The Cough Before the Passing

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From time to time it becomes necessary to repeat the obvious because it's constantly being obscured by the fantastic. Typical reporting on economic conditions will never acknowledge more than a bump in the road until we're drawn into a black hole. The widening gap between the real and the unreal the world over is now beyond dispute. The twelve year low in the commodity index – materials used to make things. The decline in shipping and trade in general. Stagnant retail sales, durable goods, capital expenditure. The generalized decline everywhere has led to austerity everywhere. The traditional (and idiotic) way to bolster confidence in an economy is to ensure debts will be paid, even though pleasing the financial sector only further damages the real economy.

All that is real is obscured by a plethora of algorithmic economic prognostication showing progress or at least stability on the plus side of the ledger. It's a standard practice to mock these figures, even by those who live by them, if only to hide ones embarrassment in being forced to accept them as reliable. But the matter is worse than that. It has been scientifically proven (most notably by the mathematical physicist Roger Penrose) that the applications of the human mind are so complex that they are beyond algorithmic analysis, i. e., the mind is not computable. That would include its creations, e. g., economies, or for that matter, social systems as a whole or in part. All is a chimera except for honest raw data compiled from real conditions – and they tell us that the entire world system is caught in a whirlpool of decline. This period of “recovery” may well be reckoned as that weak cough before the final passing.

But here is some good news for those that survive the next crash. Construction in the area of single family homes has been terrible, but multi-unit (5 plus units) construction has been booming. It's risen 13.5% year to year, and is 275% off its lows. The ratio of multi-unit to single family is 5 to 1, the highest since 1973. With interest rates so low and the construction industry figuring that people will have to live somewhere now they cannot afford to buy homes, they are building like crazy. Since this is a market economy – Meaning: you only learn of mistakes after they have been made, there are signs they they have overdone it. In NYC they have increased hotel room availability by more than 21% in five years, with many hotels still under construction. Condos, Co-ops and hotels will be converted into rental units after the crash. Luxury single units into multi units. With massive unemployment in the financial sector their vulgar gentrified tastes will leave town along with them. The city will return to one of industry and culture – Real work and real life .

The Hang Seng was supposed to have a very firm floor at 25,000. On Monday it splintered all resistance leaving a new bottom 700 points beneath the old one. The Shanghai Composite lost more than 8% giving back all the Chinese government built with half a trillion in backing. But the government announced that it has refused to come to its senses and will keep on playing the fool.

Non-defense durable goods excluding air fell 6.6% in June Year to Year.

McDonald's announced its 7th straight quarterly decline in US sales.

As reported in the Guardian, the Tax Justice Network analysed Bureau of International Settlements data and determined that from $21-32 trillion have been stashed away in tax havens. So the speculators do nothing worthwhile to enrich themselves – then pay no taxes, no doubt because they've done nothing.

The Bureau of Economic Analysis reported after a downward revision that the economy grew at an annual rate of 2.0% from 2011-2014; the same rate as from the beginning of the recovery in 2009. That makes this the lowest growth rate following a recession since the end of WW2. The economy, after a couple of revisions upward (which may be reversed years later), has grown just about 1.5% annualized the first six months of 2015.

GDP in the fourth quarter of 2007 was $15 trillion. GDP second quarter 2015 was $16.2 trillion. That is an inflation adjusted annual growth of $1.03%. Recently the Wall Street Examiner made a strong argument that the real increase in rental cost was 1% higher than the official figure. That would mean no real GDP growth over the last 7 ½ years. Numbers are hard to make convincing – but these *feel* right.

Wages and salaries grew in the second quarter 0.2%. The lowest rate since this wage category was created in 1982. Private wage and salaries didn't grow at all. The first time since that category was created in 1980. More solid evidence that the real economy is in a comatose state.

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