

# 36 South Views

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## A peek into the future

Central banks post 2008 made a startling discovery... bond vigilantes were frozen to death below 1% interest rates!

If they could enforce enough financial repression by making institutions hold government paper deeming them 'super safe' and lowering rates to zero under the pretext of the 'ailing economy', then a lot of good things happen for government. (Not so much for everyone else, especially pensioners, but that's beside the point.)

Firstly there is no apparent cost to running bigger and bigger government deficits. At the zero bound, infinite deficits are not only possible, they are likely. Give your teenager a credit card with no limit and a smile and a wink and see what happens.

Government spending as a percentage of GDP will rise without stopping. Until it does.

In fact there is one further illogical absurdity that I think is a doozy. With no apparent cost to funding government spending, why bother with that nasty mean annual ritual called 'tax collection'? Why not fund ALL of the government with deficits? Great political ploy to start to abolish taxes altogether!

It will probably start by raising the bottom tax thresh-hold to assist the growing population of people getting poorer and poorer through the second order effects of hollowing out the middle class by stagflation and willy-nilly money creation.

Eventually there is no reason from the government's point of view to not abandon tax collection altogether although maybe tax those idle ultra-rich as a conciliatory gesture to the hoi polloi.

Inflation rising to 10%? Ignore it and keep interest rates at zero citing once again stagflation and the poor state of the 'real' economy.

The last remaining handbrake to out-of-control government spending will be lost. Governments will feel omnipotent as they have unlimited budget. Winners will be friends of governments; losers will be outspoken critics of government.

Inflation thus gets seen for what it truly is, a tax. It used to be a hidden tax and for good reason because like Pandora's box, once opened, it has destroyed empires throughout the ages.

There is no restraint of excess money creation even when there is significant inflation; the government has to be funded at all levels of inflation.

A runaway budget at any level, private, corporate, municipal or government cannot be a good thing. Maybe Lenin will have the last laugh after all...

*The best way to destroy the capitalist system is to debauch its currency.*

- attributed to Vladimir Lenin

Or maybe I just have, as Sixto Rodriguez would say, "the Establishment Blues"...

(Reworded to account for current affairs)

Draghi lowers the interest rate

Australia hesitates

Public gets irate but forget the Brexit vote date

Economists complaining, predicted sun, it's raining

Everyone's protesting, clients keeps suggesting  
You're not like all of the rest.  
Taxes ain't collected, women ain't protected  
Politicians using people, they've been abusing  
The deficit's getting bigger, like pollution in the river  
And you tell me that this is where it's at.

Woke up this morning with an ache in my head  
Splashed on my clothes as I spilled out of bed  
Opened the window to listen to the news  
But all I heard was the Establishment's Blues.

Gun sales are soaring, housewives find life boring  
Divorce the only answer, smoking causes cancer  
This system's gonna fall soon, to an angry young tune  
And that's a concrete cold fact.

Donald digs populism, freedom from thinking  
Right wingers are up tight, marching in the moonlight  
Left wingers are nurturing, stop it's hurting  
Ministers resign their hopeless quest.

Financial sorcery in the kitchen, but what's cooking?  
The little man gets shafted, father's pension drafted  
Living by a time piece, Pokemon seen in Aldgate East.  
Can you pass the poverty line test?  
Opened the window to listen to the news  
But all I heard was the Establishment's Blues.

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