

TW Notes on

Robert Kuttner Debtor's Prisons:

The Politics of Austerity Versus

Possibility Alfred A Knopf 2013

The imbalance in treating the debts of the elite remain today. The "double standard" remains

"Debtors' prisons have mostly been abandoned, but the mentality lives on" p 7

"moral claims keep getting conflated with practical economic questions" p 8

The current debate focuses too much on public debts while today

"private debts are strangling the economy" p 6

Big Banks get bailed out but they fight mortgage relief for individuals

"These double standards are more about political power than economic efficiency" p 7

"The late financial bubble was ... privatized Keynesianism" p 8
Term coined by Colin Crouch

"The hegemony of finance is not an iron law, only a tendency" p11

Ch1 "Austerity Economics"

"The prevailing view is that we all must pay for yesterday's excess" p13

The moral hazard argument is overdone in today's circumstances

"after a collapse, a debt overhang becomes a macroeconomic problem, not a personal or moral one" p15

"Austerity economics conflates several kinds of debt, each with its own causes, consequences, and remedies" p17

"Subprime loans accounted for just the last few puffs of the housing bubble" p21

"The real villain of the story is financial industry debt" p23

He's very anti financial speculation and for "plentiful credit and tight regulation" p24

"fiscal alarms are a way to starve the government, keep inflation low to help creditors and preserve a "lucrative but toxic business model" p24

He has a nice brief history of
the use of financial instruments
such as future markets on
Venetian Republic debt before 1300 p 25-6

"The austerity scenario ~~is~~ plus the
short term with the long term" p 29

He is far left on many issues
and argues that with the financial crisis
"The free market had degraded ~~and~~
itself in ~~theory and~~ practice and
in theory" p 36 but doesn't follow
up this statement with careful
analysis

He argues the real debt problem
is "declining incomes and squeezed
consumers" p 42

He attacks Pete Peterson

He gives a nice summary of WWII
reparation fears

Aug 23 18 = 630 bn market

"The constraints imposed by private
money markets imposed a produced
systemic deflationary pressure"
p 102

He describes the IMF as "an ambiguous ~~inst~~ institution that would gradually mutate from an instrument of growth and national economic autonomy into an agency of austerity on behalf of the world's creditors" p 104

"Had the financial crisis not come so soon after the euro's introduction in 1999, the new currency might have had sufficient time to 'jell' p 111. The 'fragmented banking system might have matured into a true European one, with common rules and a unified capital market' p 111

"The euro held up well until speculation began against Greek government bonds in late 2009" p 111
 [As with the US] "The most important factor in Europe's self-inflicted economic distress [was]... the political dominance of financial interests" p 112

"The vulnerability of sovereign debt created new opportunities for speculative windfalls and escalating attacks on government bonds" 112

"By 2011, a crisis ~~of~~ created largely by private financial excess had been redefined as a crisis of imprudent public spending, leading to the self-defeating remedy of general austerity" 112

"At best [Germany] had a very strained conception of what it meant to be [a] ~~benign~~ benign [hegemon]"

"self-effacement" to "smugness"

WG transferred \approx €2tn to EG

The Euro gave Germany a chronically undervalued currency

* The Euro amplified rather than defused Germany's monetary dominance p 121

He attacks neo liberal ideology & policies

When he keeps referring to the speculative attack on Greek debt he ~~shows~~^{doesn't} discern the underlying cause until much later

In the April 09 G-20 meeting there was no talk of austerity

Oct 09 start of Greek crisis

Merkel resisted any aid to Greece until May 2010

ECB should have done more early

"The Greek crisis was treated more as a morality play than as a macroeconomic and regulatory challenge" 134

"... the market... was traders seeking to create a self-fulfilling prophecy of impending default for short-run profit" 134

"The unholy alliance of free-market ideology, German arrogance, and the sheer political power of speculative financial institutions ensured that the crisis would deepen" 135

Compounded by multiple veto points in EU

an address given to Papandreas
 "Our mistake was to think that
 conditions imposed by Brussels
 would give us leverage to proceed
 with difficult reforms. Instead
 it all amounted to with insane
 policies" 138

He views labor market liberalization
 as "a polite way of creating pressure
 for wage reductions" 143

"The free rein given speculation
 against the sovereign debt of the EU
 member nations functions as
 Merkel's enforcer" 143

EC report of June 2010 projected
 Greek growth of 1.1% in 2012
 actual -7%

D'Leaville meeting in Oct 2010 generated
 contagion. P.S.J. Trichet hasn't
 been consulted. furious shouting match
 with Sarkozy
 on p 150 he finally notes ~~Greek~~ Greece
 had a long history of corrupt
 public spending

Portugal had a fairly clean government
but economy in trouble before 2007

The conservative govt did even more
than the triika demanded

He calls the Irish govt corrupt

Cameron called for an 'age of austerity'

He refers to the big banks as the
'private government'

p 167 "Markets, by definition, are
hardly reliable" 168 "After all,

it was the failure of markets
to accurately price securities

that caused the collapse; Yet in

the fifth year of the crisis, markets
were still permitted to define

the correct price of sovereign bonds ..."

He grants fiscal limits do make sense
in normal times

"Debt crises in the peripheral nations
originate in the fade, fashion and panic
of creditor countries" 243

"They are less the consequence of good
or bad policies in the debtor nations ..."

245

Gregor MacGregor 1817 Poyais
£600,000

He talks about speculative attacks that were "merely the result of herd instincts exacerbated by newly open financial markets" 247
 He gives no examples

He finally notes that some third world world governments ~~was~~ were to blame

Lat Am total foreign debt
 1970 \$29 bn '78 159 82 327
 floating interest loans

All of his discussion of the Asian crisis is speculator betting betting against the currency

"After 1971, international monetary anarchy returned and serious inflation broke out, triggered both by a weaker dollar and emphatically by the OPEC price shock" 285
 "This financial instability... set in motion economic and political trends that led to the liberalization of finance" 285

K argues much of the inflation of the 1970s was sectoral not macro
 inf to Volcker recession to Reagan