

# Are We Brewing a New Feudalism? The Economy is Being Destroyed

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*The answer to the question is "YES." The large bailed-out creditors will end up with the property of the non-bailed-out debtors who are being pushed deeper into debt with "bail-out loans" and fees and penalties for missed debt payments. Write-offs for the One Percent, and more indebtedness for everyone else.*

Turn your mind to the economy. The US has a work force of 164,000,000. The unemployment forecast from the work closings is 30%. That would mean 49,000,000 people who are potential rioters. (We are half way there with today's report of a 16% unemployment rate with 22 million unemployed). Many of these people were already living paycheck to paycheck, could not raise \$400, and their debts leave them no discretionary income. As they could barely service their debts when employed, how do they service them when unemployed and when their small businesses are closed and incurring costs but have no revenues? Loans further indebt them. The cash payouts to the unemployed might cover food and housing but will not service their debts.

Fast food franchises and stores in malls are saying they are not paying their rents for three months. Mall owners won't be able to pay their creditors. The bailout works for no one except those who caused the problem. As they are being bailed out, they will have the money to buy up or foreclose on the bankrupted businesses. More property will be concentrated in fewer hands.

The bail-out scheme concocted by the New York banks and Trump's Treasury Secretary, who earned the name "the foreclosure king" during his Wall Street career, leaves creditors whole and debtors deeper in debt.

The more debt is concentrated in fewer hands and the more indebted everyone else becomes, the less consumer purchasing power there is to drive the economy. The foreclosed assets become less valuable as their profitability declines with consumer purchasing power.

The destruction of the US economy has been underway since global corporations moved middle class jobs offshore. It has been underway since the financial sector diverted a larger share of consumer income to the service of debt. It has been underway since corporations invested their profits in buying back their own shares instead of expanding their production capabilities. It has been underway since Quantitative Easing inflated stock and bond prices beyond realistic values. It has been going on since the rules against concentration were set aside and the Glass-Steagall Act was repealed. It has been going on since endless wars crowded out infrastructure investment and social safety net expansion.

Is this a plot or stupidity? Whatever the answer, the economy is being destroyed.

The economic problem is that private sector debt, both personal and corporate, is too great to be paid. This problem existed prior to the shutdown. The shutdown means that there is even less income with which to service the unsustainable level of debt. This is not a problem that can be fixed with more debt.

The problem is that banks lend to finance the purchase of existing financial assets, not to expand the economy's productive potential.

The problem is that corporations use their profits and borrow money in order to buy back their own equity instead of investing in their businesses. The executives indebted the corporations while decapitalizing them, and they are rewarded for doing so with "performance bonuses."

The problem is that global corporations thinking short-term moved high-productivity, high-value-added US jobs to Asia, thus reducing earned income in the US, impairing state and local tax base, and causing the Federal Reserve to substitute a growth in consumer debt in place of the lost consumer income growth.

The people in charge of the fix are only fixing it for themselves and in a short-sighted way. There is only one way to fix the situation, and that is to write down private sector debts to levels that can be serviced. As the creditors are being bailed out regardless, their loan losses don't matter.

The bank and corporate bailouts are an opportunity to fix the economy in other important ways. In effect, the bailouts amount to nationalization. The government should accept the ownership that it is purchasing. Then the government can break up the "banks too big to fail" and separate investment from commercial banking without having to pass new Glass-Steagall legislation and without having to battle against financial lobbying in Congress. Once broken up, the banks could be sold off. This would take enormous vulnerability out of the financial system and restore financial competition. With corporations in government hands, the jobs could be brought home from overseas. The middle class would be restored.

These measures together with a debt writedown would restore consumer purchasing power. Pent-up demand would propel the economy to higher growth as occurred following World War II.

This is a real solution to a real problem. But with the One Percent in charge of the problem, we are not going to get a real solution. We are going to get more money used to push up prices of financial assets and paper over unsustainable debt and a dying economy with an artificially-inflated stock market.

The elite have failed us too many times. It is time to dethrone them.

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*Dr. Paul Craig Roberts writes on his blog, PCR Institute for Political Economy, where [this article](#) was originally published. He is a frequent contributor to Global Research.*

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