

# Capitalism pushes wealth up the system, and democracy pushes wealth back down: George Cooper

>> biceps and triceps of the upper arm – they're separate and have different roles but, together, have the potential to be hugely effective.

Using a circulatory growth model it becomes possible to understand why the solutions that have been devised have had so little effect – for instance, quantitative easing (QE). If a properly Keynesian stimulus had been applied in these last few years the money would have been injected at the bottom of the social pyramid.

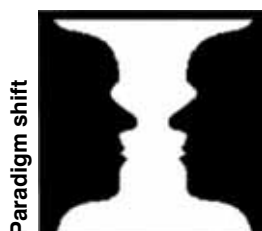
Here, "there is an automatic incentive for the private sector to compete for this new money in order to turn it into profits and thereby send it higher up the system". But this didn't happen. The stimulus was injected via "swapping assets for newly printed money" and "as the holders of the purchased assets are predominantly at the top of the social pyramid, the monetary injection also occurs at the top of the pyramid and therefore at the top of income distribution. From this position there is little incentive for the private sector to do anything with the new money – it is after all where they want it to be."

QE should be applied to infrastructure investment, to projects which create jobs and trigger spending, allowing the money to add value as it works its way up. By putting it at the top, the money just sits in the bank accounts and trusts of the wealthy who by now are doing so well that they "can find little useful purpose" for it. But, rather than cancellation "what is needed is a redirection of this stimulus".

Current economic conditions are stagnant because, while there is money, it's not doing anything useful. "Money is like muck," wrote Francis Bacon in 1625. "Not good except it be spread."

"In the blood system," writes Cooper, "the most invigorating, life-giving blood is the freshly-oxygenated blood that emerges from the lungs. In the monetary system, the most invigorating, economically-boosting money is that found at the bottom of the pyramid, where it is most likely to be spent."

Cooper suggests "a three-pronged approach to dealing with current secular stagnation" ("secular stagnation" occurs when low growth is accompanied by large government deficits):



Francis Bacon: "Money is like muck., not good except it to be spread"

- Stop policies promoting more private sector debt accumulation.
- Shift from a monetary to a Keynesian stimulus
- Shift the burden of taxation so that there is less tax on labour and more tax on capital.

Without **all three** components in operation "the subsequent crash will be even longer".

Along with "secular stagnation" there are a number of very useful new terms in *Money, Blood and Revolution*. "Autoshambles", meaning "a situation of total disorder", was mentioned last month as a term but here's also "debt-serfdom" which refers to the high debts which disincentivise those at the bottom of the social pyramid from entering the education system. Example? "We should be thinking long and hard about the wisdom and future costs of using education as a device to entrap our own children in a position of debt-serfdom."

*Money, Blood and Revolution* is a major contribution to our future well-being. "The paradigm shift I have suggested involves thinking of economic growth as being generated by a circulatory flow of wealth through society," writes Cooper. If we start thinking along the same lines a lot of our economic woes could quite feasibly be sorted out. ■