

EU UK - ED

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Yellen talked to Congress and said things that tea leaf interpreters thought meant that she was now projecting only one rate increase this year. This change from four to two to one of course has nothing to do with the manifest deterioration of the American economy. It's due to those insidious foreign headwinds.

Chinese private Fixed Asset Investment has fallen from 30% in 2012 to less than 5% so far this year. The government has intervened since January by boosting its FAI expenditures from about 10% to almost 25%. Figures are year to date and year over year. Most of the funding is of the off the books sort in order to delude people into thinking they are keeping their promise to restrict such costs to more than 3% of GDP (while actual costs will probably be about 10%). China has promised an adjustment toward a more typical capitalist economy. But China needn't engage in subterfuge -- All newborn capitalist systems have required care and feeding by a state that exists primarily for that purpose.

Earnings Per Share for the S&P 500 were projected to be \$27.71 for the 4th quarter 2015 and \$27.60 for Q1 2016. Final figures respectively – \$18.70 and \$21.72. Trailing twelve month figure for the Q1 is \$86.44, much lower than the expected \$100.85.

When Yellen took over the Fed in 2014 the unemployment rate was 6.7%. She expected that it would take more than 2 years before it got within a full employment range of 5.2 to 5.6 percent. It was at 5.1% in just 10 months, and the best jobs market in decades in 18. If this were true the Fed was bound to cease its interventions and allow the economy to function normally. They haven't because it isn't, leaving them to rely on a Plan B – the rest of the world is at fault. According to Jeffrey Snider of Alhambra IP the Establishment Survey added 4.4 million jobs between Feb. 2014 and Aug. 2015 while the labor force only grew by 1.5 million. This explains how you can have a strong economic indicator in a low unemployment rate while having a real economy that's edging towards recession -- the negative employment factors are not part of the official unemployment rate data set. From at least 1995 to the beginning of the slump in 2008 the labor force participation rate ranged from 67 to 66 percent (now 62 and a fraction). Using that rate as a full employment determinant, the economy would require an additional 15.6 million jobs.

Capital goods shipments (non defense, ex-air, NSA) down 3.4% in May -- the tenth down month in a row. New orders were down 2.6% making it 16 of 19 months of negativity. Charting the revisions have flattened the downturn of both capital goods and durable goods performance since 2012 revealing a slight fluctuation between positive and negative territory. It has been largely the latter since the middle of last year.

World markets flushed \$2 trillion worth of equity value down its financial toilet on Friday. Mostly due to the shock of the UK vote to leave the EU. Interesting

reading British mainstream accounts of what caused the leave majority. It's as if the forces of darkness have pushed back the efforts of the enlightened elite to make the common herd decent members of their society. One hopes that comments like that of a woman living in a low income section of Manchester will cast some light in the direction of an arrogant class that thinks the lower classes don't get it. She said - those that have money, vote to remain. Those that don't have money, vote to leave. The lost vote reveals the state of idiocy of the ruling class - Why on earth would the ruled class prefer being under the yoke of two rotten states with two rotten central banks, both of which are engaged in massive asset enhancement in order to create a 'wealth effect' which is somehow supposed to stimulate the real economy but really only makes the dregs of capitalism, financial speculators and the like, enormously wealthy though they do nothing worthy of any income. Only the wealthy sections of London were strongly for remaining. The people aren't stupid. They pulled their country out of a rotten block, now they have only to remove one more state and central bank to open a radically new horizon. But there is some good news for the gambling set -- Yellen will now find it very difficult to raise interest rates even once this year. From 4 to 0, mighty Yellen has struck out.

Lawrence Summer gave an address in St. Louis, the topic being how we got ourselves into a long period of secular stagnation. Jeffrey Snider agreed that we are in such a state but disagreed as to the cause. The central point of dispute is whether or not it's caused by a fizzling out of innovation. Historically the capitalist system has always experienced periods of crisis. That's because it's based on an irrational (unplanned) market economy, but more importantly because it is a class based system -- a ruling capitalist class that enriches itself by exploiting the ruled class in the process of using them as producers and consumers. There are natural limits in this because the producers are paid on the basis of their labor, not the value of what they produce. Under the rules of capitalism that surplus (capital) must be invested to continue the inflow of earnings. If you want to play the game you must comply with the rules or retire. That such a relationship will cause periodic economic crises is obvious, but the reason they last longer than in earlier times is not readily admitted. And that is that capitalists refuse to pay the price for failure. From their standpoint it makes no sense for a ruling class to accept the consequences of its mistakes. Back in slave and feudal times the slave masters and aristocrats didn't starve during bad times. I've described in past articles a limited solution - the forcible removal of failures. Capitalists in crisis are like a herd of cattle infected with a deadly disease. To save the herd the diseased must be culled. But currently there is no power that can effect such a solution. The capitalists run the state in their interests. The successful capitalists hesitate to punish failures because there but for a throw of the dice they see themselves. A crisis like a popular uprising may bring about a strong enough regime for the culling process and buy some time until the next recurrence. On the other hand, over confidence in their ability to endlessly maintain their rule will eventually result in losing it.