How to Treat our Manic Depressive Economy

by Dr. Tomáš Sedláček

Summary

The state of our economic crisis is vastly underestimated. The issue does not reside in something as comparatively simple as a single country's economy, it resides in the entire system of growth market capitalism. Grows is not a result of this system, it is a condition. This unfortunate concept results in our economies increasing growth by whichever means necessary, dooming their stability. And when true growth is hard to come by, eternal debt increases and time-money transfers are used (both which create illusions of growth where it does not exist,) therefore decreasing economic stability and leading to the collapse of many economies.

Lecture

- <u>Depression vs. Manic Depression</u>. Our economy is misdiagnosed as depressed, when in reality it is manic depressed. The issue is that depression is *treated* differently than manic depression.
    - Depression: Give medicine to increase mood and once patient is happy, patient is treated.
    - Manic Depression: To treat, doctor must focus on the mania. Patient must be treated by both increasing mood and *decreasing* mania. Patients can dislike taking such medicine to reduce mania because they reduce these "positive aspects."
        - Manic phases of bipolar disorder: Patients spend more money than can afford, have overly optimistic view of present and future, and are extremely creative and efficient.
    - This can be related back to the economy, which is treated as only depressed. But with a manic depressed economy, simply increasing 'mood' is not enough to fully treat the economy, which may not even want to be rid of its creative/effective/etc. manic side anyway.

- Policies
    - Keynes: Our economy is considered to be Keynesian, but in reality Keynes is more of an extreme right-winger. Today's economy should be more appropriately termed "bastard Keynesian" because it does not include some of his theory's more important aspects: While our economy relies on the concept that deficits are acceptable, it ignores the specification that it can be so only if surpluses are provided during the "good years."
    - Politics: Originally, the government had two hands to influence the economy. Now, half of its power has been stripped, and it is left with only the fiscal policy.
        - Monetary Policy: The monopoly on printing money. Partly due to politicians simply printing an excess of money to solve problems and therefore creating hyperinflation, this power was given to central banks.
        - Fiscal Policy: The monopoly to print debt. Governments now only have this economic influencer, which explains our bankrupted state.

- Economic Time Travel: Interests rates are used as monetary time travel.
    - Alcohol: The energy received from drinking alcohol on Friday night is not *created* by the alcohol, but "borrowed" from the future. The total amount of energy over the weekend is constant; it is not created and added on to Friday night's festivities. A socialite receives energy from the future, resulting in energy-loss Saturday morning. The hangover is simply a loss of once existing energy that was spent the night before. In this way, alcohol is used as energy time travel.
    - Interest: In order to buy the expensive car, a buyer takes future energy/money from when he is 60. However, once he reaches 80 he must find a way to come up with this money by either working more or consuming less. If there were no interest rates, this time travel of money would be much harder.
    - To relate to the economic crisis: getting drunk on Friday evening is acceptable because there is nothing important on Saturday morning. However, it is not clever to get drunk on Sunday evening when Monday is an important workday. It is possible to estimate how we might feel the next morning, but it is quite

impossible to know precisely our economic situation in 40 years. One way to read our current economic crisis is by comparing it to a very bad hangover on Monday.

- Debt:
    - Sin: In Greek, the same word is used for both debt and sin. Relating back to the bible: "Forgive us our sins/debts as we forgive those who sin/are indebted against us. However, banks commonly ask to be forgiven of their sins but to *not* forgive those indebted to them.
    - Partial Objects: Something we create to serve us, but we lose control and we end up serving it. Ex.: Matrix. Technology is created by man, but robots wage war and take over, and man is now slave to them. Ex.: Aladdin's lamp. Debt has become one of these problems. Ex.: A government takes 3% of GDP deficit and with that grows 3%. This usage of debt is considered by its citizens to be good. However, the government has used this debt to solve its economic problems by shielding itself from the fact that it is not better off than before.
    - Freedom: As seen just above, debt creates an illusion of freedom in that it allows us to justify in consuming more than is "deserved." At the end of the day we are slaves to this debt because it dictates to our country's economic policies. If there was no debt, rating agencies would be able to write anything; increase or decrease debt.
        - The debate that government deficit speeding helps the economy has been waging for the past 80 years is no longer relevant. We have "run out" of our ability to increase/maintain debt.

- Growth: Is growth a result or condition of market/democratic capitalism? The common belief is that it is a result, but this may not be the case. Is this capitalism like a bike: the faster one rides the easier, and the slower one rides chance of falling increases? Or is it like walking: standing still decreases chance of falling, but the faster one runs chance of falling increases?

  - To relate back, today's market/democratic capitalism treats the economy like a bike: the faster we grow the more beneficial. However, it seems that the economy is more similar to walking; in order to increase stability the it must to move slower (walking) rather than quicker (running.)
    - In the past we have sold our stability for growth. Now, we must reverse this trend. Politicians should trim growth down and use the excess to reduce debt.
  - The economic problem is not a lack of growth, it is too much growth. We constantly strive to grow more than our economy will allow which creates debts and potentially hurts the system itself.

- <u>The Real World</u>: Europe sees Greece as going behind. In reality, Greece is ahead and the rest of Europe will soon catch up to its bankrupted state. The issue is not a European one, other countries which do not use the Euro are also in crisis. Europe is in actuality more stable than Japan (which has a 230% debt to GDP ratio) and the US. What complicates the issues it is that the Euro has 27 independent fiscal units.
  - So, it's the crises of growth capitalism, not of capitalism itself.
  - Dismantling the Euro will be the beginning of ending the crisis.