

## Economy: The Word Game

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In the second quarter American banks posted their second highest profit in 23 years. Non financial corporate profits have been at or near all time highs for several years. These facts require an explanation, a tricky proposition since most of the American people are still well below the pre-depression line. How to make it seem like the government's all-out effort to stabilize a collapsing economy was in the best interests of everyone when it only managed to stabilize most Americans at or near the economic bottom while vastly enriching the class that caused the crisis.

To be sure there has been an improvement in employment since the nadir of the collapse even if it meant almost 4 million fewer full-time jobs. And those that could afford to deposit significant sums in investment accounts had a significant increase in unearned bubble income, some of which they will retain if they cash-out soon enough. But none of this alters the general sense of the productive class in the developed world that the "recovery" is little more than a "hanging on" - if that.

It cannot be over-emphasized that the response to the crisis of capitalism by its emergency management committee (the state) was literally a gift to its controlling shareholders -- but that's only from our "lower class" point of view. From on high, the TARP, the flood of liquidity in the form of freshly printed currency and almost free credit can no more be considered a gift than would a person shifting his wealth from one pocket to another can be said to have doubled it.

In a sense, the analogy explains the approaching failure of the plan. The major positives are that it stopped the free-fall and increased profits and wealth to such an extent that banks and corporations were able to quickly payoff bailout loans and fines, and individuals returned enough revenue in the form of taxes to bring the deficit down to only about a half trillion dollars. But we must not forget that this wealth effect improvement is just a partial return to its source - it's not a product of the real economy where most of us live and work. It's as if the country was one big pair of pants with wealth shifting from one pocket to another - except that we live in the ones that it sits on.

This week the market did quite well considering the largely negative economic news. Manufacturing was up more than expected, but it should be remembered that manufacturing makes up only 12% of the economy, most of the rest is the crap noted above. Much of manufacturing is auto production and many of them are sold via long-term sub-prime loans. But that report was on Friday and helped make it a mixed market. During the week the positives were ascribed to the doings in Ukraine as if that crisis can ever be settled by anything other than the defeat of western interventionists. Late-stage capitalism is in such a weakened state that it can only injure, not kill, its enemies, and that just makes them more ornery.

German GDP fell 0.1% in the second quarter. Officials blamed unseasonably warm weather in the first quarter. That messed up the normal spring construction surge. Guess that means some of it was done during the warm winter. Or maybe the warm weather meant less wear and tear on structures. In any case, it's certainly baloney, just like the exact opposite explanation used as an excuse for our bad first quarter.

GDP growth in the Eurozone as a whole came in at a nice easy-to-understand 0.0%. Inflation fell to 0.4% last month and prices dropped in France, Spain and Portugal leading to official concern of a deflationary spiral that would greatly benefit the 99%. They want Draghi to do something, but he said the program he implemented last month had yet to kick in - and besides, there's not much more that he can do.

Japan's GDP dropped 6.8% last quarter, the worst since the tsunami, and China's latest reports indicate it will not achieve its 7.5% growth (the lowest in sum 20 years) without more stimulus.

U. S. retail sales figures show a distinct trend: 1.5% in March, 0.6% in April, 0.5% in May, 0.2% in June and 0.0% in July. As for the housing boom outlook, mortgage application fell the most since September 2000.

Finally, Walmart reported no same-store sales growth for the 6th quarter in a row. The company's prime customer based are those households earning less than \$40,000 - that's 36% of Americans - add 10 grand more and that's most of us - the forgotten victims of "recovery".

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