Credit this: I'm Incredible say Creditable Sources

May 13, 2013

> "the Fifth Lateran Council (1515) defines usury as follows:
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> 'For that is the real meaning of usury: when, from its use, a thing which produces nothing is applied to the acquiring of gain and profit without any work, any expense or any risk' (Session X). (A very, very, very apologetic Roman Catholic page).

Ah, our banks. Not enough has been written about them, has it? I jest, of course, because, between "systemic risk" and "moral hazard" and "banksters" and "vampire squids" and "derivatives" and "bespoke documentation," it seems as if it is possible to know exactly what is wrong with "banks" and have no idea whatsoever what to do with them. Furthermore, with hoarse throats more common than sniffles in allergy season, that problem (singular, mind you) is one thing for what we're told is the left and another for what tells us is the right.

The clotted wits of the Cato Institute (why don't they remember what Cato did when he lost a campaign?) assure us that a) Dodd-Frank won't work (because the crisis was caused by lending to too many people for housing (you know who), and not because those loans were turned into traded instruments for derivatives), and National Review adds that it b) will destroy all that is good and holy in money (Michael Barone is an absolute treasure and should have his own exhibit in the Museum of Bathos) (the problem for Barone is Friends of Obama).

I can refer you to our own pages for why our version of "the" problem is unmoved. I agree with us, of course, that the problem is that a capital class has emerged that is insulated by layers of power and lobbying from any consequences of any action, no matter how dire. Nevertheless, I want to point at another problem, one that is anterior to the crashes, one that Elizabeth Warren was warning about in Maxed Out, and that is the poisoned well of usury: the incipient interest each and every crediting agent has in seeing all borrowers have poor credit.

When a bank gets a profit on late payments, then it is in that bank's interests to see that payments are late. If a bank gets to charge higher interest for a person with poor credit, then it is in that bank's interests for all persons to have poor credit. Thanks to the miraculous invention of write down accounting, the credit-worthiness and repayment are irrelevant.*

> "'Twas horse an' horse between thim. Th' Ganderbilks had money, an' he was a jook. They was wan divorce on each side. So they imported him over, what they call assisted immygration. He didn't come undher th' head iv skilled workman.

> They must've classed him as a domestic servant. Th' first thing he done was to get himsilf arristed. . . . . They got him out with a pull. Thin he sint f'r lawyers an' f'r his financee's father, an' they settled down to talk business. 'Well,' says Ganderbilk, 'how much d'ye want?' He says. 'I'll give ye a millyon.' 'Goowan,' says th' jook, 'I cud get that much marryin' somewan I knew.' 'Thin how much d'ye want?' says Ganderbilk. 'Well,' says th' jook, th' castle has to be put in repair. Th' plumbin' is all gone to th' divvle, an' they'll have to be a new catch-basin put in,' he says. 'Thin they'se calciminin' an' paper-hangin',--well, call it tin millyons.' 'But what do I get out iv it?' says Ganderbilk. 'Have ye a ticket to th' church to see me marrid?' says th' jook. 'No,' says his pappa-in-law. 'Well, here's a couple,' says th' jook. 'Bring wan iv ye'er frinds with ye.' So Ganderbilk he coughed." -- Peter Finley Dunne, Mr. Dooley at Peace and War. "On a Famous Wedding."

In 2008, the year that everything in the economy "died," banks collected more than $24,000,000,000.00 in NSF fees alone. Bank NSF fees had just gone up 35% in two years (both numbers from this source). A more pundit-ish source discusses the obvious: there was, and remains, an NSF business model. When banks were faced with the "disaster" of "consumers" (that's you -- you just consume things, in case you thought you might have value) being able to turn off overdraft "protection," they swiftly decided to increase fees.

At least the banks found a way to be profitable again! With $34,500,000.00 in profit in 2012, we can relax and know that our long, national nightmare is over. If you are not prospering, you should invest your venture money in banks.

You might complain that you do not have venture capital. In this you are incorrect. If you have a job, you have venture capital, and you are venturing it, most likely.

Remember when you were going to get rich, rich, rich! from your IRA? This was because the stock market always has a great return, right? Your bank would just take that idle, no good money from you and invest it wisely. Around the time the IRA was "invented," the stock market was at 2,000, and analysts said that it would never break 2,500 without a collapse following.

Remember when the 401(k) was introduced as a way for young companies with young workers to deliver "personal responsibility" and virtually unlimited gain? James Ridgeway's article for Mother Jones will help explain why the liquor you drank had such a funny aftertaste. Imagine, friends, all of those "useless" pension funds suddenly going into stocks. It would pump so much money into the market, that trading averages of 8,000 might not represent over-valuation!

The folks at Cato say that what caused the crisis of 9/18/08 was too free lending. They mean too free to "those people," but who was really borrowing from whom?

I. It was in the banks' interests that American customers have low balances and late payments, as these increased profits.
II. When American citizens showed a reluctance to use discretionary income for stock investing, successive Republican (and one Democratic) presidents engineered ways for worker income to divert to finance.

Now to the point, I suppose, that follows from those first two: debt itself is a fungible commodity. You may know this already. If you have been reading even casually, you know that the problem with student loans, at least as far as Serious People are concerned, is not the suffering and parasitism of them, but the fact that they are creating a credit bubble again.

Banks are not worried about your student loan repayment. They are worried about how your repayment, at a very high rate, is already written down as a profit for them. They know that I will default. After all, I'm a liberal arts major. However, they're so much smarter than reality itself that they have a formula for how many people will default, move to Tibet, or grow lichen beards, and thus, they have profits already.

We will disappoint them, and then, as before, Cato's courtesans (they're paid to make conservatives feel better without actually making anything in the world better) will say that the problem was lending to those people. The GOP will announced that "those people" need to learn personal responsibility, etc.

Collection agencies purchase deadbeat accounts. In some states -- the reddest ones, usually -- creditors have easy access to debtors' paychecks. In fact, my paycheck is garnished for student loans to the tune of 15%. That's pretty awful. I figured it was better than talking to them, though, as I wanted no personal touch from MBNA. Besides, I have medical bills that just keep mounting. I'm insured, but, when one person's drinking your blood, you have less to give the next hungry hematophage.

The credit rating services for "consumers" (again, let us never get it into our heads that we produce or serve) are paid by banks and "credit-issuing" institutions. It is in the interests of all crediting agencies to see high rates on consumers. It is thus in the professional interest of the credit agencies to ensure that consumers have poor credit so as to be more profitable, just as it is in the direct interest of each bank to ensure that consumers do not pay bills on time or, if they are near the bottom of their account, have an accurate assessment of their holdings.

In all of our talk about "the problem," perhaps we've missed one. Perhaps we've missed the fundamental problem of capitalism. The problem is usury. When a person makes money for no work, but rather for having money, then that is a sin against the social order, the economy, and God. We have, in the U.S., swallowed the religious principles that once forbade usury. We got rid of usury laws, obviously (although not 'in the 20th century,' as that source implies).

We gave up on eliminating usury, but not because there was no problem. We just made the same mistake that people have made before. Capital does good work at moving MASS quantities of goods into vast deals. No longer does every neighborhood have a bank, with a banker who knows the citizens. However, the big bank has a vast amount of capital and makes a giant deal and shows a city-wide increase in income. We agreed, as others did in the past, to give up serving every person in favor of having these big, big piles.

III. Capital concentration is the natural result of capitalism.

This one is right out of Adam Smith, not Karl Marx. When capital concentrates, as it has, by all measures, then it either has to compete or find a new source of income, lest it shrink. We are the source.

Now, why am I writing about such obvious stuff? After all, there is nothing above that isn't plain to all of us.

For the last eight years, I lived in my mother's house, taking care of her. She had emphysema, and it slowly took more and more of her, until it took her life this March. During those years, I paid many of the bills, but they were in her name. Once I had a credit card, got over-extended to the tune of $400, lost the card, and never applied for another one, but that was more than twenty years ago. "Cyngular" had been chasing me around for terminating a cell phone in 1988. Otherwise, I had student loans and medical bills, and that's all. I will be moving into an unsafe little house soon. (Its front door has the hinges on the outside.)
I went to the Coal company to get the electricity turned on, and they said, "You don't exist." I agreed with them that I had been feeling a bit ethereal lately.

"No," the lady said, "in the credit world, you don't exist. There is no credit report on you."

. . . I had heard rumors of such things before, but I never thought them true.

Y'all may not believe it, but, whatever the reason, knowing that TRW/Equifax thinks about me as little as I do them makes this one of the happiest days of my life.