

TW Notes on
David A Stockman The Great
Deformation: The Corruption of
Capitalism in America Public Affairs
2013 pp 742

"... in August 1971... Tricky Dick [Nixon]
blatantly and deviously defaulted on the
nation's debt obligations under the Bretton
Woods gold standard. Taking the
United States off the gold standard
was the starting point of the present era
of floating money, massive debt
creation, and a dangerously
unstable global spending spree" xv;

"Free markets and prosperity are deeply
impoverished because the state and its
central banking branch ~~of~~ have failed
miserably due to overreaching, over-loading
and outside capture" xv;

"... a statist policy ideology [is] ~~common~~
common to all three branches of
Washington's economic: Keynesianism,
monetarism, and supply-side-ism"
xv;

"The Blackberry panic of 2008"

"... Washington's panicked bailout of Wall Street... was both unnecessary and targeted at the wrong problem." p 4

"... America had undergone the equivalent of a national leveraged buyout" p 4

"AIG was safe enough to fail" p 5
 The crisis would have ~~been~~ burned out on Wall Street. Fettle of the AIG CDS insurance was held by main street banks. There's no evidence that Paulson's aides ever investigated who held the CDSs. The large banks had the capacity to take the AIG hit. The worst-case loan losses have been only a few months of bonus ~~accrual~~ accruals.

Sheila Blair was the best policy official in DC at the time. She was excluded from the process

"[~~to~~] Richard Nixon's default on the nation's Bretton Woods obligation to ~~redeem~~ redeem its foreign debts in gold... ushered in the era of 'deficits don't matter'."

"... Financial discipline lost its anchor ~~and~~ and fiscal rectitude its necessity" p 56

"The conservative economists who advised Republicans to join the Bretton Woods were reflexive free marketeers who suffered from monetary amnesia" p 109

"... the demise of Bretton Woods had unshackled the central banks in a manner never previously experienced in modern financial history" p 110

He does note that what triggered the demise of Bretton Woods was

President Johnson's 'guns and butter'

He calls George Shultz the 'Godfather of floating money'

Ch 13 "Milton Friedman's Folly":

"The Rise of the T-Bill Standard" p 260

"Friedman's rule of fixed money supply growth was academic poppycock" 261

He argues the rule was "fundamentally flawed" because the Fed couldn't control the money supply, only bank reserves

He refers to "the deep, hopeless political naïveté of the monetarists and Professor Friedman especially" 262

[DS doesn't understand that Friedman's version of the monetary rule would have constrained the Fed]

"Friedman thoroughly misunderstood the Great Depression..." p 268
 i.e., He blamed the gold standard for the fall in the money supply

BS argues "the historical evidence is unambiguous". There was no liquidity shortage..." p 268

His evidence is that the banks didn't make use of the discount mechanism. He argues that to maintain this mechanism was the central job of the Fed and it did so well.

He describes the argument that real interest rates were high as "academic pettifoggery" 271

"Friedman's monetary treatise ... simply asserts false causation" 271

"Friedman's entire theory of the Great Depression was thoroughly demolished by Ben S. Bernanke, his most famous disciple, in a real world experiment after September 2008" 272

He claims that Friedman "became the father of Big Government, chronic deficits, and national fiscal bankruptcy" p 272

He argues the invisible hand never showed up to work for flexible exchange rates

He argues the age of speculative finance was started in the Chicago pork-belly pits by Leo Melamed

He argues the Fed became intertwined by the financial markets

He argues the early Keynes was right in 1919 that "As the inflation process proceeds ... the process of wealth getting degenerated into a gamble and a lottery" p 499

"Under a regime of sound money the prospects of fiscal deficits of \$20 trillion would be unthinkable ... the potent purgative of free market interest rates would have kept the old fiscal culture alive and provided politicians with the shield they need to impose limits ... and balance the fiscal accounts" 699

He worries "a global beggar - thy - neighbor currency depreciation war that will draw the conflagration of the 1930s" 702

He advocates abolishing open market operations and only lend to banks against good collateral

A Polish deposit insurance and enacted a super Glass-Steagall, require a balanced budget over each two year Congress, cut many programs, go to a consumption tax