases, all over the world, are forward deployment from which we can strike anywhere, instantly. Trump's wall is *forward deployment*, to keep out the consequences of bad policy decisions on the part of the United States: the useless war on drugs, regime change (for corporate gain), in Central and South America), NAFTA (which bankrupted Southern Mexico), to name a few. But for the purpose of today's blog on debt, let's think about the term *forward deployment*, and how it functions in our economy, and especially in our debt.

Here's some basic facts about debt in our economy: banks do not grow the economy because banks make few loans for infrastructure, or to corporations and industry, in general. Banks seek their own profit, so they make collateralized loans, principally on real estate. Or, they don't loan at all, holding the money they get from the Fed in reserve and being paid interest on that money by the government. Banks will loan to corporate raiders, who take corporations apart, to profit the 1%, rather than funding corporate production.

In 2008, we bailed-out the banks, and it wasn't the original 180 billion or whatever it was, it was closer to 4.3 trillion dollars given to the banks, which did nothing to grow the economy, but did much to create asset bubbles in the economy. As a consequence of that decision, 9 million Americans lost their homes, and because of the asset bubble created by the giveaway, those 9 million Americans had to pay more in rent.

If one wants to place responsibility for what happened in 2008, on a political party, the democrats get the greater share. Thought to be political progressives, Hillary Clinton (who referred to working Americans as *deplorables*), and Obama (who addressing bankers during the crisis referred to Americans as *a mob with pitchforks*), were both corporate politicians, through and through. Then came Ben Bernanke, who insisted his bank—Citibank—get a bailout. Sheila Bair (head of the Federal Deposit Insurance Corporation), proposed that home loans be scaled back to no more than 25% of median homebuyer's income, or no more than the rent equivalent of their neighbors. To which Obama turned a deaf ear.

Bankers had traditionally never loaned more to a homebuyer than 25% of the buyer's income. Then somehow it went to 31%, then to 43%. Think on that: if you're a young person paying off student debt over 30 years, and 13% of your paycheck goes to social security, and you're paying for healthcare, and you buy a home at more than 25% of your income, you have nothing left with which to purchase goods and services, which means there is no economy. That, or young persons never buy a home.

If banks have debt, they have bad loans, and that's from being imprudent—but banks are the super/constituency, donor class, and it's they who write the laws. And it's always the same unrecognized fight between the monied interests (the lenders), and the workers (the debtors). Unrecognized because economic history is not taught (that may be on purpose), because if it were, Americans would know that corporate raiders are *forward deployment* (of debt accumulation) and stock buybacks are a function of corporate raiding (having nothing to do with economic growth or productivity).

Ms. Bair was correct—the loans to homeowners should have been written down—we were already backing them with Fannie and Freddie. Because government debt far outstrips private debt, and since public debt could have, and still can, be printed away, that 4.3 trillion that went to the banks, could have spurred the economy, and made it so people had money to buy goods and services. But no, the banks were bailed out. Banks that could borrow money at 0.1%, but still get 9% from the government on student loans, and 19-29% on credit cards.

The next time you have a good thought about the democrats (and I, in no way, am a republican), know that when public-backed debt gets written down, it's the savings of the 1% that gets cut. Which brings the question: who is it that government is functioning for? It's for the banks—banks don't care about working Americans. We're the suckers for their lies. And when there is nothing left to do, they bring on the madness of austerity, with more lies about why we have pay for it. When the austerity comes, save enough for yellow vests for you and your kids.

Please read my fiction and send my blogs to your friends. Get on my blog email list at: [erik@neverhadaboss.com](mailto:erik@neverhadaboss.com)

