Lumpen Capitalism Rolls Over

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David Stockman cited some interesting research by the St. Louis Fed based on BLS employment data. Since full-time "breadwinner" jobs have largely been replaced by part-time low paying jobs, counting jobs rather than hours produces a false picture of the real employment situation -- which is, of course, why the government and its captive media hypes the jobs numbers. The growth in total hours of all persons employed in the last 15 years (2000-2015) is 0.08% -- in other words, there has been virtually no growth in jobs based on hours worked. The growth the previous 17 years was 2.02%. Solid evidence of the profound structural deterioration of American capitalism. Breadwinner jobs (40 hours -- average income $50,000) were 72.7 million in 2007. They are now 70.66 million. Of the 142.9 million employed, 75% are either in part time jobs (26 hours - income less than $20,000), or in relatively low income health, education and social services jobs (average income about $30,000). The low income of most Americans is a prime cause of a stagnant real economy. Based on IRS payroll figures compiled by the Social Security Administration -- 158 million workers had payroll records, of them 31% earned less than $15,000, 51% earned less than $30,000.

Demonstrating that the decay of the world economy is following a similar pattern from nation to nation, the UK reported that manufacturing will contribute nothing to growth in the economy.

The Bank of International Settlements (strategically located in Basel rather than Washington like the World Bank and the IMF) reported that the US interest rate increase would "heighten the risk of negative spillover." Nations and corporations need new debt to pay off old debt. A major increase in bad debt makes purchases of such debt unattractive. Emerging economies have a high proportion of bad debts. In the third quarter those nations managed to sell only $1.5 billion of securities - a 98% drop from the previous quarter. The Eurozone also has had a major increase in bad debts. Together sales fell 80% in the third quarter. Since much of it is dollar denominated, even a slight increase in US market rates may trigger a crisis.

Matt Wirz of the WSJ, using Barclays data, reports that U.S. Corporate high yield (junk) bonds are down 2% this year, including interest. There have only been 4 such down years since 1995. A sinking economy and rising bad loans is the cause. The projected default of junk bonds in 2016 is 4.6% -- the highest since 2009. In short, any sound emanating from the canary is not a song but a death rattle.

Japan discovered a way to eliminate one of their 5 recessions since the big one. They changed Q3 growth from - 0.8% to + 1.0%.

The Chinese government projects a 3.1% decline in steel output in 2016. China's exports were down 6.8% -- 5th negative in a row. Imports were down for the 13th month in a row.

Oil fell to $37 a barrel -- the lowest since 2007.

According to a UPI report based on a Congressional Budget Office study, Obamacare may mean the loss of 2 million workers by 2025. Mainly because the subsidy means that working only for the medical insurance will no longer be necessary, especially for seniors.

A report by Kaiser Family Foundation says that the rise in the fine for not caving into Obamacare from $661 to $969 means that of the 11 million eligible for the subsidized healthcare 3.5 million will have to pay more if fined than they would for the healthcare. That's *your* liberal government doing all it can to force you to give your money to for-profit health providers.

Chain store sales were down 6.3% week-to-week ending December 5th.

Pipeline company Kinder Morgan had a bad day on Tuesday. Huge debts and collapsing oil prices were the cause. But it's worth noting the source of a considerable amount of it's debt. Since 2009 it paid out over $17 billion in dividends. To do that it merely had to borrow $14 billion. The normal defense for such an action is that the company had good cash flow -- as if it's unimaginable that the flow may someday not be so good. Even more curious is that the company only managed a cumulative net earnings since 2008 of $900 million. But no one can claim that investors weren't properly warned. The company was formed in the late 90's when it purchased Enron Liquids Pipeline.

More than 82,000 homes in Melbourne Australia have been taken off the sale and rental market by housing speculators in a monopolistic lockout intended to jack up housing prices. These homes represent 4.8% of the city's entire housing stock. Such actions are a worldwide phenomena. In housing short New York City whole blocks of perfectly good rental apartments are shuttered leaving only the commercial premises operating. This not only boosts rental costs but also jacks up the value of the buildings because a developer that purchases such a building will rapidly be able to begin construction. No tenants to be evicted, and commercial renters have little protection.

If this was the IT day, the cause will be appropriately credited to the Third Avenue Management credit mutual fund because they closed the door on withdrawals. The SEC investment act of 1940 requires such funds to allow daily withdrawals at face values unless they have an SEC sanction -- the SEC says, regarding the TAM action, that it's "only looking into it." But the easily predictable real cause was the Fed's gusher of liquidity and easy credit that created a generation of lumpen capitalist speculators who are congenitally averse to doing any productive work for a living. Thus, they absolutely must seek out something, anything, even the junkiest 'asset' to buy in order to have something of ersatz value to sell to America's pliable sucker class. TAM fund value fell from $3.5 billion in June to $788 million when the door was slammed shut two days ago. The hope of the fund managers is that, in avoiding fire sale prices, they can wait until conditions improve enough for an orderly profitable liquidation. TAM invested in the riskiest junk bonds -- commodities. Commodity prices are collapsing (oil at $35 -- a 7 year low), hence earnings and difficulty in paying off debt. There have been 102 debt defaults this year -- the highest since 2009. Yields on junk are now up to about 8.6%. American markets had a very bad day. Most indexes except Nasdaq have lost all their year gain -- and, the Fed is expected to raise the main rate next week. It no doubt will try to ease the pain by promising the next rise will be way off, but when things go awry, the future is meaningless.

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