

## Good Friday Confession

03-25-16

The four day market week ended with its first loss in five. Things might have been different if the markets had a chance to respond to the apparently positive Friday data. The Bureau of Economic Analysis gave the 4th quarter its second boost doubling it from the 0.7% first reading to 1.4% final estimate. That makes GDP growth for 2015 2.4% -- the same as 2014 -- thus avoiding the expected (and dreaded) annual decline. The rise was said to be because of higher than originally estimated consumer spending.

That positive is up against a stream of negativity -- weak retail sales (recall that 'consumer spending' includes student and auto loans -- much of which is never repaid), a dive in manufacturing output and weak exports due to a strong dollar. But the most significant negative is the 11.5% decline in 4th quarter corporate profits -- compared to previous 4th quarter -- and a 3.1% decline for the year 2015, biggest since 2008 (The Great Slump). The cause is said to be weak commodities (though savings at the pump helped consumer spending -- especially since income growth is at CPI levels), and lower productivity (possibly signaling the end of high jobs numbers). The final earnings per share for S&P 500 company earnings came in at \$87 per share using GAAP (Generally Accepted Accounting Practices) -- a *slight* correction from the pro forma \$118 per share. It's one thing to announce a rubbish figure in order to boost the markets, but quite another when it comes to sending data to the IRS. In short, the profit fall is solid evidence, the other data is loaded with wriggle room.

What is being largely ignored is that the greatest threat to a continuing *recovery* is coming from politics and not economics. Both business-as-usual parties are in danger of terminal rejection. Most attention is being paid to the Republican Party because it seems that a populist fool (it's the populism, not the idiocy, that bothers them) is close to having a nomination sewed up. Of course, the party bosses may try some political trickery to keep Trump out. Now, in the past candidates of both parties knew when to step aside in order to preserve their duopoly, thus, Nixon bravely sucked it in and allowed Kennedy to steal the election by way of Illinois, and Gore abandoned his popular vote victory and allowed the Florida electoral vote theft (even though as president of the Senate he easily could have brought the decision to Congress) and sanctioned the Bush junior theft. But proto-fascist Trump doesn't have sense enough to know when to make concessions for the preservation of his own class, and maybe he doesn't have to with his army of angry brown shirts.

That's where the threat to the financial system as it's now managed is at its most dangerous. Anger of the masses that they've been shafted. Five years ago we had the sudden worldwide efflorescence of the Occupy movement, but they were mainly college students and other marginal types. Today the anger is coming from the poor and working class. The mainstream is trying to ignore Sanders (and the astounding fact that a man who calls himself *socialist* can receive mass support) and pretend that all is well in hand with Clinton. But her candidacy has been a

disaster. She has largely lost or barely won every locality outside of the South -- and the South will most likely go to whoever is the Republican candidate. With Sanders only 300 delegates behind, and likely to win most of the remaining up for selection, Clinton will be forced to release the 400 plus super delegate or face a popular party rebellion.

It's a sign of trouble at the core of world capitalism that similar developments are popping up in all the developed countries, especially Europe. Recently, in a remarkable slap in the face for the arrogant Tory prime minister of England, a ministerial official in charge of disabilities and pensions resigned because he couldn't swallow any more cuts in his department for the benefit of the well-to-do. Meanwhile, Blairites in the Labour Party were once confident they could easily depose Corbyn, but no longer because the English economy is in solid decline while the idiot Tories make things worse with *sensible* budget balancing, and the Trump-lookalike London mayor (Boris Johnson) has joined the stream of politicians pushing for a British EU exit. Maybe the UK will join Greece, the latter's exit is now back in the mix, or maybe the entire house of cards will result in a mass of self-exits. Or perhaps the gradual reversal of 25 years of economic advancement in China combined with opposition to the current president's authoritarian rule will precipitate a return of the world to a full Slump state. Should be an exciting Spring.

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