

China: From Progress to Progeria

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Older capitalist states have cities, communities and neighborhoods that record the history of their industrial development from thriving growth to decline and decay. Traces of this exist throughout the US, but the core of the reversal of fortune is the industrial heartland of Mid-West America which, from the industrial standpoint, is called the Rust Belt.

China, in its forty year period of capitalist transition, is experiencing the historical compression and recapitulation of the growth and deterioration, the life and death, of world capitalism. At the end of the 70's the US was climbing out of a lost economic decade and China out of a sham communism. The US and other capitalist states were perfect helpmates for China's noble cause. Here was a country that not only had a huge, skilled, work force, but one that recognized the social essence of work and thereby valued its performance.

In a short time China had amassed a huge surplus of wealth from its vastly uneven export import ratio and began using much of it to make up for lost possibilities by building the nation anew. Infrastructure and whole new cities arose and flourished. The new ruling class had big plans when the 2008 slump occurred. They kept spending to slow the decline in the growth rate and maintain employment and the promise of a bright, prosperous future, that most had come to expect.

But the cost has been too high and the decline has not be reversed. Just as had happened to older capitalist nations, the rot has become rooted. China has its own rust belt in the northeast. Unemployment is increasing and now funds for propping up the economy must come from other sources than reserves, like the conventional neo-liberal policy of tax cuts and easy credit. Masses of humanity now wander from place to place to make a living much like Americans when they are flung out on their own when the inevitable economic crisis occurs.

Urban planners from Tsinghua University used satellite imagery to evaluate the amount of light emanating from 3,300 cities and found that from 2013-2016 28% of the cities, 938, were darkening. People were leaving, the cities were shrinking. These brand new buildings, and some cases brand new whole cities, were being emptied, or their facilities never being used at all, as people searched elsewhere for a living. Rot advances at a faster pace when structures, even brand new ones, are left empty.

The 2020 census should verify what satellites and direct observation have discovered. An example of the latter is the concrete determination that a half million persons left Liaoning province in just the last year. But the ruling elite

can't accept that the boom times are over, perhaps forever, and keep pushing large plans like more major building and infrastructural improvements in sixty cities. More empty buildings, more shrinking of cities. The formerly nominal materialists and realists, are now bourgeois idealists who believe that positive thoughts yield positive results. They will push on until the expiration date on hope is applied to their to their political existence.

Economic Info

-- A very eventful week in the markets. Stocks set a four day record for the year on the plus side. Powell started things off by strongly hinting at a rate cut. Speculators were thinking September was most likely but now 70% polled have moved it up to July. And then Friday was another great day because instead of the forecast of 180,000 jobs for May the Establishment Survey reported 75,000. In addition, the BLS reduced the previous two months' figures by 75,000. Clearly the US is joining the rest of the world in an economic slump which may very well be a technical recession like that in many nations four years ago.

But shouldn't capitalists, even those in the financial sector, be more concerned about all the pain and suffering that results from economic crises than rate cuts and cheaper credit? Their behavior is like wishing for someone's death so they can feast themselves at the funeral reception. Their thinking is that the ongoing stagnant economy is the new normal, and ups and downs don't matter as long as companies have easy access to credit for stock buybacks, mergers and acquisitions, increased dividends, and other means to inflate their value.

The bond market is the other major investment financial entity, and by far the one with the most money and power in play. Yield for 10 year US bonds hit a 21 month low. The bond people see a recession and they want their money stashed in financial instruments that are the closest thing to money. Then they will get real money by profiting from the ruins.

-- Markit global manufacturing PMI fell to 49.8 in May. The lowest since 2012. For the US it declined to 50.6. The lowest in two years.

– German April industrial production was down 1.9%. The lowest since 2012. Exports down 0.5%. GDP estimate now down to 0.6%.

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