The Grumpy and the Stupefied

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The run up this past week which led to record highs in the DJIA and S&P 500 have amplified the distress of the free market and libertarian right while diminishing the self congratulatory cheers of those responsible and benefiting from the boom. The hysterical looneys of they Zero Hedge type, who have attached “immediate collapse” to anything and everything that happens in the world have rendered themselves unworthy of any serious attention. Meanwhile the generally more sensible David Stockman made the mistake of applying his rational reasoning powers to an economic system (the political component has its own story) that he refuses to recognize as fundamentally irrational. That led him to believe that *the time has come* – to make a killing selling hedge fund investing tips. Then as equities continued their relentless rise it was those profiting by it who were called fools, lemmings, punters, robo-traders with ever increasing ferocity while the poor saps that bought into his schemes found themselves trampled by the “foolish” herd. And there are souls like Jeffrey Snider who have learned how to remain coolly detached when analysing a chaotic mess such as the world capitalist economy. That means placing an ever increasing number of terms in “these.” “Recession” “recovery” “eurodollar” “full employment”. He wants everyone to know that it's not what he would call them if only he knew what they really were. He is only convinced that the “eurodollar” must be replaced -- With what? Thankfully, he does not use the word “gold.” Unlike Contra Corner that carries ads by some charlatan promising $10,000 gold in the near future, or display the “brilliance” of the “legendary” Jim Grant who is absolutely certain the world monetary system is about to collapse – something the fool has been saying from at least the late 1990's when I first heard of him. But what of Larry Summers and Paul Krugman who were once as pleased as punch when they thought they had gotten everything right? They now accept what their adversaries have been saying, that the real economy has become completely detached and subsumed by the financial sector. And they know that is a bad thing. In a recent column Krugman once again called for public expenditure for infrastructure improvements. Both Europe and the US need the basic upkeep and it would be a boost to the industrial base and wage workers. But it still would not work. China and Japan have done much of this, but at least something worthwhile comes out of it. It's noteworthy that the consumer economy has been shunted aside as a lost cause. Firstly, because those firms that are supposed to invest in new and interesting products that people will love to spend money on would prefer to avoid the risk of failure by instead raking in guaranteed profits via a leap into the financial stream. Secondly, folks are not earning enough that they have extra to expend on expensive gadgets. According to The McKinsey Global Institution, between 65 to 70 percent of people in the 25 most advanced countries saw no increase in real earnings between 2005-2014. What the world “recovery” machine has taught us so far is that, while it's crazy to try to kill flies with a sledgehammer, it *is* possible to kill some, but, oh the damage from both the hits and misses.

Correction: The S&P 500 did not reach a record high on Friday. It made 2129 and the record is 2130. On Monday it did achieve its goal by closing 2137. It and the

DJIA set an held records through the weak based on world stimulus and low volumes.

While the annualized averages in job growth have declined since 2014, much has been recently made of the slight increase in the labor force participation rate. It is now 63% – up from 62.4 last September. But according to Societe General's American economist Omar Sharif, it's not because discouraged workers are more optimistic about obtaining a job, it's because older workers are holding their jobs beyond the norm.

The Chinese Commerce Minister Gao Hucheng warned at a preliminary meeting of the G-20 nations that a group effort must be made to stimulate world trade. A 15% decline in global cross-border investment has been projected for the year. The US is purportedly the strongest (less weak) of the world's developed market economies. It has experienced declines in both imports and exports for most months of the year. Trade is perhaps the strongest indicator of the health of the real economy.

Speaking of trade -- According to the Global Trade Alert (based on data gathered by the respected Netherlands Bureau of Economic Policy Analysis) it's no longer an issue as to whether world trade is slowing because it's essentially ground to a halt Since January 2015. Slowness has spread to 36 categories of traded goods and protectionist policies have increased 50% in 2015 over the previous year. It's the old survival of the fittest when desperation forces the hands of the ruling elite. 81% of the protectionist actions came from the G20 nations. A Swiss professor is quoted as saying this never really happens very much outside of a recession.

China's industrial production has been at or below 8% for 23 straight months. During the Great Slump it was below that figure for only 3 months, and not successively. Snider presented an interesting chart showing a case for Stephen Jay Gould's punctuated equilibrium. Following a major drop in 2009, IP settled in at about a 13% average annual growth for a number of months. Then there was another major decline in 2011 that settling in at about 10% for a number of months. Then around late 2014 there was another sharp decline which has settled in at about 7% growth for 16 straight months. Two more of these and it won't just be China that suffers the consequences. Meanwhile, US IP has declined for 10 consecutive months.

A report from RealtyTrac has generated concern that another housing bubble has entered a the bursting phase. It found that 31% of house purchases at foreclosure auctions were made by third party investors, that is, small time mom and pop buyers of a house or two, the most since 2000 when the records began -- professional investors buy more than 10 per year and they are pulling out because of higher prices generated by amateur interest.

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