Considerable Cowardice

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The dilemma for Yellen and the Fed is that the only thing that has recovered during this "recovery" has been the wealth lost by the financiers in the last collapse of the economy which was caused by those now prospering because they engaged in very risky ventures.

The gap between a slackening real economy and the booming unreal has widened to the point that our public officials are becoming more explicit in their warnings to speculators of the dangers ahead. All this is of course done in way that while pointing to risk denies a bubble, which is then confirmed in practice when the warnings are totally ignored.

That is why this week's meeting of the FOMC attracted so much attention. Will Yellen make a more determined warning gesture with respect to another threat of financial collapse. The phrase "considerable time" was used at an earlier meeting. It referred to when the Fed might begin raising the prime rate from near zero following the completion of QE tapering. Later when she was asked to be more explicit she said in about 6 months.

Since this thing that constitutes a recovery is based on the Fed's largess to financiers, any clear reference to its ending is fraught with danger. It's like telling a person the exact time they will awaken from a dream when that dream state is their only reality. The tapering has already caused a slackening that reminds many of 1937 when FDR thought the economy had recovered enough to start cutting back on deficit spending.

And so it became a big deal what the Fed would say this week. If they wanted to send a clear warning, all they had to do was drop the phrase altogether from their final report. Stating a specific ending date in 2015 would serve the same purpose. Or they could be totally gutless and just say "considerable time" with no qualifications -- which is what they did. Now we at least have a backdoor admission that the Fed considers the economy in such a fragile state all they can do is pray that the irrational loonies they let escape from the bin will either come to their senses or at least not go berserk until someone else is in charge of policy.

The recent boastful report that the budget deficit for the first 11 months of this fiscal year was only $589 billion serves as another lesson in how far the government will go in deceiving the American people -- and how the role of the mainstream media is to make the deception as convincing as possible. Toward that end they left out any explanation as to where the rest of the $1 trillion increase in public debt over the same period happens to be hidden. There is nothing new in this magical manipulation of numbers. Following the housing bust in the early 90's the first Bush regime set up something called the Resolution Trust Corporation to bail out the banks. The cost at the time was projected at $130 billion and none of if would be part of the budget deficit thanks to the RTC. This maneuver was expected to cost the taxpayer and extra $5 to $10 billion, but what's a few billion extra when the public gets to enjoy the peace of mind of a smaller deficit.

This week it was reported that the US poverty rate dropped to 14.5% from 15%. Our officials must have determined this rate by surveying the number of folks living on the street because they have a family of three (one adult and two kids) in poverty if income is less than $18,769; for an individual it's $12,119. That's not poverty -- that's destitution. Call it the misery index instead. As with the unemployment rate it's rarely reported in any detail that these rates are computed in ways that diminish bad news to a much greater extent than those generated by other developed countries. The US is one of the few that actually tries to pin a monetary figure on poverty (the other is the UK). That is because one day in 1959 Mollie Orshansky sat in her HEW office and decided, just for the hell of it, to multiply a figure said to be the cost of feeding a person by the number three in order to come up with a down and dirty figure for poverty. When higher ups decided to make use of it because of its welcome smallness, she advised them of its inadequacy which fell on deaf ears because that's just what they wanted.

Other countries use much more complex metrics. They also use as a base line those below half of the 60% figure in household income. In the US it's the bottom half of those below the median. The Luxemburg Income Study has worked out a method to compare the American poverty rate with other advanced countries. In 2000 the American rate was 17% - 20th out of 21 nations - only Mexico was worse at 22.2%. Of the top 11 the American rate was the worst. Incidentally, the 14.5% is still well above the 12.3% 2006 figure. This is the recovery as viewed from the bottom.

Only a few things of note this week. Last week the new unemployed figure was surprisingly high. This week it was surprisingly low. Average remains about 300,000 per week.

Housing starts were down 14.4% in August. Permits fell 5.6%. Cause is more likely lack of income than the reported tight credit. There also seems to be a decline in buying, renting and flipping as the rise in prices is also slowing down. The National Association of Homebuilders confidence rate hit a 9 year high. One of the symptoms of a bubble is excessive hope.

And today the markets actually had a high volume -- about twice the norm. Maybe because of the Alibaba IPO which closed well above its opening. Market value is in the vicinity of Walmart.

Gold value is sinking so rapidly that they catastrophists may soon be trading it for pyrite.

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