

Welcome To The Crazy, Frantic Demise Of Finance Capitalism

By Charles Hugh Smith, via OfTwoMinds blog, 20 July 2020

The cognitive dissonance required to ignore the widening gap between the real economy and the fraud's basic machinery--speculation funded by "money" conjured out of thin air--has reached a level of denial that can only be termed psychotic.

When scams start unraveling, the scammers become increasingly frantic to maintain the illusion of legitimacy and the delusion of guaranteed gains that are the lifeblood of every scam. One sure sign that the flim-flam is about to collapse is the manic rise of FOMO, *fear of missing out*, as the scammers jam the Ponzi scheme's stellar returns to new extremes.

What greedy human can resist *guaranteed gains*, especially of the enviously grandiose variety?

The greatest scam of the past century is unraveling before our eyes. I'm calling it *finance capitalism* as a general descriptor of the dominant form of what's called "capitalism" because calling it what it actually is--**a fraud that's destroyed the foundations of our economy and society**--is, well, a much more difficult sell than "capitalism," which still has some faint echoes of the open markets, etc. that characterized traditional capitalism, which I call *naive capitalism* because it is incapable of differentiating between the parasitic, predatory finance version cloaking itself as "capitalism" and actual capitalism, in which capital is put at risk, markets are transparent, etc.

There are many labels for the distorted, corrupted "capitalism" that dominates our economy and society: I've long used state-cartel capitalism, others prefer monopoly capitalism or crony capitalism.

I now favor *finance capitalism* because the heart of the fraud is finance: printing "money" out of thin air without creating any value or any goods and services. If you can't print "money," then borrow it into existence--that's just as profitable a fraud as printing it.

As I explained in [Our Wile E. Coyote Economy: Nothing But Financial Engineering](#) (June 11, 2020), the fairy tale that America has a truly capitalist economy no longer aligns with the reality that the U.S. economy is now a decaying billboard of "producing goods and services" behind which the real money is made in *financial engineering, a.k.a. legalized fraud*.

I've discussed this fraudulent distortion of capitalism for years:

[Has "Financial Innovation" Capitalism Run its Course?](#) (June 22, 2010)

[When Capitalism Turns to Cannibalism](#) (July 15, 2015)

[What Makes You Think the Stock Market Will Even Exist in 2024?](#) (July 6, 2020)

Just as Communism was a god that failed, finance capitalism is also a god that failed, an extreme version of crony-capitalism that is nothing more than a mechanism for concentrating wealth and power at the expense of everyone toiling in the real-world economy.

*And if we understand this, then we also understand that with its stock buybacks, high-frequency trading and after-hours manipulation, **the stock market is nothing more***

than finance capitalism's primary mechanism for increasing the concentration of wealth.

How did outright fraud come to dominate our economy? The answer is simple: infinite greed plus the decline of gains from "real capitalism," i.e. increasing productivity via producing goods and services. The appeal of *something for nothing* is irresistible when

"money" can be printed / borrowed out of thin air and used to run a fraud that exploits human greed.

Like every good Ponzi scheme, those invested in the scam promote the fraud and cajole new marks to sink their cash into the "guaranteed gains" scheme because *everyone already in the fraud will lose if there aren't enough new marks joining to keep it from collapsing*. That perfectly describes the entire financial media, the financial "industry" and everyone in it.

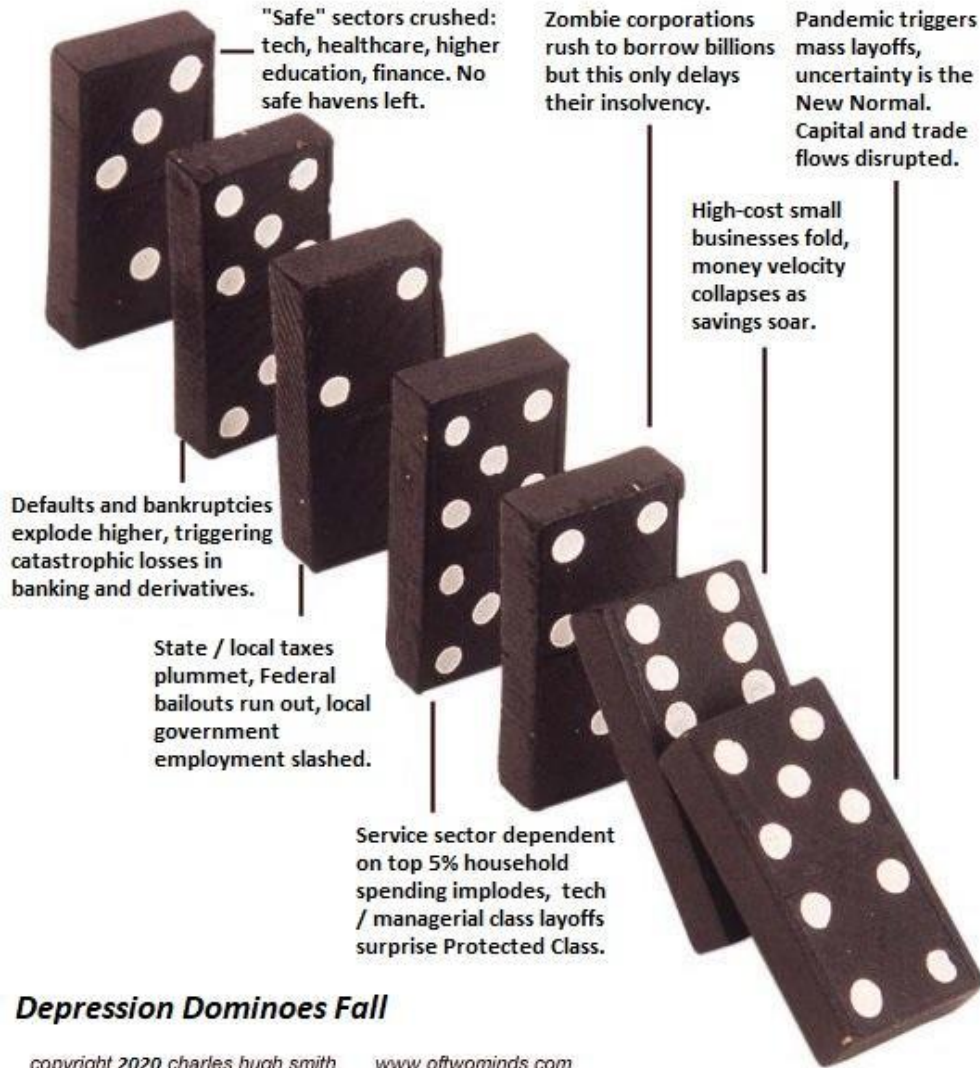
Unfortunately for everyone invested in the scam, all the "wealth" created by financial engineering / legalized fraud is fictitious, i.e. phantom. All Ponzi schemes collapse once the supply of greed-blinded marks dries up, and so the "solution" in our *finance capitalism fraud* is for the central bank, **the Federal Reserve, to become the mark with an infinite checkbook**: the Fed is busily conjuring "money" out of thin air to buy corporate junk bonds and other "assets" (ha-ha, as if these are actually worth anything--the joke's on you) to prop up the Ponzi scheme.

This works until it doesn't, of course. In the meantime, the folks running the fraud are pulling out all the stops to keep it from imploding--goosing the FOMO frenzy, printing and throwing trillions into the scam to maintain the *illusion of legitimacy* and the *delusion of guaranteed gains* and talking up the god-like powers of the Fed to prop up the fraud indefinitely.

Despite these massive manipulations, the cracks are increasingly visible. Volatility refuses to sink back to near zero, and the swings in the *skimming machine, a.k.a. the stock market* are becoming more extreme.

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All bubbles pop, all frauds implode, all scams collapse. That ominous clicking coming from behind the tattered billboard is the sound of dominoes falling.



As Mark, Jesse and I discuss in [Salon #13: The "Phase Shift" everyone is worried about has already happened](#), the meteor triggering the demise of finance capitalism has already hit.