

### What is the Root Cause of OUR Great Depression?

Ultimately, it is the government's **shift of taxes** off finance, insurance and real estate (**FIRE**) onto labor and industry. The effect is an enriched and Politically Empowered FIRE Sector that burdens people and the economy with **DEBT**.

When the government bailed out the banks, *it sacrificed the economy* so that the financial sector wouldn't take a loss. And even worse, the government has left the bad real estate debts, personal debts, education debts and credit card debts on the books. So the "real" economy is being shrunk by debt deflation, while tax policy is being steered to benefit the financial sector.

Our economy is being turned into a rentier "tollbooth economy" to generate the funds to pay debts that the "real" economy simply can't sustain. It's a losing game in the end. By trying to pay debts that the "real economy" simply can't pay in order to keep FIRE happy, the government is pushing us into a depression. *And this strategy is actually viewed as a solution!*  
What other "solutions" are being tried?

### The 'Free Lunch' Solution

At the Federal Reserve, Obama empowered Chairman Ben Bernanke to lower interest rates by flooding the economy with money. QE2 injected \$600 billion, **which banks quickly sent out of the country.**

This pushed down the dollar. The main victims of this 'solution' are **consumers**; the price of **labor** is also devalued because all the other costs (oil, raw materials prices, machinery prices, shipping) are globally fixed.

Further, the devalued currency effects the currencies of other raw-materials exporters, forcing them to raise interest rates to prevent their domestic economies from overheating.

These higher rates abroad mean that U.S. banks can borrow at only 0.25% from the Federal Reserve **and buy Australian bonds at 5.75%, pocketing the arbitrage difference.**

In fact, US banks can get a **free lunch** simply by borrowing and leaving this money on deposit at the Federal Reserve here in the United States.

**This 'solution' is of no help whatsoever to 99% of the population!**

### 'Cutbacks in Federal Spending' Solution

This means that states can't cover their own budgets – and their constitutions prevent many from running deficits.

**States and cities** will have to sell their roads and streets, sell their infrastructure and public utilities, etc.

The **federal** government might also sell, say, its Postal Service; and already privatizes its army to private contractors.

It could sell national parks and forests– to buyers who borrow the money from banks.

This would let banks "earn their way out of debt" by creating **a huge new market** for them in privatizing and cutting up what used to be **the public domain!**

It will end up owned by the wealthy, while 99% suffer cutbacks. This 'solution' for 1% of the population, is no solution at all.

The **Results** of this kind of topsy-turvy, unabashed *nonsense*: we're going into a depression that is *unnecessary* – *except to drive down wage levels and strip away government obligations* to pay for Social Security, Medicare, and other public programs.

This will enable the government to get rid of what remains of progressive taxation on 1% higher wealth and income brackets.

(The stock market may fall, of course, and the bond market too as interest rates rise. But investors expect to be able to buy back these stocks at a lower price!)

**The game is over** – the idea of investing in a growing market. *The new game* is to grab what one can and bail out. (This is the post-bubble phase of the financial “cycle.”)

When the Bush and Obama Treasuries gave \$13 trillion to Wall Street’s managers, they vested a new century’s power elite.

### **Euthanasia...**

The last chapter in Keynes’ *General Theory* (1936) talks of “euthanasia of the rentier.”

What we have now instead is euthanasia of employees, euthanasia of industry and of entire economies to siphon off rent extraction, interest and financial fees to the top 1% of the economy.

We will have another **Dark Age** if we persist in today’s burdensome tax shift of wealth onto employees, onto consumers and industry, onto the cities and states, while privatizing and selling off basic infrastructure.

This ‘strategy’ will bring us ALL down under the weight of its own wilful stupidity!

Governments are now conducting a kind of pre-bankruptcy sale. But nobody (in either party- or the ‘media’) is talking about the emerging oligarchy.

So: how do we fight this oligarchy?

### **A Prescription for Recovery: 99% Fight-Back Tools**

We need to return to *Progressive Era policies* that minimized the power of the rentier class, to stop the financialization of our economy. This would entail:

- (1) a central bank to monetize government spending deficits, rather than at interest borrowing from commercial banks and other creditors
- (2) taxing away land rent, and enacting anti-monopoly laws and regulatory agencies to keep prices in line with necessary and justifiable costs of production;
- (3) keeping basic infrastructure in the public domain, providing it at cost or at subsidized rates or freely (as in the case of roads), with construction costs financed out of progressive income taxation and taxes on economic rent;
- (4) paying for pensions and Social Security and health insurance on a pay-as-you-go basis rather than by financialization (pre-saving by purchasing bonds and stocks);
- (5) not permitting interest payments to be tax deductible; encouraging equity financing rather than subsidizing debt;
- (6) providing a national income accounting format that (a) distinguishes economic rent paid to the FIRE sector and monopolies, and (b) recognizes the contribution of public infrastructure investment to lowering the cost of living and doing business.

OCCUPY



### **The Root Cause of OUR Great Depression**

### **+ Prescription for Recovery: 99% Fight-Back Tools**



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