

## The Beginning is the End

12-09-13

One of the tricks used in economic reports to make them seem like they are working as planned is to set a goal and then presenting it's seemingly successful achievement as proof that the plan is working, while carefully how the 'good' numbers actually came about. For example. Japan is pursuing a monetary expansion policy to break free of a threatened deflationary spiral. Success is announced: Japanese inflation is expected to be at nearly 1%. Not so prominently reported is that almost all of that inflation is due to the cheapened yen which raised the cost of fuel imports. Since fuel is required to produce everything, it will increase the cost of many products. In short, that is a thoroughly unproductive way to raise prices.

Recently the U. S. has produced some strange economic reports. The government was shut down for 16 days. 377,000 government workers were furloughed. Economists sensibly predicted a few numbers knocked off GDP. But instead the first report showed growth. The First adjustment went even higher – 3.6%. Wow, isn't that great?! Except that – almost all the growth was inventory build up. Lots of stuff being made – no so much was being sold. How does that become a praiseworthy accomplishment? And note that the increase in inventory also undermines other positive reports like manufacturing growth, etc. What is most striking about these events is that something that makes no sense at all: the economy somehow got stronger during the shutdown, is simply reported as if it were one of those 'strange but true' stories. It's not questioned even though consumer spending slowed to 1.4% during this 'robust' quarter. All that matters is that we want growth – and see that number, we have growth

Then we have this big drop in the unemployment rate 7.3% to 7%. Probably based on a lot of bogus figures due to the government shutdown but presented as another proof of trending success. But with such a big drop in unemployment there should be a significant increase in the labor force. Many discouraged workers that gave up seeking work should now be less discouraged and returning to the labor pool. But there hasn't been any sign of that. Barrons reports that the Fed might have to change their unemployment goal. It's now set at 6.5% – they may have to make the new target 5%. A tacit admission that all of these QE's have only helped the rich. Maybe when the rich get rich enough the swank apartment buildings housing them will hire more doormen and maintenance people. They will spend more, hire personal servants, gorge themselves for the betterment of humanity.

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