

## **The Boeing 737 Max Profit**

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That maximum profit means maximum carnage has always been the acceptable business model for capitalist enterprise. There is no better way to determine whether you have reached the pinnacle of profit than by building a body count sufficient to make negative attention shave down the profit margin. That is the instructive lesson Boeing has supplied for all persons willing to learn.

It is the model for capitalism in all industries and in all nations but it makes a difference whether the hundreds of victims are Brazilians living in the path of made to collapse mining dams, the deaths of Indians living near a profit-mad chemical plant, or if you are the typically middle or higher class making commercial airline flights.

According to Ipsos Public Survey, in 2015 55% of American adults did not fly, and 78% took no more than two flights. 18% of Americans have never flown. Thus the Boeing debacle gets maximum attention because the more prominent envision themselves being reduced to particulate matter in the blink of an eye.

Boeing once had a reputation for having a highly skilled unionized work force making finely machined flying apparatus. That would normally please everyone; the producers take pride in what their work achieved, and the consumers express their appreciation in the course of its use. But that is not the mentality of capitalists. For them the end product is not the thing made but rather the profit gained from the sale of something others need.

And enough is never enough. In the late 90's Boeing bought McDonnell Douglas which brought them deeply into the military aircraft market. It didn't go well, profits were down, there were layoffs and fear that their depressed stock could lead to being themselves bought out. There were strikes and cutbacks that resulted in more planes being made with a 7% reduced workforce. Boeing moved its headquarters from Seattle to Chicago and opened a non-union plant in the South. Then came serious competition, that wonderful driving force of capitalism.

The Airbus 320 and the Boeing 737 were the two biggest profit makers of their respective companies. Airbus announced a new model and Boeing felt the competitive need to do the same. It designed a plane with larger engines that were positioned further forward on the wings. That created a tendency for a slight nose up which if too much can mean a stall. Sensors that fed back accurate data on plane pitch were critical for pilots to make the necessary adjustments if required. Boeing had a special feature to warn when the sensors were defective, but apparently that was an optional purchase or in any case not known by most pilots.

The airlines that would purchase these planes also have their profit concerns. They want new planes to be from the same common mold so they can avoid expensive re-training. That meant Boeing required the collaboration of the FAA to approve a plane that was significantly different than the earlier model. An hour viewing a computer screen was considered enough to qualify as a pilot for fly a new plane that allowed little margin for error.

Boeing's CFO advised that it was necessary to think outside the box (the box being what they called the planes that they manufacture) in order to increase profit and shareholder value. After all, everyone assumes that that Boeing makes great planes. So Boeing thought outside the box. Stock prices are still up 11% on the year and only at the cost of a few hundred lives -- human beings whose relatives and friends would welcome some measure of relief if only they could have something of their loved ones to put inside a box.

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### Jobs and Unemployment

It's a great mystery that we are told of lots of new hires and a fifty year low in the unemployment rate while at the same time while there is no material evidence of its truth. No significant rise in wages or the inflation that would follow. Very weak retail sales and industrial production. No recovery in the residential housing market. It's a mystery because deception is all that the system can manage in support of its continued existence.

263,000 jobs were reported in April. Of that total 155,000 were involuntary part time. The main U-3 unemployment rate is based on full time (35 hours) employment. How can such a small number result in a lower rate? Because 191,000 persons left the labor force. The new hires number is compared to a shrunken available labor force and the result is a technically correct percentage reduction in unemployment. It just doesn't mean anything more than what the numbers say.

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### Evidence of Ungrounded Markets

Apple's core business is selling iphones. Revenue in the first quarter fell by a huge 17%. But not to worry because Cook said things looked better for the second quarter. Apple stock rose 5% despite the bad news. But just to help out the second quarter Apple announced a \$75 billion buyback scheme.

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