

Hooray!:: Government Shutdown Knocks Three Ticks Off GDP

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And it only took 16 days for the estimated 0.3% cut in 4th quarter GDP. The tapering expected to begin next month will now probably be delayed until March. More comatose real economy. More liquidity. More financial profit. The best of all possible worlds except for those who must make a living the normal way. Of course, we can also except more bragging about the brilliance of our economic solutions compared to the rest of the world. Such resiliency! Look how it absorbed the first sequester. No doubt stock futures have prepared for another surge when the next one comes due in January. Since sticking voodoo needles in the real economy does such wonders for the unreal, Obama is warming to cuts in Social Security and Medicare. Cutting what people need has to be very good for the people who are beyond needing a thing.

When Roubini expressed concern back in 2008 that if we didn't let financial gamblers accept their losses – liquidate them rather than provide them a liquidity rescue, the real economy would stagnate as it did in Japan. Well, he was right, but so what, the unreal is booming. Now Japan is copying us just like they did in the old days. Abenomics – gobs of liquidity. Create inflation to stimulate the domestic economy (one of the quirks of deflation is that people don't like to buy something if tomorrow the price will be even less). Weakening the yen was supposed to also improve Japan's trade balance. In fact, it's been negative for 15 straight months because the weakened yen also increases the price of imported commodities and they have more coming in than going out. But I predict Abe will cite increased consumer purchases just before the increase in the national sales tax kicks in as proof of the correctness of his policy. How about real economy capitalists – Shouldn't they be upset with the easy money flowing into the coffers of their unreal associates? No – Because they are tied into the same. They certainly have achieved record profits by selling something real.

Now, of course, everyone realizes that this cannot go on forever without bad consequences arising someday. Otherwise it would be like someone who ate nothing but fat burgers being shocked when his health deteriorated. But God Bless the Unreal Economy – When the badness hits the fan, only those lumbered with living a real life will suffer because, you see, those living in the vaporous world of the Unreal cannot be touched. Sure, their businesses may collapse, but so what? They have already safely pocketed trillions and corporate limited liability prevents that from being touched. They can vacation until their government inflates the next bubble.

So to be clear: This crap really works. Crackpot gold bugs predicting disaster (how sane can these people be thinking that stocking up on a decorative metal will secure their future) are both right and wrong. Right in that capitalism will always suffer systemic disaster; but wrong in how it's played out. The only real protection is for large numbers to declare as Peter Finch did in Network that – They Aren't Going to Take it Any More! Maybe then those that cause the suffering will also experience the pain.

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