

## Covid-19 Sickens Markets

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There is an increasingly desperate struggle going on in the world today. All the great minds in a specialized field of endeavor are working furiously to combat and defeat a disease. Then, to make matters worse, along comes the Covid-19 pandemic to make it even more difficult for them to fix world capitalism, now floating face-down for twelve and a half years, by turning it over for a breather before it succumbs to financial asphyxiation.

Without any justification the market promoters have been boosting values by declaring the worst is over for the pandemic only to have it burst national borders in South Korea and Japan, and bring into question the accuracy of Chinese reports. As has been made clear by all reliable sources, China, as the big seller to and buyer from the rest of the world, is now the driver of the world capitalist economy, and the viral pandemic that has diverted and sidelined a huge amount of its resources, comes when its real economy is almost as sick as are tens of thousands of its people.

One of those major problems in China's economy is the over capacity of basic industries. When China opted for a conversion to capitalism it had before it the resources of the world to build up its infrastructure and construct up to date housing. It did just that -- and then when the world slump hit, it kept doing so by building empty cities and roads and rail to nowhere in particular in hopes that a revived world economy would once again need steel, cement, etc. That hasn't happened, hence, massive accrued losses.

Since 2014 China has produced more than half the world's steel. But while it can produce 1.1 billion tons annually it now makes only 70% of that, and in order to sell it they have lowered the price to the point that "it is now cheaper than cabbage" as many describe it. Why don't they just shut down some of their steel plants like capitalists do in the West? Because the Chinese working class hasn't experienced the serial beatings that their Western counterparts have endured. They still recall an egalitarian society where misery was generalized. Now with a huge class of wealthy parasites there is no telling what unemployment and hunger may lead to in a working class that has been raised in a nominally communist society.

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Within 7 years from 2007 public and private debt has increased from \$3.4 trillion to \$12.5 trillion (McKinsey). Thanks to capitalism and

private property any Chinese person with money wants to own property. That has created a huge real estate bubble that continues to grow despite efforts by the state to make ownership more difficult to achieve. Prices continue to rise where in the rest of the capitalist world they have slackened. Of course, borrowed money, either from banks or the 'dark economy', is required for this. Clearly what generated a couple of our recent slumps is waiting in the wings for the Chinese.

One area where the price has already been paid for some is in the stock market. The Shanghai exchange expanded a 12 month bubble worth \$5 trillion in 2015 which is more than the entire Japanese market. It subsequently went through a 40% collapse wiping out the easy money wealth of millions of new investors. It has partially recovered since then, but if the dual dilemmas of world health pandemic and economic collapse should join, they will beat climate as the greatest game changer.

#### **Economic Info**

– IHS Markit reported that the US service sector PMI fell to 49.4 from 53.4 in January. The worst monthly report since 2013. Manufacturing PMI fell to 50.8 from 51.9. The combined score was (49.6 from 53.3) – meaning contraction. Investors have turned to bonds driving the yield down. 10 year bonds yields have been inverted relative to the 3 month for about a week.

– Japanese GDP fell by 6.3% in the 4th quarter of 2019. The government thought the economy was strong enough to finally be able to withstand a raising of the national sales tax from 8 to 10 percent which was to have been completed years ago. Good evidence that Japanese economists are as dumb as their American counterparts. A typhoon gave the economy an extra shove downwards,

– In the UK a big deal was made that average weekly wages finally reached March 2008 level when adjusted for inflation. Firstly, that is admission that the economy stunk for working people for 12 years while officially it was said to be doing pretty while most of that time. Secondly, those who slave away under capitalism expect their living conditions to improve over 12 years and not to just finally bringing them right back to where they once were.

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