

Hysteresis Rules

10-05-18

A common example of hysteresis stated very simply describes a magnetic field in the process of making a recording. As its value rises and then returns to zero not all of it makes the return. What was lost is the recording.

This scientific term has been applied to the economy by some economists. When an economy goes bust economists turn all the appropriate knobs to revivify it; to get the financial and industrial juices flowing again. And while they do bring it back to life it only appears in a much weaker form.

The most common explanation for this is debt. The government creates massive debt to restart the economy on top of which are similarly massive corporate and private debt. This is an inherent problem in all economies that produce for profit rather than use. Profit is increased the more a firm manages to leverage its expenses. Governments can spend more without increasing taxes by selling securities. And the regular common folk can make up for their lousy incomes by loading up to the max on revolving (credit cards) and non-revolving (mortgages and student loans) debt.

Since there is no solution to such problems under capitalism – it's an essential feature of the system, it's worth noting how hysteresis works in other physical non-magnetic systems. These objects bend and do return to roughly their original form. But over time there is a hardening of the object which eventually leads to breakage. That's where we find world capitalism today. It's hardened, broken, fallen, and can't get up. But there is a solution beyond the realm of capitalism: Shake up the pieces into something brand new with a fresh lifespan.

Amazon circumvented McDonald's-like street demos by raising on its own initiative hourly pay of warehouse workers to \$15. The mainstream line was that the company wanted to secure a labor force for the busy season in a 'tight' labor market. The more likely reason was a cost free image cleanup (note the recent \$2 billion Bezos Foundation announcement). First we are notified of the pay raise. Next day we are told that the monthly bonuses and stock offerings have been eliminated. The cost will probably break even but workers will still benefit by having a defined income.

Wednesday was a big stock day because ADP job estimate for September was 230,000 and relatively high PMI reports (note these are derived from verbal

responses of company executives with a vested interest saying things last month were either Better, Same, or Worse -- no actual evidence required). But the following two days had significant downturns; Thursday because of a sudden rapid rise in bond yields (which broadly means money flowing from stocks to bonds because of economic concerns increasing risk); and Friday because the yield was even higher than the previous day, and the job figure came in at 134,000, not ADP's 230,000 and far lower than last month's 270,000 estimate. Private payrolls fell from 254,000 to 121,000 monthly growth. But amazingly the unemployment rate fell to 3.7%, the lowest in 48 years. For all that, year to year wage growth still fell to 2.8% from 2.9%.

There has been much speculation about this anomalous condition. Low unemployment should increase labor demand in a tight labor pool which must carry along with it rising wages. It should attract workers currently on the sidelines into the labor market. But the participation rate remains at 62.7%, close to its all-time low.

Anomalies also generate stupidity from sources whose task is to cover up something. Like much of the official data reports, the claim of a hot labor market is garbage. But at least there is some humor in observing the official sources making fools of themselves: It's not because of a dying world economy, its that younger workers prefer playing computer games rather than earning a living; and once the games get boring there is nothing left but opioids to relieve their malaise.

But here is the real reason. The massive multi-trillion dollar financial bailout placed such obscene sums into the hands of a financial class that even capitalists from the real economy regard as disgusting parasites. Nor do these parasites have the grace to not broadcast to all the rewards of the ill-gotten wealth. Those new to the job market are most effected by what they see. They are now supposed to leave the comfort of their personal lives join the class of working stiff's making the rich richer. In protest they, in a disorganized way, have implemented a sub rosa pre-employment strike by expending their free time for their personal enjoyment. This is admittedly an unheard of phenomenon which, if it continues to remain and expand, will cause something to collapse. God knows exactly what.

<http://unrealeconomy.org>