

Approaching Finality: When More = Less

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Typical signs of recent financial busts have been things like an increase in mortgage arrears, home sales declines, slackening prices resulting in loss of refinancing and the extra spending money, or maybe the failure of profitless, revenueless dot.coms. Some *thing* that was created and propped up by the financial sector gave up the ghost. Such real stuff is now old school. The real economy cannot fall and crash because it's so low off its floor that it can only manage a plop. This new finality will be something unique -- a soundless crash -- a quake with no more energy than a summer breeze. That's because the next crash will be caused by the saturation of the real economy with absolutely nothing of real value.

Today the markets had their worst day in recent weeks. Why? Because the jobs report for February was much higher than expected. To be sure, more than half of the 295,000 reported jobs were of the crap sort. What with Staples demanding that all its employees work no more than 25 hours a week (thanks to Obamacare) it's certain that 295,000 jobs does not mean 295,000 new job holders. What the markets saw in the report is that the Fed can no longer keep the free money of zero interest going since weakness in the labor area, jobs, labor force participation rate, wages, has been the Fed's last exhausted excuse. June will likely see that measly 0.25% rate increase.

The central banks and politicians have for so long pretended to see light at the end of the tunnel in order to buy time until something positive actually happens, that when markets hit new high around the world they had to credit that as signaling the effectiveness of their policies. The dribs and drabs from that have now borne fruit in many months of more than 200,000 new jobs. To be sure this apparent increase in demand for labor has meant almost no increase in real wages. Average hourly earnings were said to be \$24.74 an hour -- average real wages \$10.55 an hour (they usually only report the first figure hoping people will mistakenly take it to mean money in the pocket). The discordance between an increased demand for labor and yet no significant increase in wages or increase in the labor force participation rate calls into question the legitimacy of the jobs reports -- but our rulers can't just shout, "Hey, we're a bunch of liars." They live for lying but will die of something other than shame if they rub too many faces in it for too long.

Corporations bought \$104 billion of their stock back in February -- a record for a month. Free borrowing is the key for acquiring free money. The biggest corporate deal in this category was the Verizon \$49 billion borrowing binge last year. What's especially notable about this one is that Verizon, the holding company (Will Roger's definition of a holding company -- one that holds the money stolen from the public while the cop searches the robbers' pockets in vain) bought \$49 billion of its subsidiary's stock, thus raising its equity value by 50% and showering its shareholders with more money to stimulate the economy if they hadn't already purchased multiples of everything they could possibly need or want.

Other notable news of the week. China, instead of struggling to maintain growth has taken a new tack, it's given up. Now it's just praying for 7% growth. That way if they succeed everyone is bound to forget that it's 0.4% less than the previous year. Of the 48 data reports so far this year, 42 have been below expectations. Gallup reports that the top 5% of Americans own 75% of the nation's financial wealth -- the bottom 80% pitch pennies for the 5%. Bill Gates is said to be the richest man in the world -- worth \$79 billion -- and here we thought he was giving money away hand over fist.

When it hits the fan this time, these are the people that must be sent to the rendering yards. Since they have done nothing useful with all their borrowings -- no new productive enterprises or even improvements in basic industry -- nothing to improve the lives of the people encumbered with the burden of their miserable existence -- they must be reduced to basics: one average value home, one car, \$2000 maximum in the bank, and a guaranteed job where they can actually do something useful and worthwhile for a change.

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