Creating ‘Recovery’

05-12-17

On Sunday Emmanuel Macron was elected President of France. On Monday the markets demonstrated their appreciation. The election seemed to indicate that public anger with the current miserable state of world capitalism was in a state of remission. In fact, his rise to power is as freakish as Trump and Brexit.

Macron created his own *On the Move* party the year before the election. He received 20 million votes to Le Pen’s 10 million, 66% to 34%. In 2002 Chirac received 82% of the vote in his run against Marine’s father, thus the far right doubled it’s vote. Macron will now have to dredge up 577 candidates for his party’s campaign in next month’s parliamentary election. If he fails to get a majority, or something close to it, his power to implement policies that got him elected will be stifled. Such is not a good thing for managing the problems of capitalism, but not to worry, the media has improved and expanded its capability to even out negative happenings – from the economy to the politics.

Everything is short term. All will pass. Don’t look back because that’s just history. Retail sales are critical because they make up 70% of the economy. April sales were up from the very low previous month – plus 3.5% for the first four months compared to the same last year (not inflation adjusted). Every monthly upswing is reported as if some wonderful corner has just been turned. In fact retail sales have ranged between 2 and 4 percent since the middle of 2012. Before then, the peak period of the recovery, 2010-2011, they were about 7%. So reality is – there were weak signs of the start of a recovery, then a collapse followed by no sign of returning to the recovery track.

China with its massive purchases of commodities and export of manufactured goods was the driving force of the pre-crash world economy. Thus we are regularly informed that it’s gearing up for a full force return engagement. April exports rose a seemingly robust 8% in April but one will have to look beyond the headlines to learn that in monetary terms April 2017 was 1% less than April 2014, and even lower than April 2013. Export grew by 94% between Sept 2005 and Sept 2008. Then followed by a 20% fall in the crash, and a brief 40% growth in 2010. In fits and starts exports followed a path of steady decline until it experienced a year and a half of continuous decline in 2015-2016. Now its got its head slightly above water but judging by the charts submersion is a distinct possibility. Imports closely followed a similar trajectory.

Some economy boosting scams are manufactured in plain sight. In the old days inflation was caused by increased spending on goods and services. But now that part of the economy where people strive to maintain their existence is in a steady state of slackness and the only way have inflation is to paint a picture of it. The artificial reduction in oil on the market caused a rise in energy costs which helped boost the cost of most commodities. China’s Producer Price Index had 53 consecutive months of declines until late 2016 when it went positive. The same occurred in Japan, the Eurozone, and elsewhere to much cheering and hoopla. But now oil is about $10 off its high and, sure enough, inflation is in decline. Time to pull some more strings.

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