

They Call It Contagion

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Contagion -- use of the term is spreading as fast as is the financial condition. Currently it has about completed its mission in emerging nations, driving down currency, security and stock values. The term is described as a herd mentality overpowering rational investment practices. Financial speculators (under cover of the more presentable word *investors*) will sell even safe holdings to cover real or expected losses in weak ones, and while cheapened stocks, bonds and currency should attract bargain hunters, it doesn't when panic causes fear of being trampled.

The real economy of these victimized nations may have been doing well prior to contracting the disease, but now that world capitalism has adopted the tail-wags-the-dog model, it also is dragged down. The dominance of financial capitalism has converted the nuts and bolts of the real economy, where real people and not speculators struggle to live, into a kind of virtual reality that only exists in their super computer trading machines.

In the early days of capitalism they called broad based financial collapse a panic. Panic can be defined as a sudden widespread fright. In finance that would be rapidly vanishing investments. Investments are insured, usually by banks. That is considered collateral backing an investment. If the investment weakens to the extent that the collateral no longer covers the loss the investor seeks a collateral call, an increase in insurance. But if the financial fright is widespread, it will also invest banks, and when banks get scared they tighten up.

In the last collapse triple A rated (but really junk) Mortgage Backed Securities began failing when the housing boom busted and payments declined. They were supposedly backed by Credit Default Swaps which did all that you would expect from blank pieces of paper. But the real crisis began when firms in the real economy could no longer fund their daily business by securing short term loans in the form of commercial paper. But banks would no longer lend because commercial paper is an unsecured promissory note issued by banks in expectation of payment on income from accounts receivable. When everything is crashing companies will not be able to pay their bills. Big companies like Verizon and McDonald's had to beg directly from the Federal Reserve just to maintain operations.

The cause of these absolutely unpreventable crises will never be explained in mainstream sources of information even though there is nothing new or

mysterious about it. Veblen a hundred years ago described the essential elements a century ago in *The Vested Interests*. The problem is rooted in the fact that capitalism, the real economy capitalism, completed all that it could profitably do long ago and was left with vast sums of capital which must be invested in something in order to make more capital because that's all this brain dead system knows how to do. That is its life form and not investing brings death. Thus the creation of a myriad of investment forms much like the wide selection of lottery chances one can choose to try ones luck.

The system is dead in the practical sense of the term. All that's left is an airless flutter from what once a beating heart.

Friday Tesla fell more than 6% on fears that its founder has gone totally bonkers. More or less simultaneously Musk was seen on a podcast drinking whiskey and smoking pot while two more of his senior staff announced their resignation.

In the past few weeks Musk had a mini submarine made so that he could rush over to Thailand and make a nuisance of himself while a team struggled to rescue boys trapped in a flooded cave. Then when one of the actual rescuers called him a sensation seeker Musk variously: questioned his sexual identity, called him a child molester, and then said he played no part in the rescue even though he had traversed the cave and could place exactly where the boys were located.

Then while his staff is jumping off the sinking Tesla ship and Musk is defending his mini sub he declares that he will privatize the company by paying more than \$400 per share even though he has access to no more than pocket change for this huge buy out. Shares go up and then way down, and a couple of federal agencies begin investigations.

So much for one of the 'brilliant' leading lights capitalism has created for its next dramatic bust. Another is Zuckerberg, the man who enriched himself by selling millions of personal lives for profit. He also had his fall, but to his credit has so far avoided madness. Besos, the big thinking small time retailer who just buys things, avoids such tacky excitement. He is satisfied with being king of Seattle, but once he buys Boeing and becomes emperor he will rule from coast-to-coast in dual headquarters, there is no telling what how far his minimum wage voyage will take him.

As for old man Branson, he was the founder of the movement to make the haute bourgeoisie seem interesting, and now prefers to relax on Necker (his privately owned Caribbean island) while wasting valuable resources developing his Disneyland-like sub-orbital rocket rides to nowhere.

Instead of something important, like the collapse in the manufacturing sector, Friday's jobs and wage report featured a year-to-year wage growth of 2.9%, that it was the highest since the depth of the downturn year 2009 wasn't exactly featured in the reports. The huge decline in the all important manufacturing sector was barely mentioned. July figures were cut from 37,000 to 18,000, and the amazing consensus figure of 24,000 came in at a minus - 3000. At least it's highly doubtful that this figure will be adjusted lower next month.

When Nike announced a new promotion deal with Colin Kaepernick, the unemployed footballer who we have been ordered to despise, its stock went down and the media had a field day showing patriotic jerks ripping the Nike logo from their socks. But it seems that the stench of real capitalism is more pervasive than the patriotic spirit of the national anthem. Online sales of Nike goods rose 27% in the first four day following the announcement.

Industrial production is apparently still in positive territory in the US, as it is in China, albeit in a slow steady decline. But in Japan, the third largest economy, it has declined 2.7% so far this year. Last year over the same period it rose 4.7%. As they say -- this may be trending.

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