Confusion in Context

11-13-15

In October the manufacturing share of total non-farm employment hit an all-time low of 8.63%. 2.293 million manufacturing jobs were lost in the crash and aftermath of which 864,000 (37.68%) has been recovered. Compare this to total non-farm employment -- 8.801 million jobs lost -- 13.493 jobs recovered. Good full time jobs replaced by crap part-time jobs equals a crappy recovery.

Chinese exports dropped for the 4th straight month in October - 3.6% (-1.1% in September). Imports fell for the 12th straight month - 16% (-17.7% in September).

OECD reported that world trade has fallen close to recessionary levels. World GDP lowered to 2.9%. 2.4% in US.

Wall Street banker bonuses are expected to fall 5-10% from last year's $172,860 average. Poor bastards. After all the hard work that they do.

According to data compiled by Econoday U.S. non-petroleum imports prices fell for the 10th month in a row -- down 3.4% year to year. Total imports fell 10.5%. Largest since October 2009. Exports fell 6.7% year to year. Minus agriculture - 6.1%. This is a worldwide phenomena -- Canada down 20%, Latin American - 14.7%, China - 1.4%, Eurozone -2.9%.

China's aggregate financing fell to only $75 billion in October, less than half of what experts predicted and only about one third of the previous October. Another of the many signs that government attempts to stop the fall by way of 6 interest cuts this year is failing.

Major market downturn on Thursday. Blamed mostly on collapsing commodity prices. Oil is back down to $41 ($40 as of Friday) . Gold at $1080 -- the lowest settlement since February 2010. Copper is at a 6 year low.

Haldane - chief economist of the Bank of England announced that the economy is creeping toward a halt which will certainly come all the sooner if interest rates rise. Date for such a possible rate increase now moved back to the end of 2016.

Oil stockpiles of developed economies has reached 210 million barrels -- a five year high (it was 30 million barrels higher in 2009). According to the International Energy Agency the world stockpile is at 3 billion barrels a new all time record. A clear reflection of fading world economy. Output is slowing but the need to pay bills hinders cutbacks -- much like a failing company selling inventory at loss or no profit in order to stay in business until things (hopefully) turn around.

The share of houses sold to first time buyers fell to the lowest level since 1987 according to the National Association of Realtors. The historical average since this metric was created in 1981 is 40%. Most recent count has it at 32% (last year is was 33%). The reason -- younger people don't have the money for a down payment unless they have rich parents. One quarter of first time buyers are gifted their down payments. The cause -- many of the buyers are housing speculators. They buy homes in large volumes and rent them out. Much like stock buybacks, they automatically cause a price rise by removing the product from the market. Easy money, easy credit leads to a 6% increase in value for the speculators -- a better and safer investment than securities.

Friday was another major down day for American markets mainly because retail sales for October grew 0.1%, one third of expectations, and this followed no growth in September. The source of the decline was an unexpected fall in auto sales (0.5%) when something like the 1.4% rise in September was expected.

American indexes have once again receded to the point that only Nasdaq hasn't lost all its gain year to date and also over the last 52 weeks. That means it's time for Krugman to shift away from failing measures that he heartily approves of when they seem to be working, to blaming the slide toward a recovered recession on conservative austerity measures. Capitalism financial theory from right to left goes something like this -- the troglodytes of the Austrian school: let the innate perfection of capitalism reconstitute itself by doing nothing while seeking cover behind a police state against the wrath of the impoverished masses -- next is Friedman's monetarist school: this is essentially what has been used the last two recessions. Krugman only loves it when run under a Democrat. He, and what we have, are said to be Keynesian but that school also calls for increased public expenditure. The right hates it when the state intervenes on the production side, because even though still capitalist, it always performs better in the public eye than profit-oriented private capitalism. What Krugman cannot admit is that the policies that he supports are as damaging to a recovery, and in much the same way, as austerity. Austerity reduces effective demand and thus weakens the real economy. The current liquidity/credit easing policy shifts the focus of capitalist profit making toward financial speculation in various forms -- markets, foreign exchange, mergers and acquisitions, IPO's, stock buybacks, borrowing for dividends. Why waste money on capital expenditure to develop new products for sale, all and the like stimulating the real economy, when profitable speculation has been gifted to business virtually risk free? What Krugman nor any of the others can admit is that capitalism is a failed system -- it's run its course and is no longer viable in a society that has advanced beyond its limitations.

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