

Groundhog Sees Mark of the Beast

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Here is wisdom, let him that has understanding decide the Mark of the Beast.

Deciphering biblical mysteries is unlikely to tell us anything about the direction of the economy except that all explanations are liable to be as garbled as religious mysticism. But the Dow did drop 666 to close a chaotically negative week just as the worldwide chorus of official economists began shouting that all the national excrescences of capitalism have crossed the energy barrier in unison and we no longer need fear a financial relapse.

What has caused stocks to fall and bond yields to rise? What has caused the brave front to suddenly collapse just as assurances that it was really real were beginning to take hold? The fact that Paul Krugman and Jeffrey Snider actually agree on something may point to the answer.

Krugman in his latest blog post notes that dismal state of productivity growth. Because of low productivity growth he sees the American economy creeping along with a growth stuck in the vicinity of 1.5%.

Snider reports that the current state of low productivity began in 2006, and except for a blip upward in 2009, the year following the worst of the slump, it's been rolling along the bottom. The last time it's been so low for so long was during the Great Depression, but the 5 years from 1978 which included two mini recessions just about matches where we are now.

But back then economic problems were frankly acknowledged. Low productivity means low growth. Denial is the only solution until capitalism reboots itself on its own. My view is that capitalism has used up every positive quality (in turns of its functionality) that it ever had and is now outdated – no longer fit for the world that we live in. But the system continues to persist because no force exists that can sweep it away.

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