

## Et Tu Austria?

10-20-17

The new Chancellor of Austria will soon be 31 year old Sebastian Kurz of the conservative Peoples Party. His rocketing from almost nowhere to head the Austrian government fits the pattern of capitalist decay we've been seeing since the apparently fatal blow to the system was struck in 2007. After only five months as leader of the party he pushed it more to the right; created his own personal list of candidates (approved by the party); and then get 31.5% of the votes and 62 of 183 seats. In the past there has been concern that the neo-Nazi Freedom Party would take power. Not a problem any longer. It won 26% of the votes and 51 seats. There is scarcely any difference between Kurz's PP and the FP so now it can comfortably share power under cover of the presentable PP. There should be no complaints since former youth Nazi party member and war criminal Kurt Waldheim led Austria in the 1980's under the flag of the Peoples Party. The PP and the FP had 15% and 11% increases respectively in their vote tally. The Socialist Part finished exactly where they were after the previous election – 26% and 52 seats. In the past they've rejected joining with the FP, but in another example of the rightist tread will now accept a coalition if it agrees to be pro-Europe and support a minimum wage. The cause of this 8<sup>th</sup> rupture in the system (by my count) is the strain of malaise in the underclass that things are not right which is exacerbated by the repetitive drone of – recovery...recovery...recovery. Yeah, business is good, markets are up, and so is unemployment – 4% in 2011, now 6%.

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Richard Thaler won the Nobel in economics for building “a bridge between the economic and psychological analyses of individual decision-making.” One of the most hilarious jokes of bourgeois economics is that their system is essentially a rational one. Thaler's cognitive behavior approach indicates otherwise. No one should hold their breath expecting anything profound coming out of such infantile rubbish. The ‘endowment effect’ – people tend to place a higher value on something they own (Compared to what? And is it because they've researched and tested what they own as opposed to similar products?) There is also ‘anchoring’ – relying too much on initial information (Of any sort? A friend's recommendation compared to a written review? Perhaps it's lack of free time for in depth research. What you have is mostly used up, then the rest is a rush). ‘Confirmation bias’ – the tendency to interpret evidence as confirmation of previous beliefs. (AKA – the everyday laziness of common common sense.)

‘Loss aversion’ – more pain in losing something than pleasure in winning or gaining something. (The example is losing or winning \$10. Since that would involve gambling with the odds always tilted against the gambler, a loss means the likelihood of more losses with the \$10 win being one of them.) There is also the gimmicky ‘nudge’ theory, that behavior can be tricked into doing something beneficial by making it very small or anchored in the future (increase savings by basing it on future salary increases – bank the stuff before you can touch it. It’s like people who withhold more tax than necessary so they can get a sizable refund. With ‘nudge’ they might also get a bit of interest.)

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Retail sales were up a strong 1.7% in September, but that was mostly due to a storm related jump in gasoline prices. Without that the increase was only 0.6%. The recent year to year averages have been around 4% but the average over the past 61 months has been slightly less than 3%. When the system was alive anything less than 6% was signs of trouble ahead.

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Industrial production remains stuck below 2% having made that number for only three months of the last 32.

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Xi Jinping speaking before the 19<sup>th</sup> Chinese ‘Communist’ Party Congress repeatedly urged party functionaries to adopt a spirit of rejuvenation. Now it’s more quality rather than quantity because ‘more’ has become a shrinking value. No scheme has worked so let’s hang on for dear life. The core of the Chinese economy – Fixed Asset Investment rose 7.5% in September, the lowest monthly growth since 1999. Private FAI is about half the level of state growth. China appears to have given up on the rest of the world. A no growth world necessitates ‘rejuvenation’ at home.

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The markets ended on another record week. The deficit was the largest (\$665 billion) in the third quarter since 2013. All of the data has been weak to bad but no sweat, the first phase of tax cuts for the rich has been achieved. Also cheering the markets was reports that Jerome Powell is now most favored to replace Yellen – meaning: business as usual. Earlier reports that it might be John Taylor was frightening – he is known to not accept the ‘too big to fail’ concept and could well burst the current bubble just to get a jump on failure.

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