

## GDP: Garbage In -- Garbage Out

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The power of a positive false front -- a smiling face that says things couldn't be better, or, if undeniably terrible, at least have turned around -- top the Generally Accepted Best Business Practices (GABBP) list taught in all the better business schools. India's hilarious artificial enhancement of its GDP is proof that what is good for small business is even better for big nation building. Indian economists put their heads together to solve a nagging problem -- India is the biggest capitalist nation in the world yet always performs miserably when compared to China, the really biggest capitalist nation that still refers to itself as "communist" until someone figures out a way to correct the political terminology.

Then one of those brilliant Indian economists had a thought, "Hey, why don't we just use *generally accepted international standards* to inflate our GDP?" And so it was done. What would have been a measly 4.7% GDP for 2014 was flipped around to become 7.4% --- and that just *happens* to equal China's GDP for 2014! Now the two biggest countries by population also have the two fastest growth rates for the major economies of the world. There is just one major problem with India's new found prosperity as claimed by its GDP -- *no basis for it can be found in the real economy.*

Words to live by, or at least keep in mind if one wishes to track where things are heading. They pop up frequently. Last year Nigeria adjusted its GDP to *generally accepted international standards* and discovered, lo and behold, with that little 89% boost in its economy, it now had the biggest economy in Africa. There was just one unimportant though insurmountable problem -- Everyone knows that South Africa still has the biggest economy in Africa.

The country that creates these *generally accepted international standards* whenever it discovers a need for them re-figured it's GDP last year with new adjustments when it stumbled upon an ugly -2.9% growth in its first quarter. And now today we learn that the Eurozone has made a miraculous turnaround. Since 2009 it's GDP has been -4.5, +2.0, +1.7, -0.7, -0.5. It was expected to be a close call as to whether it would be plus or minus in 2014. Instead the markets were shocked into a boom day (the S&P setting a new record) because of a resounding +0.9 GDP for the 2014. Sure it was mostly achieved by Germany. Sure the three biggest Eurozone economies last year were Germany +1.6, France +0.22, Italy -0.30. Sure it's the lousiest positive annual growth rate since the Great Recession. Sure it probably only went positive because it knew full-fledged QE was on the horizon. Sure the even annual spread of ups and downs foretell endless stagnation. But the center still holds, and that means the only class that matters is still enriching itself at record high levels.

Okay -- Here are some of the major garbage producers. The GDP which is configured in a myriad of ways. Jobs reports which are run through a number of adjustments as needed. Profit reports that are really expert consensuses, and if anyone chooses to search for the real thing they will find something configured by

the generally accepted accounting practice of the day. Consumer Price Index with everything that is important not counted. Consumer sentiment indexes determined by phone calls to shut-ins. Purchase Manager Indexes confabulated by alchemizing a few words into a number.

The markets had a great week in the US. Even though retail sales were down 0.8% in January. Even though the final count on new home sales came in at 435,000; barely up from the recession bottom and only 58% of the average since 2000, and only about 30% of the last good year. The two bedrocks of the real economy are like two fish flopping around in the bottom of a sinking boat. And if all of this is not bad enough, we have as the most prominent critics of policies that only benefit the elite, a bunch of hysterical Ayn Randist crackpot libertarian goldbugs desperately waiting for a hyperinflation to prove their economic theories correct, while being too stupid to realize that it's already happened. The vast sums of money and the free credit has been received and spent, not in the real economy where it would have generated traditional inflation, but in markets where wealth simply and directly buys more wealth with no risk since whatever is done with it is insured by the government that gifted it to them by way of the taxpayer.

World capitalism has only one thing to worry about, that is, besides their system never having more than a ghostly sign of life for the rest of its existence, that when this best of times next becomes the worst of times, it may be the last of times for them.

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