

China: From *Phoenix* to a *Smelly Egg* State

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It's safe to say that the attempt of the ruling classes of the world to bullshit their way out of a prolonged slump by declaring a booming victory has failed as evidenced by the many political reversals of the established order around the world. China, once the rising Phoenix of world capitalism has now become the Smelly Egg of a dying system: it still has a growing economy but the magnitude of its decline has been the most among the major economies.

Capitalists are not inclined toward a work together collegial spirit. When things go wrong they only unite for the purpose of transferring their pain to their main competitors. Thus it's No. 1 against No. 2, the US contra China, first in trade war, and if a genuine recovery is never achieved, then a real war.

Recently China's leaders have taken measures to bring its people to order; to disperse their dream of bountiful wealth for all and bring them to earth in patriotic fighting spirit. First, tell everyone that things are not as bad as they really are. The China Securities Regulatory Commission recently persuaded the Securities Association of China to sign a Chief Economist Self-Discipline Proposal in which they promise not to make references about the economy that suggest a possibility of collapse.

It's a sign of China's uncompleted transition to capitalism that such things are openly stated. That is not good form. In future they will have a media that will report things from all sides but with what is best for the system dominant. That way people feel informed while being hoodwinked.

China is also implementing a lifelong social rating system that by 2021 will subject all its 1.3 billion citizens to a pain/pleasure treatment not seen since Pavlov taught his dog how to behave. Those who do things like pay their bills, taxes, work hard and are nice to people will have benefits channeled to them while others who are careless about about those qualities will have to stand aside and watch the well-trained enjoy all the tasty treats.

Again, this naively crude approach will do more to piss people off unless the economy returns to real robust growth. The most obedient under all well run systems should automatically be at the top of the pecking order without ever embarrassing them by publicly noting their obsequiousness.

And then then there was a report in today's NY Times that young boys are being sent to special sissy-aversion training schools where they run into each other while playing American football, and even bravely run around shirtless so that they will be tough enough to fight for their country should they be called upon. As

silly as this seems, it may make the most sense. The Chinese masses previously had causes to fight for: freedom from foreign occupation; the overthrow of a corrupt capitalist gang. But now that gang has returned. Of course, they will always resist foreign invasion, but will they be strong enough to send their forces abroad to establish military bases and fight to control vital resources and markets as do Americans with their 800 foreign outposts? If the economy continues its decline it's quite possible they will realize that the promise of capitalism was a lie and choose to fight the enemy at home.

The markets had another down week. All the major indices have wiped out the year's gain except for Nasdaq with the composite in the black by a half of a percentage point and the 100 by 2%. In tandem with that decline has been the collapse in oil prices from about \$80 per barrel a few months ago to \$50 today. Oil prices are not determined by demand in the short and medium term but rather by futures speculation. There has been an increase of 2 million barrels per day this year but that's not enough to explain the sudden price collapse. The essence of it is that oil is no longer just a useful commodity, it is also something that can be subjected to the same speculative contortions as any financial asset. And the underlying cause of the expansion of financial speculation is the relative lack of profit derived from a sluggish real economy.

Both stocks and oil are financial assets but only oil is a direct monetary asset. With both in decline it's most likely the former will be sold to support the latter investment.

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