# Financialization and the Caloric Engine

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May retail sales returned to its tepid pace of 0.5% following April's 1.3% rise. That in turn was primarily due to the previous three months net negative growth. With Monday being a significant down market day the touts and shills went to work on making a 0.2% better than expectations report a sign of better times to come. The May year over year growth amounted to 1.9% (or 1.58% without food but with or without autos). The historical baseline for non-recessionary retail sales growth is 3%. That means May is the 16th consecutive month in which retails sales are pointing to a recession risk. Lest one forgets, retail sales in a robust economy are typically 6% or more.

Fixed Asset Investment January through May grew 9.6%. The first time below 10% since December 2000. Private FAI grew 3.9%. Many regard a strong FAI as the gold standard for determining economic health.

Since the 2007 peak the House Hold Survey jobs number is 1.14 million *less than* the Establishment Survey figure. Note that the HHS involves direct interviews by Census agents unlike the ES that just gathers what employers decide to report. It wasn't until August 2015 before the loss of full time jobs in the slump were restored – that's 95 months before getting to the 20 million or so prime working age cohort that entered the labor force over that period searching for a full time job.

Since October 2014 US inventory in all its forms has been rising -- it is now at November 2008 slump levels. Since industrial production is weak, both here and abroad, then demand must be weaker still to cause the build up. In short, the economy is fizzling out, not with a bang but a whimper.

The Fed decided not to raise interest rates and said they expect "a slower path" to future rate rises. Again they used the threat of a Brexit as a cover so as not to acknowledge the evident slumping of the American economy.

The Bank of Japan decided to leave their easing policy in current form. Many expected an enhanced version of something that has never accomplished anything but the enrichment of the financial class. Interest rate will remain at negative 0.1%. Annual monthly easing will total $764 billion.

US factory production fell 0.4% in May. Total industrial production fell the same for the 9th consecutive month. Consumer good production fell 0.7%.

Revolving credit totaled $951.5 billion in April, that's 5.5% higher than the previous April. Synchronous Financial (formerly the financial division of General Electric), at a Morgan Stanley conference, said their write offs increased to 4.7%. Credit card companies are seeing more signs that consumers are tapped out. That is where the desire to purchase meets the inability to pay which then meets the incapacity for the economy to recover.

British Labour MP Jo Cox was murdered on Thursday by a man shouting "Britain First". The crime led Cameron to call for a moratorium on the ugly squabbling over the June 23 Brexit vote. The murder and its aftermath proved to be a major boost to world markets. Since Cox supported remaining in the EU and, based on what her killer shouted, he is not, the act may generate a pro-EU sympathy vote among the undecided.

A Morgan Stanley study reported seeing a post recession slump much like 1937-38 in the near future. Their solution is to keep the endless supply of gravy flowing. But those nations and regions that have kept their easing policies in place are, if anything, in worse shape than the US. China not only has easing but also a conventional stimulation policy that has expended more for infrastructure improvement annually than the US and EU combined (this according to McKinsey Global). And that hasn't worked because China is still much too dependent on an export economy in spite of announced plans to develop a domestic market.

To control Yuan values and capital outflows in addition to other purposes China has been cashing in US Treasuries -- a total of $250 billion since 2014. Recently it has switched to selling off US Equities. Their portfolio has been cut by 38%.

One of the more exciting features of our capitalist world's endless failure to get any of their financial policies to work is trying to understand why they don't, and the strange phenomenon of the policy makers not making a legitimate effort to find out. Much has been said and written about the financialization of world capitalism. Trading in most dollar denominated securities has now superseded the real thing -- hived itself off and risen above the real economy. But as they now perform in ways never intended they have little effect on that which created them to serve *their* interests -- the real economy. There was a time when many thought that heat had a physical presence in all matter. They believed that if they could build engines that would gather up those particles of heat -- calories -- they would have very powerful devices for running things. Some went so far as to include a fine mesh-like material in their machines to concentrate the calories. The engines still worked because, even though there are no such things as calories that can physically be reined in, underneath the useless component there were still heat or steam engines. Eventually these engineers learned that they could make more efficient devices by eliminating all that interfered with functional utility. The same reasoning can be applied to the current economic malaise. Dissolving much of the financial sector will free the real economy from its dominance. But doing so will only mean a reorientation from the totally mad to the wildly irrational. Market economies are based on movement without the guidance of thought because thinking means planning, and the development of a plan means trusting those involved in its making, and there is no place in capitalism for trust. But they had better think of something because the poor sods the world over that have their lives disrupted because of a malfunctioning system may eventually conclude that the earth is no place for capitalism.