World Economy Failing -- Markets Rising

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We are living at a time when the wait for the deliciously catastrophic financial collapse of world capitalism is becoming downright boring. It's like watching a trillion pots of heated water to come to a boil. The more time, the more certainty that whatever happens the big bad guys will survive. We had VE and VJ days yet both enemies thrived.

This week we had more signs of endless failure being met with more of the same and possibly even some new forms of more of the same. First Draghi, head of the ECB, after giving himself a pat on the back for the success of his bank's policy announced, de facto, its total failure and said the bank will have to likely expand its failed policy come December. Currently it's buying 60 billion Euros worth of securities a month. The original plan was to give the program until the middle of 2016 before determining its future. But with the Eurozone once again heading into deflation because of economic stagnation and exhaustion, it may not be advisable to move forward an emergency response. That may be an increase in the monthly purchase amount, or even the adoption of stock boosting via the purchase of Exchange Traded Funds. Japan has included that in its mad arsenal of economy boosters – and all about as effective in bringing life to the real economy as application of Extra Sensory Perception.

The ECB currently has its prime rate set at 0.05% – even lower than the US's 0.25% – in real terms that means a negative interest rate of – 0.2%. It's thought that the rate may be adjusted much more into negative range; possibly up to – 0.75%. All this to force investors and speculators to move funds from safe havens into economy boosting productive endeavors. But investors and speculators have become so inured to risk-free wealth, thanks to worldwide central bank policies, that they are repulsed by even the scent of a risk. The obvious solution is to bring them down to a crashing dissolution – that way the few survivors will be able to reorient themselves to accept risk rather than death. The Draghi pronouncement led to Thursday's market gusher. On Friday China announced a reduction in its benchmark interest rate to 4.35% (25 basis point cut), a record low. It also lowered the ratio of bank reserves. Again, all this because of the failure of these same actions to work in the past. This reafirmation of failure led to Friday's major market rise.

Mainstream media reports tried to cover, or at least lessen, by claiming the real cause of market rises were the positive third quarter earnings reports. Amazon had its second quarter of reporting a profit -- a miserable $79 million out of something like $28 billion of revenue. Actually down from $98 billion the previous quarter, but since Amazon rarely reports any profit, thhis is supposedly a big deal. It's isn't. It's simply Peter taking from Paul in terms of the real economy situation. Bricks and Mortar retail like Walmart decline -- online retail like Amazon rise. Google's rise is something similar. As for United Airline's record earnings - it was largely because of a more than $3 billion tax break, and in any case, since it came with a revenue decline, the report is more negative than positive. Same with McDonald's.

It was desperate for a positive report, so it generated one through the usual channels. But it's revenue decline revealed the truth.

Bloomberg presented a good example of how the thinking apparatus of financial experts have taken on a sympathetic idiocy to match that of the officials in charge. These are there three possible ways to halt the coming crash: More Forward Guidance -- meaning the Fed with continue to shift ever further into the future what it has been too fearful to do in the past. This will of course continue until the doing of nothing because scarier than the doing of something. Then there can be a renewal of Quantitative Easing. The Fed currently carries $4.5 trillion worth of past easing on its books. Presumably it can carry more. How much? Right up to the point where all that it's carrying as no value as an economic prop. Then there is the lowering of the Fed rate into negative territory. Savers -- mostly retired folks or those planning for that eventuality -- expect some income from that savings to help them survive their later years. The low rates have already robbed them in order to enrich the speculators. To go into negative territory and make savings an added expense would be very politically unpopular.

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