Derivatives and the Government Shutdown: Wall Street Bets One Thousand Trillion Dollars of Everybody Else's Money

Derivatives Market Worth Over 16 Times Gross World Product

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The clock is ticking, we are told, on the "good faith and credit" of the United States government, which might technically be unable to pay its bills after October 17 if the two corporate parties don't make a deal on the debt limit. Congressional Republicans and the White House are "playing Russian roulette with the global economy," says an editorial in the Dallas Morning News, warning of impending "economic Armageddon" as financial markets "crater," the economy stalls and interest on future federal borrowing skyrockets.

Given that capitalism has entered a terminal stage of acute and escalating crises, the Dallas editorialists may be right; anything could set off another spasm of financial mayhem in a system that is ever more unstable. However, it is the "markets" – a euphemism for the financial capitalist class – that are the ultimate source of instability, the folks who play Russian roulette 24-7 and have dragged humanity to a place where an actual Armageddon is only a twirl of the chamber away. In this game, everybody's head is in play.

It is proper that the corporate press speak of the impending fiscal threat – a minor one, in the maelstrom of crises that beset the system – in gambling terms. An increase of interest rates by a few basis points (fractions of a percent) on trillions of borrowed dollars amounts to quite a chunk of public money, to be paid directly into the accounts of these very same private "markets" that are supposedly biting their nails with anxiety over the budget. The Dallas Morning News and its fellow corporate propaganda spores spread the myth that the "markets" (bankers, hedge funds, etc.) crave stability, when the vital statistics of the real world of finance capitalism scream the opposite.

The Lords of Capital (the "markets") are pure gamblers who have transformed the global financial marketplace into a machinery of perpetual uncertainty, in which all the wealth of the world is bet many times over by people who don't actually own it, in a casino whose operators scheme against each other as well as their patrons, most of whom are not even aware that they are in the game – much less, that it is Russian roulette.

The notional value of derivative financial instruments is now estimated at $1.2 quadrillion – that is, one thousand two hundred *trillion* dollars. This statistic is fantastic in every sense of the word, amounting to 16.7 times the Gross World Product, which is the value of all the goods and services produced per year by every man, woman and child on the planet: $71.83 trillion. Derivatives are valued at six times more than the total accumulated wealth of the world, including all global stock markets, insurance funds, and family wealth: [$200 trillion](#).

The great bulk of *known* derivative deals are held by banks that are considered too big to be allowed to fail, with the [top four banks](#) accounting for more than 90 percent of the exposure: J.P. Morgan Chase, Citibank, Bank of America, and Goldman Sachs.

We are told that derivatives are simply bets between knowledgeable partners – hedges against loss – and that every time one of these financial institutions loses, another gains, so that there is no net loss or threat of global collapse. But that's a lie. Never in the history of the world has finance capital so dominated the real economy, and only in the past two decades have derivatives been so central to finance capitalism. The players do *not* know what they are doing, nor do they care. The meltdown of 2008 was caused primarily by derivatives, requiring a bailout in the tens of trillions of dollars that is still ongoing, with the Federal Reserve buying up securities that no one would purchase – that is, bet on – otherwise. Yet, the universe of derivatives deals has grown much larger than in 2008, effectively untouched by President Obama's so-called financial reforms.

The casino has swallowed the system. The sums the players are betting are not only far larger than the value of the rest of their portfolios, but six times larger than the combined assets of every human institution and family on Earth, and almost 17 times bigger than the worth of humankind's yearly output. Even if the whole planet were offered as collateral, it could not cover Wall Street's bets.

The events of 2008 demonstrated that derivatives collapses, like other speculative financial events, behave as cascades of consequences, rather than orderly "resolutions." Derivatives deals infest or overhang every nook and cranny of the U.S. and other "mature" economies, poisoning pension systems and municipal finance structures. Detroit has been rendered a failed city by the full range of derivatives and securitization. When the casino *is* the economy, everyone is forced to play, and the poor go broke first.

Reformers of various stripes tell us that derivatives can either be regulated to a less lethal scale or abolished, altogether, while leaving Wall Street otherwise intact. That's manifestly untrue. Finance capital creates nothing, reproducing itself through the manipulation of money. The derivatives explosion occurred because Wall Street needed a form of "fictitious" capital to continue posting ever higher profits, and ultimately, fictitious portfolios full of tradable bets. Derivatives deals are the ultimate expression of financial capitalism: they are primarily bets on transactions, rather than investments in production. The rise of derivatives signals that capitalism has run its course, and can only do further harm to humanity. The derivatives economy – all $1.2 quadrillion of it – is the last stage of capitalism.

If the Occupy Wall Street movement had understood this, and articulated the necessity to overthrow and abolish Wall Street, its impact would have been far more profound. As it stands, Americans are directed to quake in fear as the clock ticks down to some technical federal budgetary deadline on October 17 – as if that's the sword of Damocles hanging over the world.

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