

CAPTAIN AMERICA. A PRESIDENT AND STOCK MARKET ON STEROIDS.

Marx's famous observation that history repeats itself first as tragedy, second as farce, could be updated to its more modern setting to read; history repeats itself as tragedy, second as reality TV. Reality TV is of course soap without a script though mostly rigged. It has become the modern escapism, an entertaining vacation to the almost real from the depths of the uncomfortable and isolated real. If Ronald Reagan was the tragedy, then Trump is the soap opera, the myth maker, the great leader destined for breakness.

Reagan and Trump are the two bookends to the period of neo-liberalism that has so damaged the working class internationally. From the actor who charmed a nation with his homilies to an actor who harmed a nation with his trickery, from an actor with a fireside manner to an actor who set himself on fire. If the decline of US imperialism is personified in the form of Trump, it could find no better avatar for all that is mythical and decayed, heralding the end of empire.

For a president to claim his COVID infection was a “blessing from god”, sent to teach and test him, and further, to prove the efficacy of US medical expertise, is an insult to the hundreds of thousands of North Americans who have died from this disease. Surely a case of God moving in mysterious ways, getting the Chinese to “synthesize” a deadly virus, so that he, Captain America could deliver his message to the world.

WHY REALITY TV?

All cultural forms have their origins and their purpose for being in the conditions found in society. If Reality TV sparkles with colour that is only because life has become monochrome in the age of austerity, precarity and isolation. If viewers are besotted with the expanded lives of contestants, it is because their lives are on hold. In many ways, reality TV is more addictive than religion though no less escapist, because the actors are not boring virtuous saints, but unvirtuous individuals placed in tempting circumstances, and while few today identify with saints who have given up on earthly pleasures, many identify with individuals encouraged, if not manipulated, to indulge their human fantasies. Instead of the sigh of the oppressed it is the cheer of the oppressed.

The most tragic example of Reality TV is of course the national lottery. Here TV focuses on the few winners while hiding away the millions of losers, most of whom are in no financial position to keep losing their bets. All attention is fixed on the transformed lifestyle and freedoms achieved by winners who now have fat wallets. “It could be you” goes the siren song, except that in the UK the odds of it being you, is one in fourteen million. How any TV regulator could ever sanction such a slogan speaks to the dishonesty of capitalism.

In a socialist society, where betting and gambling, as an industry, would be outlawed under fraudulent individualism, the propaganda to legitimise this change would focus on the realities of the tens of millions who lost hundreds of Pounds while enriching the company that ran it and the state that sanctioned it in order to reduce its obligations. The many not the few. But this is not propaganda without a purpose. Its intention is to show that enriching one-self at the expense of others is fool's gold, whereas real gold derives from collectively enriching one another through common effort. That whereas the former leads to slavery, the latter leads to true emancipation.

Reality TV is not innocent TV. It always presents a picture that favours the ruling class. This is particularly true with police themed TV. Here the police are portrayed as caring and brave individuals. A thin line protecting us against the dark, policing morality by standing up to immorality. When sympathy is shown to those forced to steal or to prostitute themselves, it is always a passing and superficial examination designed not to undermine the role played by the police. This creative indoctrination shows why it is so difficult for juries to convict police for wrongdoing, when they are untiringly portrayed doing their jobs under extremely difficult circumstances.

Of course, politics was always Reality TV so soon as mass media came into existence. The world of over promising and under delivering. But it has never been taken so far as it has in the form of Trump. Trump has turned politics into the art of deception. We could not leave this issue without a brief comment on the Chinese Communist Party which uses party imagery to obscure the march of capital.

Trump, the ultimate reality star.

History may remember Trump for turning politics into theatre and the presidency into a stage. The grand finale, and it is a grand finale, because he will lose the election, opened with him being infected with COVID and then closed with him triumphantly rising from his hospital bed. More Captain America without the shield than Batman with the mask. Taking his bow, he ended with this proclamation: do not fear this virus, lead your lives, and because it will disappear there is no need to close down the economy “stupid”. Surely a case of “it’s not what the economy can do for you, but what you can sacrifice for the economy”.

Except that the majority of US voters do see the virus as dangerous. They do see the need for precautions. They see the President as reckless, even unfit for office. The problem with reality TV is that it fails when it is completely out of synch with people lives and concerns, particularly when it over the question of life or death. Perhaps Trump is beginning to realise this predicament, sensing with horror that he will be the first President to lose re-election by imperilling and killing off his supporters.

The US “recorded” daily virus rate is beginning to surge, breaching 60,000 last week and approaching 1,000 deaths (Worldometers). If Europe is anything to go by, this could easily double within a fortnight. A daily infection rate of well over 100,000 and a death rate of 2,000 will make grizzly headlines before the November election. Enough to sink any candidate on the wrong side of these headlines. It could very well be the case that by the time the pandemic is one year old this March, the US death rate could reach 500,000, even with a vaccine being delivered by year end.

This is why Trump will lose, even against a non-entity like Biden and his murky family, elected by an undemocratic Democratic Party, a corrupt and nepotistical if not dynastic party. President Slump will be blamed for the economic contraction that will be visible by the election. No doubt he will continue to rage against further restrictions even as the electorate seek refuge in their homes. His strongest draw – law and order - is no longer bullet proof, after some of his far-right fans tried to kidnap the governor of Michigan for the “crime” of trying to save peoples’ lives when ordering a lockdown in April.

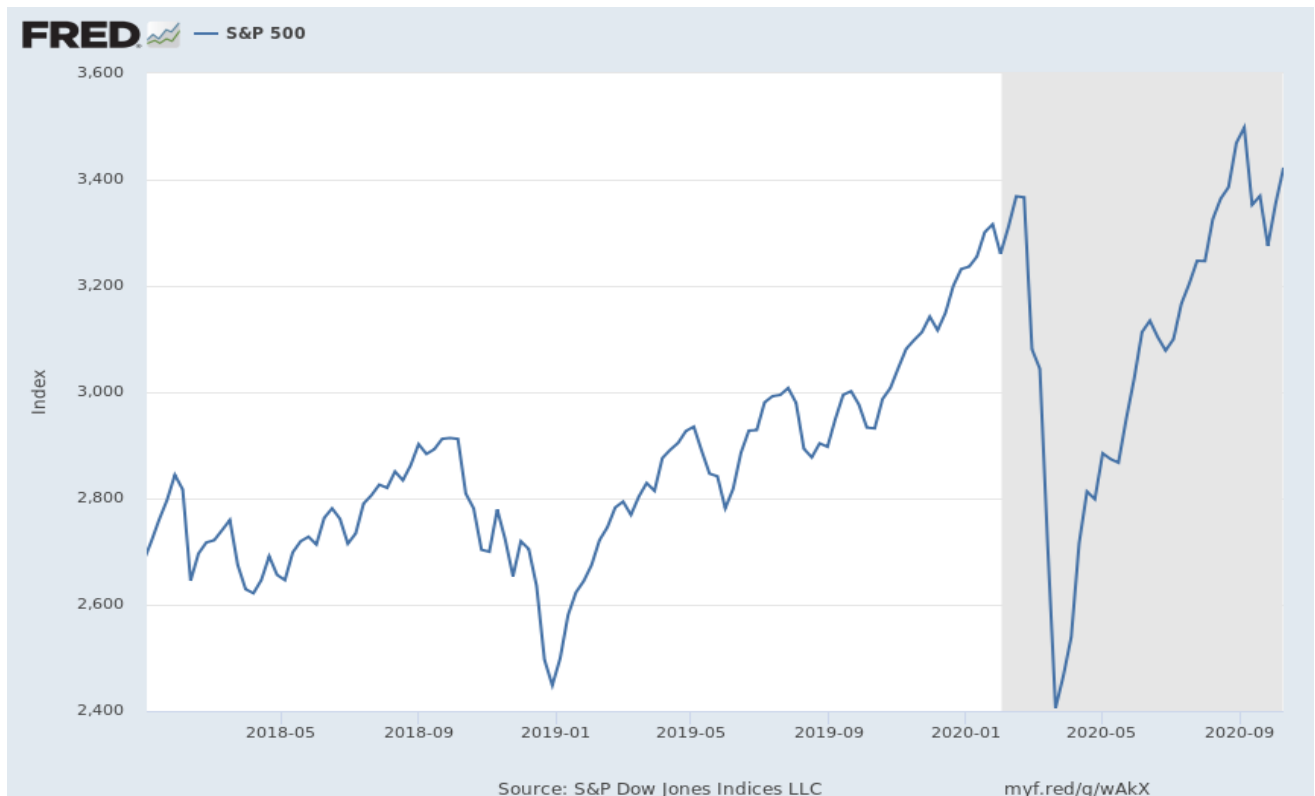
Wall Street on Steroids.

Looking at the graph below, it appears that traders have swapped their cocaine for dexamethasone. The markets continue to test new highs. The recent 10% correction has been side swiped. Perhaps they buy Trump’s claim that there is a cure for the virus, and he has had it, and they can afford it. After all markets are based on perfect information, despite the fact that Trump’s personal medical team appear to be

ventriloquist dummies swapping Presidential diktat for medical reports. The market better hope that Trump does not relapse.

Or it could mean that the markets are anticipating a Biden presidency and eyeing the reward of a large fiscal injection soon thereafter. That injection should be around the 2.2 trillion Dollars currently proposed by the Democrats. However, those who focus only on the present, are always devoured by the future.

Graph 1.



The fiscal deficit continues to surge behind the pandemic.

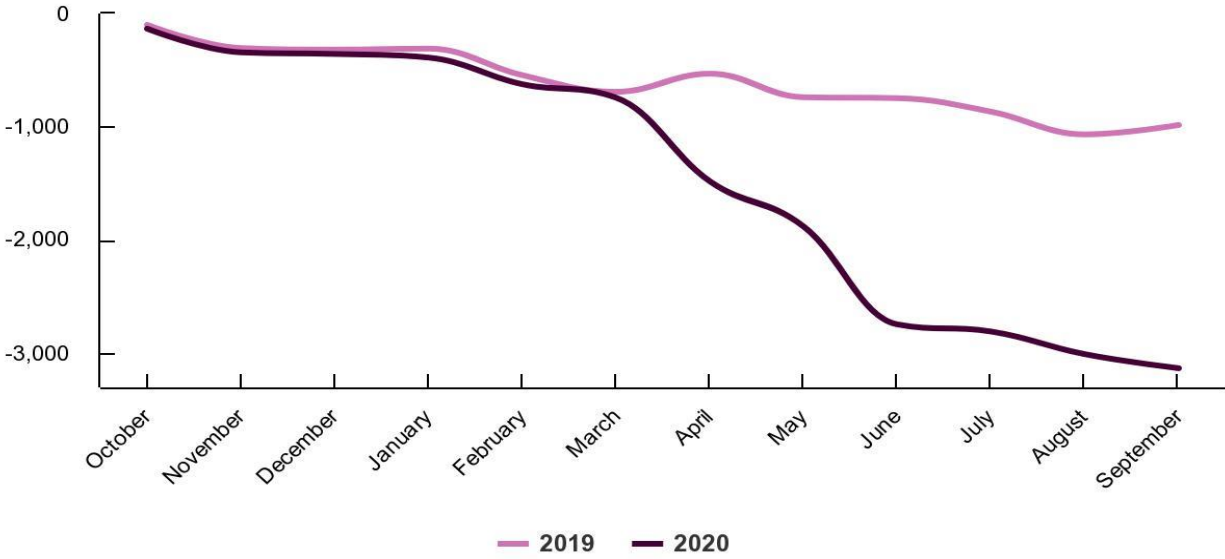
On the 8th October, the Congressional Budget Office released its report for the financial year ended September 2020. The deficit came in at \$3.1 trillion rather than the \$3.3 trillion expected. (This is due to the marginal fall on receipt side, which is a bit of a mystery, but could be the result of double counting, i.e. the deficit looping back into receipts in the form of the fiscal injection. Follow the top graph in Graph 2 below.) The link to the report is <https://www.cbo.gov/system/files/2020-10/56661-MBR.pdf>

At \$3.1 billion, the deficit was the largest since World War 2. It was two and a half times larger than the deficit at the height of the financial crash in 2008. And it is not over. A similar deficit may be in place by next September should the pandemic reach or overtake the levels found earlier this year. This is highly likely even with an imminent vaccine. It is probable that the Democrats will not only win the Presidency but both houses of Congress as well. In that event, they will pass the proposed fiscal support which will add at least 10% to the deficit for the coming financial year ending September 2021. Additionally, the Democrats are currently discussing a recovery fund to revive the economy post-COVID, amounting to another 5% of GDP. Thus, against a weakening economy, the deficit may rise by at least another 15%.

Graph 3.

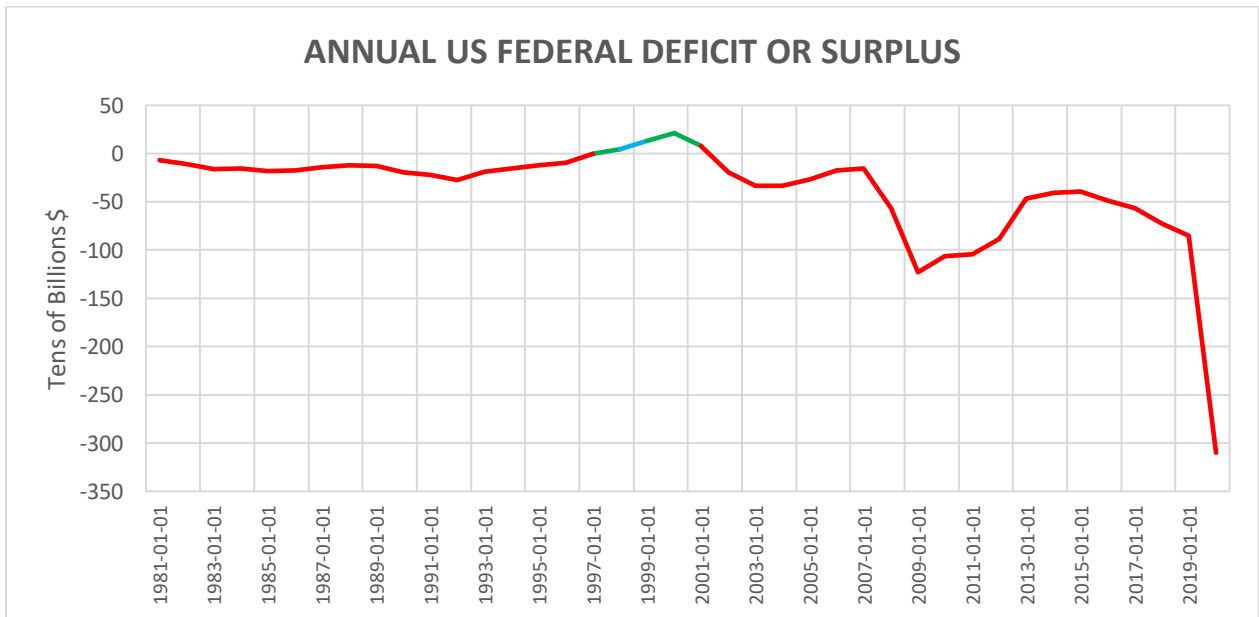
**Monthly Cumulative Deficits
Fiscal Years 2019 and 2020**

Billions of Dollars



Sources: Congressional Budget Office; Department of the Treasury.
The value shown for September 2020 is CBO's estimate.

Graph 4.

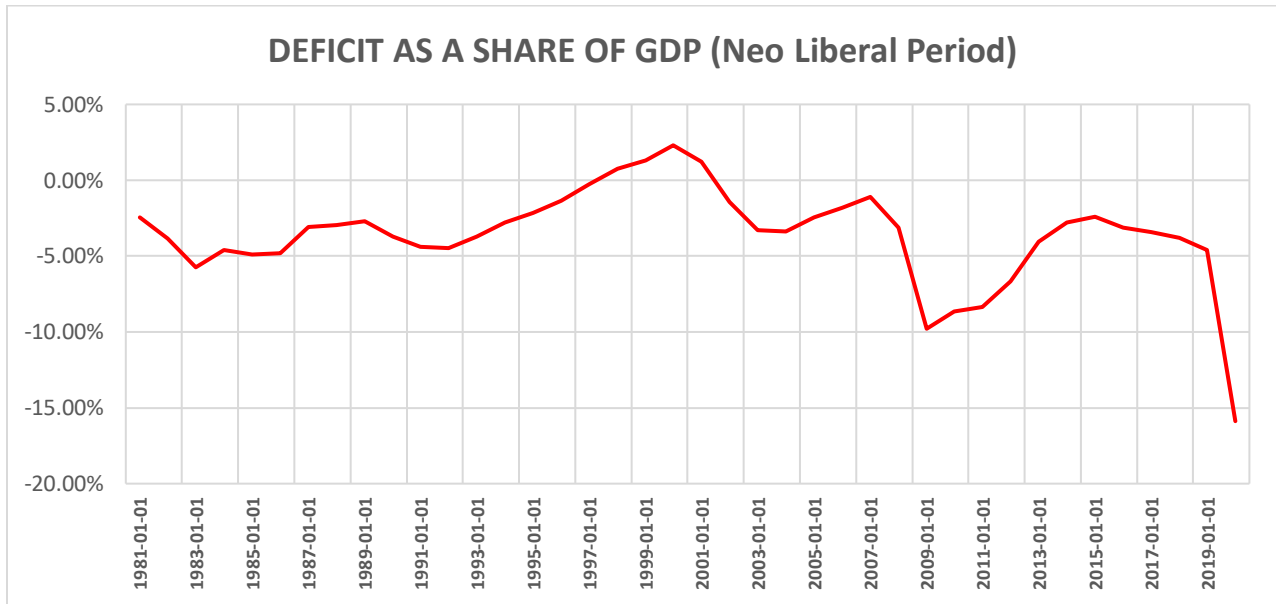


(Source: FRED Table MTSDS133FMS)

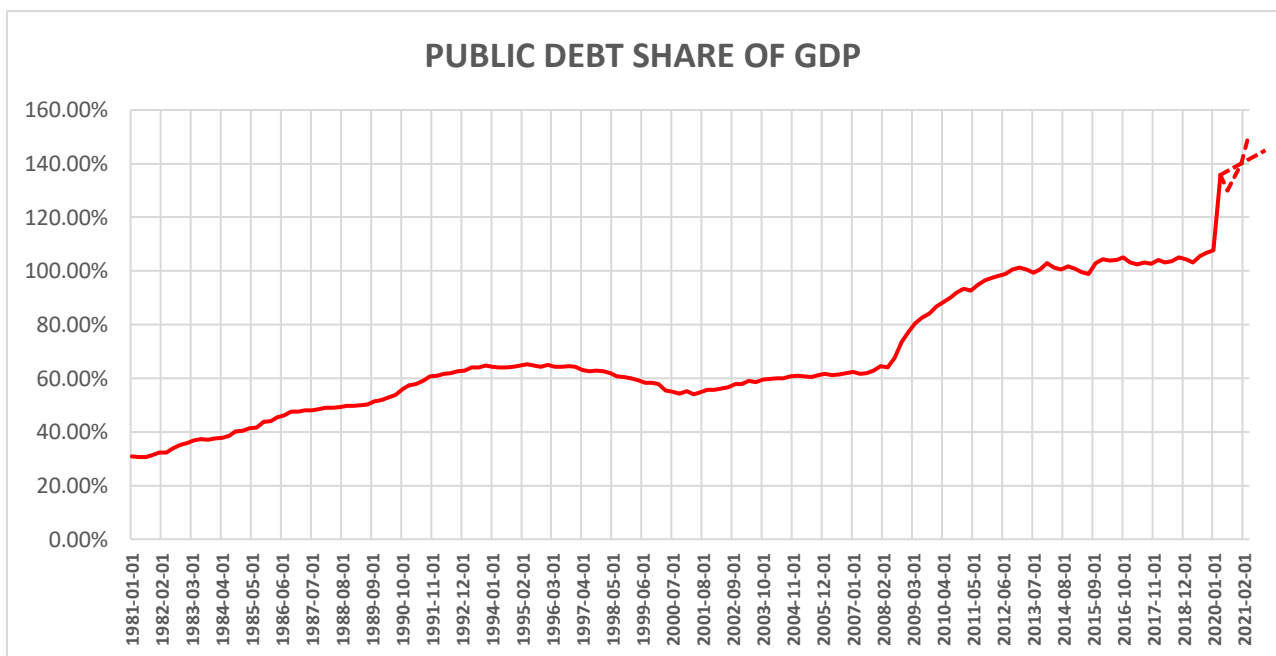
Of course, deficits of this magnitude lead to a surge in public debt. However, before proceeding, it is important to note that the figures based on GDP are skewed by the dramatic fall in Q2 GDP which has both elevated the deficit and public debt as a share of GDP. Q3 will see some of this fall recovered which

will bring down the deficit as well as public debt measured by GDP. This said, it is likely that there will be falls in GDP once more in the final quarter of 2020 and the first quarter of 2021. All my estimates are based on such an outlook. Graph 5 is an estimate for the next 9 months. By the end of Q2 2021, US Public Debt could sit at between 140 and 150%. If that comes to pass, then US debt will be 90% higher than the levels found prior to the 2008 crash, with 40% contributed by the financial crash and 50% by COVID.

Graph 5.



Graph 6.



(Source: FRED Table GFDEGDQ188S)

How big is the loss of value?

The OECD and IMF calculations of the loss in GDP are miscalculations. The loss in value production is not equal to the loss of GDP. The loss in GDP this year is variously estimated as somewhere between 5 and 10% depending on the outcomes for Q3 and particularly Q4. On the other hand, the increase in public debt this year will approach 30% this year, if not exceed it. Much of this debt has resulted from fiscal injections into the economy, some of which has boosted personal consumption and therefore GDP. Without this increase in public debt, GDP would have fallen much further. Thus, it is likely that the fall in the production of value during 2020 is going to be closer to 20% than 10%, a huge loss.

It is worthwhile noting that the actions of the FED play little role in determining GDP outcome, except in a negative sense by preventing markets from crashing. The \$3 trillion worth of support by the FED since October 2019 is localised to the various money markets and serves only to preserve the financial plumbing or better still, the financial sewers, enabling their continued functioning. The effect of this intervention tends to feed into the sphere of fictitious capital only, and only afterwards, does some of it siphon into the real economy as and when speculators cash in their capital gains and consume some of these gains. True, without this siphoning effect, GDP growth and actual GDP would be lower, but the effect is indirect.

It is for this reason that the FED Chair Powell is begging both Houses of Congress to get their act together and pass another emergency package for workers and the economy. He appreciates the limits of monetary policy.

All these calculations come before any large scale write offs of capital and fictitious capital as happened in 2008. It is unlikely that the FED will be able to buy sufficient stricken debt over the next year to prevent this from happening. When it does, it could easily amount to trillions of dollars in lost corporate profits and write downs by banks.

There are two further considerations. By the middle of next year, it is likely that an additional \$25 trillion in government bonds will have been issued to support the global economy due to the pandemic. This is an unprecedented flood of issuance which no algorithm can approximate in terms of its effect on interest rates. Even with a degree of monetisation, the sheer scale of demand and supply should force interest rates up as various stricken states compete for funds. Should this precipitate a reversal in global interest rates, driving them up and ending the era of negative rates, the losses in the bond markets will again be epic. The biggest losers as always will be low-grade and speculative bonds.

But if we step into the largest room in the casino, share markets, even these losses will be dwarfed. The market cap for the Wilshire 5000 which embraces 97% of list US shares, erupted from \$22.5 trillion in late March to \$35.3 trillion currently, a gain of around \$13 trillion. Stock Markets are operating as though the worst is behind them as they anticipate the sun finally rising on a vaccine or two. But the worst is not behind. I have compared this pandemic with a hurricane which is characterised by leading winds, an eye and tailing winds. Any meteorologist knows that the tailing winds are the more destructive because they are stronger than the leading winds and they are acting on structures and lives weakened by the leading winds.

The markets have confused the eye of the storm with the end of the storm. The pandemic broke out at the end of the 2019 winter, a winter characterised by a weak flu season. Now we are about to go through

an entire winter with the Pandemic. True medical interventions have improved, and preparations are better, but these gains be drowned by the sheer volume of infections.

It could be the case that when the stock markets finally wake up to the consequences of the new wave of infections, they will be flooded, and this time they will not rebound.

How would a socialist society deal with a pandemic? Clearly a socialist society would be at less risk. It would be free of the competition which interferes with our relations with nature. Also, there wouldn't be the housing crisis and the poverty that forces people to live on top of each other acting as an incubator for disease. Finally, the health of society will be immensely improved by good nutrition, good housing, financial security, a comforting community and the absence of predatory Big Pharma, making its members far less susceptible to infections.

Despite all this, let us assume for argument sake, a pandemic breaks out. How will society be affected? Let us begin with a loss of production of 15%. Part of this will be set off by the reserves set aside for emergencies, which Marx called society's insurance policy in the *Critique of the Gotha Programme*. Let us put these reserves at 10% of annual production. If it is decided to draw down half, or 5% then the loss in consumption will be reduced to 10%. (It is also decided to begin rebuilding these reserves only in the following year.) Thus, society will be collectively 10% worse off because of the pandemic. However, there will be no bankruptcies, no loss of jobs, no surge in debts, no homelessness and all the other destructive elements found in a capitalist society fragmented by private property. After the pandemic, workers will return to their workplaces and resume where they left off prior to the pandemic under the aegis of the planning bodies who would have prepared for this return.

A divisive President or a divided Country?

The civil war in the 19th Century reunited a country divided by economic practise and cultural differences. But what held the United States together and cohered it was not so much mass immigration as much as the ascendancy of US imperialism. Since the Second World the US has sat astride the summit of the world economic order. It has been the undisputed hegemonic power, fostering the kind of patriotism that enabled US capitalists to take all kinds of liberties with their workers, resulting in an unexpectedly cruel society for such a rich country.

The Democrats accuse Trump of being a divisive President, representing only one side of the country. Their accusation misses the point. Trump has not divided the country, he has merely exploited the pre-existing and growing divisions politically. These divisions are the product not of Trump, but of economic decay. If Trump promises to make the USA great again, this is nothing more than reality TV playing on the broken hopes and aspirations of whole swathes of the population who pine for redemption when all around is wilting and crumbling.

The question is posed; now that the USA is slipping from the summit and heading down the economic ladder, to become just another major economy, what effect will this have on these divisions? They will intensify. Already a low-grade civil war is underway. What unites all the far-right groups is their antipathy towards the federal government and federal taxes, the very glue binding the United States of America together. The US is following in the footsteps of the EU. The same centrifugal forces are at work. In some ways it is worse, because inequalities are worse, and the gap between the richest states and the poorest states, say California and Mississippi, is bigger than found in the EU.

Biden, followed by the first woman president, Kamala Harris (Biden appears not to have four years in him) will find they cannot serve as unifiers. Both will find they rule at a time when the COVID bills (invoices) fall due. They will be faced with mass unemployment, mass homelessness, mass bankruptcies, mass precarity together with a massive hole in their state coffers. It will be an impossible time to rule by consent. It may very well be the case, that the laws used to keep us safe by reducing our liberties, will be turned around to keep the state safe.

It will be a time of forced repayment for the largesse offered during the Pandemic. A time of rising taxes, busted pensions, pay cuts and government services trimmed to the bone. Austerity on steroids. A difficult time to be a President. Sometimes politicians should be cautious about what they wish for. Serving the needs of capital, and remaining loyal to capital, these leaders will impose cruel sacrifices onto society to maintain treasury balances and to boost profits. It will be both a painful and turbulent period.

The resilience and capacity of capitalism outside China and a few Asian countries, is about to be tested to its limits. There is a growing restlessness particularly amongst the youth, together with a growing appreciation that capitalism cannot be left to stumble from one crisis to another. We should remind ourselves that in the last quarter of 2019 there were already over 500 major strikes or protests in cities around the world every week.

Conclusion.

In the name of humanity, we need to rebuild the international revolutionary movement in double quick time.

Brian Green, 10th October 2020.