

## SOCIALISM

You line up for bread



## CAPITALISM

Bread lines up for you



The great confusion about socialism

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### INTRODUCTION

It is quite clear that many, especially in the United States, are confusing socialism with communism, and secondly, are confusing productive capitalism with financial capitalism. We must therefore clarify some basic facts and make the proper distinctions.

Financial capitalism started when the **Bretton Woods monetary system** ended in Q3 1971 and the USD exits the golden standard. The same day, finance started to detach from reality and the Adam Smith's principles stopped working as expected and later nothing at all. Soon, we will experience the same fate as URSS: default and collapse. Why? Because the West's business model increasingly got detached far from reality.



More about this topic could be read in this post and the following cited article:

- [\*\*The collapse of the West's business model\*\*](#)

In short, until Bretton Woods finance was about a limited primary monetary mass (M1) and the other cartolarizations (M2, M3) plus some financial instruments like **derivatives** on commodities which were useful tools to mitigate the risks of prices changes affecting the industrial production but successively these tools has been leveraged for speculation, like **FOREX** also. This means that above every day's reality, money is just numbers.

## REAL SOCIALISM

*A real socialist country?*

Sweden is one of the wealthiest pro-capita countries plus it competes for being the most innovative country in the world among Swiss and USA.

*When was the last time socialism took place in the USA?*

When JPMorgan was under the pressure of the Congress and of the regulators inviting them to acquire the assets and equity of First Republic Bank saving it from a savage speculative shorting which would lead us to another 2007/8 crisis.

Without public intervention in favor of many, few feel free to short all of us. Lesson learned? Possibly.

## SOCIALISM vs COMUNISM

Mediocracy is the correct term for every idea that flattens society and implements merit suppression.

Communism was a political implementation of a flat society through the ideological negation of private property thus centralizing its management.

Instead, socialism is about granting a decent bare minimum for all. While capitalism does not care because those who are poor deserve it.

It is worth nothing having a Lamborghini and a Patek Philippe but being assaulted because people around strive to survive.

Under this perspective, socialism is more efficient than the police in granting rich people their safety and security. It is also more ethical. In fact, Sweden and Swiss are very safe countries for all.

Those who confuse socialism with communism deserve an F as a grade.

## **SOCIALISM in the USA**

What is the main difference between the public pressure on JPMorgan to acquire assets and equity of First Republic Bank and the 2008 public intervention for the relief of bank system distress?

1. JPMorgan acquired assets and equity to grant the deposits which mainly belong to people who saved money for the future or bad times.
2. JPMorgan acquired assets and equity which were the good part of the distressed bank, thus FRB becomes a speculative-only financial entity.
3. The public intervention did not create more public debt and enforced moral suasion on those who took high risks and on the contrary protected those many who behave prudently.
4. Instead in 2008, the public debt skyrocketed to save also the speculators who took unethical high risks against the interest of the majority of the stakeholders.

Thus, in 2008 the interest of many has been sacrificed for saving the interest of a few who soon started to take high risks again because they did not receive any negative feedback about their behavior.

## **SOCIAL FAIRNESS**

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Moral suasion is not about politics or ideology, it is a matter of fairness: who gambling with finance can either win or lose and both outcomes must be accounted on them.

Finally in 2008, the distressed banks were saved but not nationalized and this is against the capitalist 1st principle: my money thus my property.

Surprisingly, a bank nationalizing has been depicted as a form of communism but the public can buy a distressed bank, nationalize it, then restructure the bank, and then sell it back on the market. As far as this process does not support the **moral hazard** then it is a good way to do, every time a private entity would not go for it.

This has nothing to do with communism. It is about real capitalism, for which the public temporarily substitutes the private ownership because the private ownership defaulted and the company or the bank is still a strategic asset also for the public and cannot be completely lost, or when the bail-in option would be unfair or counterproductive (waste).

## *Which is the decent bare minimum living standard, and who and how to decide it?*

The correct KPI to observe is the **Gini index**, which refers to inequality in the distribution of wealth. The optimal range depends on cultural and social prejudices, but above and below certain threshold values the economic-financial system collapses due to denial of merit or financial concentration in one way or another.

As a rule of thumb:

- A - when people with a secondary education strive to pay their bills then it is time to consider a more fair wealth distribution as an urgent matter.

In particular:

- B - when people with a secondary education strive to pay or to contribute to having a reasonable healthcare service then it is time to consider a change in the healthcare system or A.
- C - when people with a secondary education strive to pay back the education they received or contribute to the education system then it is time to consider a change in the education system or A.

Even, if we are not interested in ethics, we still need to consider uneducated and unhealthy people as a social opportunity loss thus an opportunity for the economy to grow.

## **EDUCATION and HEALTHCARE**

Therefore, education and healthcare are not services like others but are strategic for the development of the country's economy.

If the banks are strategic then how money can bring optimal country growth when a not negligible part of society is out of business?

A practical example of wealth unfair distribution consequences is analyzed in this post:

- [\*\*The American Dream evolution explained in two videos\*\*](#)

Probably, we will never reach an agreement about which is the decent bare minimum that a society should grant to its citizens also because such a level can vary because of contingency, cultural biases, etc.

However, we are always able to detect when that bare minimum is not matched. Like in the example above.

## CONCLUSION

If you got the whole picture, then you saw that there is a lot of confusion which is caused by misunderstood and ideological biases concepts: ignorance, in the best case.

Moreover, business is about trust and finance is an essential part of it, even in a golden standard model thus finance management should be transparent otherwise it breaks the trust bond and disrupt the business.

- **P<sup>2</sup>C<sup>2</sup> Management Style**

By analogy, when a financial system is opaque then it is time to urgently reconsider restructuring it.

Finally, the individual is a product of society (or a part of it) and individuals contribute to making society (or the part s/he which belong to). Thus the bond between the individual and the society is bidirectional: a dysfunctional society creates dysfunctional individuals and dysfunctional individuals create a dysfunctional society.

From this point of view, real socialism is about public intervention to prevent or to stop vicious circles and to promote and incentive virtuous circles.

*How we can achieve this goal?*

With fairness, transparency, and democracy, in one word: *fair play*.

Oxford Dictionary - noun: ***fair play***; noun: ***fairplay***

1. respect for the rules or equal treatment of all concerned.

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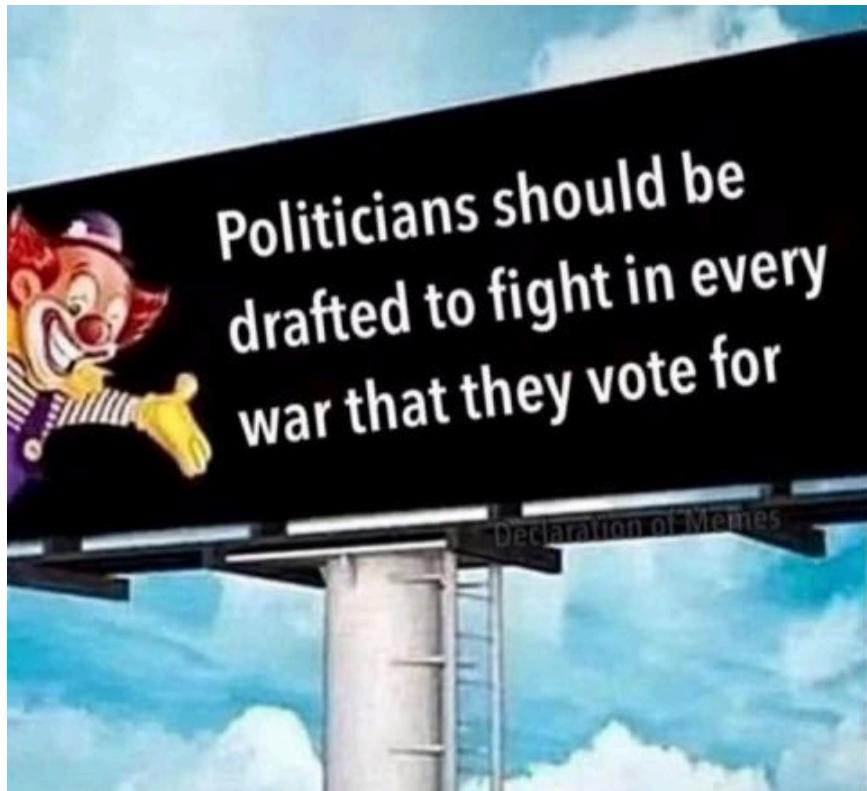


ONCE UPON A TIME, IN ATHENS THEY WERE USED TO DEMOCRACY

In the ancient Greece, democracy was a different concept. First of all, only the citizens were called to participate in the debate and it was taking place in the Agorà, the public square which usually was hosting the local market as well but at different time. For example, the proposition to go for a war was discussed among the citizens. Those were voting for the war, they were going to the war. They were used to decide for themselves and just using the vote to counting the consensus over a specific decision. Once they took a decision, they themselves undergo with that decision. This was the democracy.

Nowadays, this way of doing is called socialism: those who are involved in a decision participate to the decision and its consequences as a whole. Nowadays, we are used to call democracy voting someone that someone else proposed to us and those win the election are going to take decisions for us because we voted for them and we gave them the authority to do that. Nowadays, we the people, are so confused about words definitions and meanings that they do with us whatever they want, usually divide us and put us against each others.

In ancient Rome, it was divide et impera.



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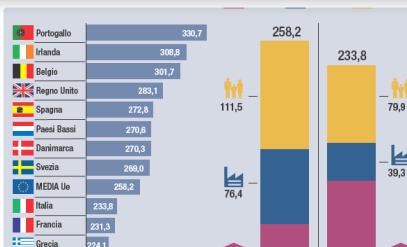


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