

## Acorns and Capitalists

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Some interesting facts from David Stockman regarding the narrow base of the S&P 500 bubble. The combined market cap of Facebook, Amazon, Netflix and Google at the end of last year was \$740 billion. Combined earnings were \$17.5 billion (P/E ratio 42x). At the November 20 close the combined market cap was \$1.2 trillion -- a 60% increase over the 11 month period, while LTM earnings from September increased 13%. As for the rest -- the combined market cap of the S&P 500 ex-FANG the day after last Christmas was \$17.70 trillion. At the close of the market on Friday it was \$17.26 trillion -- a 2.5% or half trillion dollar decline.

Even though Turkey shot down a Russian jet that strayed maybe an inch into its territory for a second or two, and one of its allied anti-Assad gangs shot down a rescuing Russian copter; and even though experts expected an upward revision of 3rd quarter GDP growth; the bulls managed to wipe out a loss and achieve a small gain. How impressed they will be when they check out the GDP data, is another matter. Actual personal consumption was cut from 3.2% to 3.0%, but inventory gain was almost \$40 billion more (from about \$60 billion to \$100 billion). Having more stuff they couldn't sell was just a wonderful bit of luck because, had there only been a personal consumption cut, the prior 1.5% reading would not have jumped to 2.1% but declined to 1.2%.

Wildlife scientists have an accurate way to determine an annual estimation of the Whitetail deer population. By counting acorns. If acorns are plentiful, the higher the deer count. Not because lots of their favorite food means lots of healthy reproductive deer -- that can be factored into long term estimations. No, it's because an acorn shortage means that the deer must leave the safety of their dense hardwood forest haunts in a search for food, and that means an increase in risk/danger of falling victim to human and lower animal order deer hunters. If deer had a choice they would reject a balanced order of life in which more of them perish than in high acorn years. But in deer life a more catastrophic balancing would occur under conditions of annual high annual acorn output. It would mean a denser population and the survival of more sick, injured and aged deer; the rapid spreading of disease and a catastrophic decline in the population.

The Whitetail deer story works well as an allegory or analogy for a lower order sector of human society known as finance capitalism. Humans in this lower order still retain the capacity to develop sophisticated algorithms (a product of pseudo human reasoning) that serves to assist them in avoiding a natural balancing of their society. So instead of weeding out the sick, demented and degenerates of the finance capitalist world, they proliferate to such an extent that they endanger the essential well-being of the core of humanity. A good example of such a dangerous excretion is one John Arnold.

John Arnold is the this country's second youngest billionaire (Zuckerberg is first). He made it big as one of the young lions scheming for Enron, the notorious hedge

fund. When that went bust he started his own hedge fund, Centaurus Securities, and made most of his billions successfully guessing which way gas prices would go. In his late 30's he shut down his business because -- "*I was troubled when I was trading that it's hard to make that direct tie between the financial industry and the greater good. My life was 100 percent trying to make money in the first phase, then 100 percent trying to do good in the second.*" We are seriously asked to believe that there can be such a thing as a direct tie between the financial industry and the greater good! And from one who declares he will now devote himself to doing good -- yet he still lives! For the likes of this ripe chunk of human garbage to do good would require something like placing all of his wealth into a public trust to be run after his death by Michael Moore, and then killing himself. His doing good is wrecking the unionized public school system -- replace them with inferior charter schools that are allowed to cherry pick students to be taught by obedient non-union teachers willing to teach rote learning and enforce regimentation -- all that is required for dead-end lives in this failing system. But Arnold's main project is pension reform. State and local governments need to come up with \$1.38 trillion dollars in pension over the next 30 years -- that's \$46 billion dollars a year. How about subtracting it from the \$80 billion in corporate subsidies government dishes out every year -- keep the \$40 billion in annual corporate tax loopholes aside as a reserve? But that won't do -- this is capitalism and the capitalist only takes, he doesn't give. Arnold's game is to promote the removal of defined pension plans -- one's where people know what their pensions will be -- to defined contribution plans where states gamble in funds (including hedge) and fund managers collect huge fees and future pensioners have no idea how much, if any, pension they will receive. To top it off, much like Obamacare that will cost taxpayers and consumers much more than a Medicare like system because it forces them to be gouged by for profit insurance companies, the Arnold system will cost states more than if they just paid their agreed upon sum into the pension systems.

This is what we get for dishing out too many acorns (easy credit/money), a loathsome Enron monster (a company that wiped out \$1.5 billion in public pension funds -- but left an extra \$8 million for Arnold just before the company went under) "doing good" by providing a better plan for mass misery. And if you think there is a right to left alternative within the system -- forget about it. Much of the above information is from *The Plot against Pensions: The Pew-Arnold plan to undermine America's retirement security -- and leave taxpayers with the bill*. By David Sirota for the Institute for America's Future. In it's 32 pages Sirota repeatedly represents the bad guys as Republicans, conservatives and right wingers. In leaving out this interesting tidbit -- **John Arnold is a Democrat --** Sirota reveals himself to be fronting for the Democrats. The Democratic Party is the party of Wall Street and hedge funds because austerity-inclined Republicans are not too keen on huge debts -- including the trillions on the books of the Federal Reserve -- and zero interest rates that prevent conservative savers from earning enough to stay ahead of inflation. The solution -- for excess deer or capitalists -- is a thinning of the herd. We'll leave the former to animal ecologists; for the latter it will have to be much more than the Occupy movement.

The Shanghai Composite was down 5.5% on Friday after the announcement that

China's biggest brokerage firm, Citic Securities, and many others are under government investigation for illegal use of margins and swaps to fund stock purchases. Since such fluff is why most of the world's markets haven't declined as evidence of the recovery failure increased, the Chinese actions caused a world decline. But not in the US where markets went nowhere. That's because American brokerage firms know they can get away with anything until actual failures.

Gold declined to a new 10 year low at \$1051. The \$1066 was supposed to be a floor. Next is \$966.

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