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Market Turmoil. The US Economy is House of Cards

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In his book titled "Capitalism and Freedom," economist Milton Friedman said "only a crisis – actual or perceived – produces real change."

"When a crisis occurs, the actions that are taken depend on the ideas that are lying around."

"(O)ur basic function (is) to develop alternatives to existing policies (ready to roll out when) the impossible becomes politically inevitable."

Friedman and likeminded ideologues believe that whatever government does, business does better so let it.

There's nothing fair about their notions of "free market" capitalism.

Shock therapy at times of political, economic, and/or financial turbulence is the economic version of smashing nations militarily to save them.

Its central tenets include mass-privatizations, government deregulation, unrestricted free market access for US-led Western business interests, deep cuts in social spending, and harsh crackdowns on nonbelievers.

The scheme includes transferring wealth from public to corporate interests and high-net worth individuals — creating ruler/serf societies, enforced by hardline rule.

Inside the bubble is paradise. Outside is dystopian hell — featuring growing poverty, unemployment and underemployment, totalitarian rule, mass surveillance, mass incarceration, and slow-motion elimination of human and civil rights.

Financial crisis conditions in 2008 and early 2009 enabled consolidation of banks and other companies, creating fewer giant players, less competition under a fundamentally unfair system.

Will something similar play out ahead if financial, commodity, and other market turmoil continues?

Though too early to know, is what Paul Craig Roberts earlier called a house of cards US economy beginning to unravel.

"Every aspect of it is fraudulent, and the illusion of recovery is created with fraudulent statistics," he explained in April 2014, adding:

"All financial markets are rigged. Massive liquidity poured into financial markets by the

Federal Reserve's Quantitative Easing inflates stock and bond prices and drives interest rates, which are supposed to be a measure of the cost of capital, to zero or negative, with the implication that capital is so abundant that its cost is zero and can be had for free."

"Large enterprises, such as mega-banks and auto manufacturers, that go bankrupt are not permitted to fail."

"Instead, public debt and money creation are used to cover private losses and keep corporations 'too big to fail' afloat at the expense not of shareholders but of people who do not own the shares of the corporations."

In early March, economist Nouriel Roubini predicted a financial and political crisis ahead, no "V-shaped recovery" later this year as some analysts predict, adding:

Markets are "completely delusional." Global economic conditions were weakening before the COVID-19 threat emerged.

No monetary or fiscal response can help with growing numbers of illnesses when a government coordinated medical response is needed.

"(T)he US housing market is experiencing a bubble just like in 2007," Roubini explained.

"Businesspeople tell me that things in China are much worse than the government is officially reporting. A friend of mine in Shanghai has been locked in his home for weeks now."

If things get as bad as Roubini believes ahead, Trump "will lose the election," he believes.

Last week David Stockman said "(t)he past 30 years of false prosperity is over," adding:

COVID-19 "expose(d) a far more deadly disease…the poisonous brew of easy money, cheap debt, sweeping financialization and unbridled speculation that has been injected into the American economy by the Fed and Washington politicians."

Wall Street reflects casino capitalism while "Main Street (is) buried under mountainous debt…the (US) economy exceedingly vulnerable to external shocks" like COVID-19 at a time of growing global economic weakness.

Shadowstats economist John Williams said the Fed's "loss of systemic control was brought to head by the" COVID-19 outbreak, affecting growing numbers of countries worldwide — in numbers far short of epidemic or pandemic levels.

Fed "functionality was severely impaired" by how it mishandled things during and after the 2008-09 financial crisis — created by financialization and the rise of casino capitalism.

For decades, Wall Street manipulators transformed America into an unprecedented money making racket.

Business models prioritize grand theft, money made by stealing it in collusion with supportive government policies.

The late Bob Chapman warned of an eventual house of cards collapse, only its timing uncertain.

It lasted longer than he imagined because of manipulating markets, inflating them with what Stockman called “monetary heroin.”

Fraudulent practices ongoing for years include pump and dump schemes, naked short selling, insider trading, precious metals price suppression, and other dubious practices.

When times get tough, bankers and other corporate favorites get bailed out, ordinary people sold out, what may happen ahead.

In cahoots with government, the Wall Street owned Fed and other powerful private interests create shocks to the system, enabling greater consolidation for greater power by eliminating or buying up weak companies on the cheap.

Financial history has numerous examples of crushing competition, socializing risks, privatizing profits, redistributing wealth upward to a financial oligarchy, creating “tollbooth economies” in debt bondage according to economist Michael Hudson, and overall getting a “free lunch” at the public’s expense.

Orwell might have explained what’s ongoing this way, saying instability is stability.

Creating systemic risk is containing it. Sloping playing fields are level ones.

Extracting maximum profits for privileged interests is sharing the wealth, and what benefits the few helps everyone.

Market analyst Jeremy Grantham long ago explained that all markets eventually revert to their mean values from their highs and lows, stressing “no exceptions ever” in market history, adding:

“We know one principal truth at (his firm) and that is that we live in a mean-reverting world in investing.”

Its research “has shown…that all bubbles…eventually break (and our definition of a bubble is a) 2 standard deviation event – the kind of moves that occur about every 40 years” — the elevated state of things now, bubble markets ripe for bursting.

In its Monday edition, the Wall Street Journal headlined: “Global Markets in Turmoil as Oil Plunges,” saying:

“Markets shuddered Monday in the face of a price war for oil and the economic fallout from the coronavirus outbreak, with frightened investors seeking shelter in the safety of government bonds and propelling yields to unprecedented lows.”

Pre-market opening, Dow futures plunged 5%, the “maximum allowed in a single session.”

Crude oil prices plunged after OPEC countries and Russia failed to agree on reducing daily output to try stabilizing prices.

Bond vigilantes are screaming recession, the yield on Treasuries plunging to record lows.

What’s ahead remains to unfold. Given enormous excesses to markets, the fullness of time will tell if a time of reckoning arrived.

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