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The Fed and the Buridan's Ass Dilemma

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The Fed, in facing the choices it must make today, is a perfect illustration of the paradox of Buridan's ass, which is equally hungry and thirsty and is placed precisely midway between a stack of hay and a pail of water. It will die of both hunger and thirst since it cannot make any rational decision to choose one over the other. This paradox is the dilemma that the Fed is facing, because any decision it could or is able to take (to increase or maintain the rates on debt unchanged) will not resolve the problem of a systemic financial default risk but simply defers it. Precisely as in the Lehman Brothers case, we will find out the day after, because people never want to see the truth until it blows up in their faces.

The monetarist single thought erected as incontrovertible truth thanks to a system of toxic relations between the academy, politics and finance has ended up demolishing itself exactly like Saturn devouring his children, inundating the financial world with liquidity, without any real counter value and completely separating it from the real economy, which instead it should be subordinate to.

From the moment money was no longer convertible into gold in 1971, the financial world followed its own astral development path functional to supporting the superordinate interests of the real world with a governance role aimed at operating a form of geopolitical "macro-usury". The Fed in all of this has serious responsibilities and should be held accountable for the use of unscrupulous financial capitalism that after having gnawed away at the real economy, ended up flinging the US and the world into the whirlwind of a monetary storm. After the crisis of September 2008, the only solution was entrusted to the Quantitative Easing death trap, which increased the money supply but did not produce any real growth in the absence of real manufacturing that has been delocalized and become hostage to financial indices and money in a short term logic that destroys and does not construct, typical of the locust syndrome. The results of deregulated finance are reflected in an unprecedented sociocultural risk-default situation as expressed by the following facts:

- The financialization of the real economy, a concentration of wealth that is increasingly upwardly polarized and the collapse of the middle class, which is the leaven of western civilization; for the first time in a century, middle class families are no longer in the majority; 62% of the US population do not have enough resources to pay for car repairs or medical expense over $500; the out of control amplification of poverty without a welfare system (18% of GDP compared to the European average of 30%).

- Manufacturing employment down to 11% of GDP in favour of services (23% of GDP), resulting in the growth of hidden unemployment and underemployment manifesting in a progressive collapse of household income (a decrease in wages of up to 80%) and declining consumption; increasing social unrest repressed by a prison system entrusted to the private sector putting the US in first place in the world for incarcerations. The private prison system has become a huge industry that influences political choices through increased penalties; with a population equal to 5% of the world, the US has 25% of the world's prison population (1 in 32 Americans). In 1980, there were 220 prisoners per 100,000 citizens, which has now increased to 716, reaching a world record and in many states such as California surpassing spending on secondary education (from a welfare state to a prison system).

- The concentration of lending institutions that have become a sort of government authority in a position to influence policy choices (too big to fail); the abolishment of the Glass Steagall Act that has generated a concentration of anti-democratic power in the hands of a few financial institutions: oligopoly to all effects passed off as democracy.

- A culture of short-term liquidity and maximization of financial values through the systematic manipulation of data. The growth of the Dow Jones determined by the share buy-back transactions of multinationals that acquire these with profits (around 95% according to Bloomberg) and debt with infinitesimal rates, altering the true value of shares and increasing the mass of liquidity in debt that sustains the speculative game. The increase in the value of stocks and the fictional illusion of growth has been determined in at least 50% of cases by such transactions (source: Morgan Stanley). The effects of financialization have become a death trap because the search for the fictitious equity surplus is unloaded on increasingly lower wages and interest rates forcing pensioners to consume their savings. All this in exact contradiction to Henry Ford's industrial policy, which had moved the country forward thanks to the wage increases granted to employees and for which he was sharply criticized by the financial establishment that never changes. As Warren Buffet stated, inflated stock prices can suddenly plunge because the whole system has entered into a loop.

Faced with a system that is collapsing, it seems that everything depends on the Fed hiking up the rate or not, but in the specific case, the Fed/Buridan's ass is facing a dilemma because any decision will not change the entropy of the system it has generated.

Increasing the rates would push companies to offload growth expectations onto prices at the expense of wages and fixed-income savers who invested based on low inflation and thus swelling public debt. If the Fed chooses to maintain a low level of inflation at around 2% - however unrealistic - favouring the transfer of part of the profits on wages by reducing financial margins but going against the interests of shareholders would reduce the profit margins of companies and corporate bonuses that no one wants to relinquish and thus resulting in a layoff domino effect.

The reality is that the Fed is trapped and whatever decision it takes will be useless because the real decision is not financial but socio-political and elections demonstrate this; indeed, both Trump and Sanders have put the decline in wages and the middle class at the centre of the debate. The hedge fund manager Nick Hanauer clearly stated, "…if we do not do something to fix the glaring economic inequities in our society, the pitchforks will come for us, for no free and open society can long sustain this kind of rising economic inequality. It has never happened. There are no examples. You show me a highly unequal

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society, and I will show you a police state or an uprising. The pitchforks will come for us if we do not address this". This is the truth, because in the history of man, societies have only ever collapsed for reasons of war or class and the US is the only western country that has not experienced a real social revolution.

In light of the above considerations, it is not accidental that many are returning to studying Marx's "surplus value" and the good sense of Keynes. Today, the Fed/Buridan's ass actually risks dying, because the truth is in a different sphere.

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