China: From Nominal Communal to Private Property

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China took another step toward converting to a conventional market economy. They have, in capitalist terms, wasted huge sums on real economy stimulus – infrastructure and the like. Late term financial capitalism has created specialized institutions to raise or lower the availability of liquidity and thus stimulate or restrain the real economy. Of course, this often doesn't work very well, or even at all, but China had no choice because of its across the board sinking economy to look elsewhere for solutions. Thus it decided not to require banks to make loans at or above its currently recommended floor of 4.85%. Shanghai immediately set the floor at 4.65%.

The quandary for the Peoples (!) Bank of China is that they would prefer that loans be made for practical purposes like improvements in workshops or farms, and not speculation like the property value bubble. Those values have remained strong while the rest of the economy was in a slump. Now that China had opened the door for the creation of a normalized capitalist society, the middle class did not want to be like the folks in the great Czech film The Fireman's Ball, being the last one to have a chance at the last ham.

Loans for mortgages totaled $510 billion the first 8 months of the year. The current major restrictions on property purchases is that the buyer must be a resident of the city where the purchase is to be made, and make social security contributions. So far most cities are complying with recommended rate while Shanghai already had a rate below 4.85% and wanted to keep it relatively unchanged.

For the present the PBOC will determine rates much like the Fed by setting a money market base with banks then establishing a prime rate. It will continue to synchronize financial relations with the rest of the capitalist world. The last traces of its rotten form of communism will continue to decay and a bourgeois form of political democracy that ensures a place for dignitaries of the old order will develop. With the universal likeness of major economies competition and wars will clearly be within a defined system. And people will clearly know what has to be done.

<u>Economics Info</u>

– According to the International Air Transport Association global air freight measured in freight ton kilometers fell 3.9% in August year-to-year. That's the 10th month in a row of declines -- the longest continuous downturn since the 2008 slump. There is special significance to this data in that air cargo transport is reserved for high value commodities.

-- The IMF made it official in a speech by its new director Georgieva:

"Two years ago, the global economy was in a **synchronized upswing**. Measured by GDP, nearly 75 percent of the world was accelerating.

Today, even more of the world economy is moving in sync but, unfortunately, this time growth is decelerating.

In 2019, we expect slower growth in nearly 90 percent of the world.

The global economy is now in a synchronized slowdown."

-- Eurostat reported that industrial production for 19 European countries declined by 2.5% year over year in August. That places the European economy almost exactly where it was in 2012 when many countries fell into official recession. Meanwhile the Chinese National Bureau of Statistics reported GDP, retail sales and industrial production to be at or near multi-decade lows while fixed asset investment had reached a record low.

-- Financial professors at the University of Colorado and the Universidad Diego Portales in Chile have calculated a sum that would serve to prevent financial hardships over a six month period. That sum is precisely $2,467. Anything below means suffering while sums above the figure wouldn't make much difference. So where do those at the hardship fringe stand? The researchers analysed data from the 2009-2011 U.S. Census' Survey of Income and Program Participation with the focus on 70,274 households that had incomes below 200% of the poverty level. The median (half above and half below) of the group was $70. A quarter had no savings at all, and over a third were actively experiencing fundamental hardships.

-- According to a report from Indiana Legal Studies, elder bankruptcies in 1991 were 2% of the total. It is now up to 12% and growing. Causes include weak and declining unionization and the shifting of funds from defined pension plans to contributions to employees 401 (k) plans. According to the Federal Reserves Survey of Consumer Finances 29% of the elderly are still paying off mortgages or other housing debts, and over 60% are carrying some sort of significant debt.

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