

# Goldilocksism

*To understand modern civilisation, you need a deep appreciation of irony.*

Capitalism's fundamentalist defenders place their faith in market competition and therefore abhor monopolies. Yet capitalism itself has become a monopoly, the only economic system in use world-wide (the odd socialist diehard like Cuba aside). Still, that's just the tip of the irony iceberg...

Although often described by its high priests as efficient and optimal, capitalism functions in ways that render it poorly suited to many situations, and which impose on it many fussy requirements that can't be sustained.

For instance, it can't even hope to provide prosperity without mounting expenditures – the obsessive-compulsive disorder called economic growth. For growth's sake, new jobs and new markets must be contrived. The economic game without a finishing post, capitalism needs perpetual growth to pay perpetual debt. If we reduce or even just stop increasing our spending, then businesses don't turn over enough money to repay their debts or keep their employees who then don't receive enough money to repay *their* debts. And if debt isn't repaid, then not only do businesses and consumers have their collateral seized by lenders, but lenders can't keep lending more to increase expenditures to achieve growth. So, grow we must – except sometimes, despite our best efforts, every decade or so we just can't manage it, and instead find ourselves in recession or depression.

Ignoring the impossibility of the task, all faith and efforts continue to be directed at growth. But we require not simply growth, but growth at just the right pace: too much growth and we risk prices rising excessively, too little and profits are shed and/or jobs are not created quickly enough to compensate for those lost to rising productivity or cheaper competitors. To achieve the right pace of growth, unemployment must be kept low, but not so low it encourages higher wage demands which can increase inflation which can prompt even higher wage demands to compensate, which can prompt even higher inflation, and so on until the economy disappears up its hyper-inflated assets. Inflation too must be kept low, but not so low that it deters investment and growth and leads to stagnation or deflation. Similarly, interest rates can't be set too high or they discourage borrowing and risk putting the economy into a recession "we had to have", yet they can't be set so low either that they deter saving and foreign investment. Property, bond and equity markets should rise but not so quickly they risk turning into bubbles. National floating currency exchange rates should be high enough to afford imports but not so high they discourage exports. And so on... and on.

Just the right Goldilocks level of growth, job creation, inflation, interest rates, and all the rest demands a tough series of juggling acts because all the factors are inter-related, feeding one off the other. A growth-inducing boost to consumption, for example, often means decreased savings, which tends to reduce investment, which lowers growth. Increased investment often stimulates not only growth but also inflationary pressures, which tend to reduce consumption and (consequently) growth. Rising productivity boosts profits which assists growth but eradicates jobs which retards growth. Higher interest rates motivate lending to riskier borrowers but increase the likelihood of those borrowers defaulting. Reducing government spending to pay off debt can lower growth enough to decrease government revenue, making it harder to pay off debt (the current conundrum for overly indebted nations in Europe and elsewhere).

Even if all the juggling acts could be maintained perfectly – which they can't, even in the short-term let alone the long-term – growth requires ideas (even ill-conceived ideas) of *how* to grow, else the loans ready to fund the conversion of ideas into jobs, products and sales lay dormant. But ideas can't be guaranteed to turn up continuously as needed, least of all ideas for new products, new reasons for parting the fool and his/her money. Ideas for increasing productivity must also run into the inevitable brick wall: for instance, the number of haircuts or manicures that can be done in a given time must have a limit.

Instead of new ideas and rising productivity, capitalism can rely on rising populations to feed growth. But the global population is trending to plateau around mid-century, denying capitalism of an ever more congested hive species. In the meantime, even population growth, like all the other juggling acts, has to be Goldilocks perfect, with just the right amount of breeding (something beyond the control of

even our über monopoly economic system). Capitalism can't handle too many old people: it needs enough working age people to pay enough taxes to support retirees through pensions and health funding – if the aged proportion gets too high, then, in order to ensure all the work that's needed gets done, taxes and/or wages might need to rise, which could upset all the other juggling acts.

However well or badly all these juggling acts go, even more fundamental problems beset capitalism. Because our economic system deafens us with the hallucinatory sound of money talking, we pursue profits and cashflows, not the satisfaction of needs. And so we mistake money for wealth, and fritter our energies accordingly, building Mercedes for the Mercedes-less rather than homes for the homeless. And so we pillage the environment on which the economy depends, unable to see beyond the short-term quick and easy loot offered, even as resultant disasters loom. Never mind, just another 'market failure' – to be fixed, eventually, by the market via more juggling acts. Keep working. Keep shopping. And do ignore all the clowns juggling other clowns juggling their economic balls.

We are ruled by doublethink, immobilised by our double-bind dilemmas as we try to run in different directions at once, disasters ever looming. Yet looming disasters are not the real problem, they are *symptoms* of the problem. The problem is our economic system, an antique continuing to run in ever-narrowing circles as it digs its own grave. The solution will be a new model economic vehicle suited to modern times and free from the contradictions and impossibilities of the present one.

*Herman Royce is [God Almighty](#)'s biographer and self-appointed spokesperson, inventor of [A Free Lunch](#), and the first person in history to say "Now I've seen you naked, I could never eat turkey."*