

Markets Whistle While Real Economy Burns

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The second quarter was great for the markets, for the Dow it was the best since 1987, while GDP growth declined by as much as 53%. Much of that meager real growth has come from trillions in stimulus which beginning this month will wind down by the end of the year unless extended or replaced. The House has passed \$3.5 trillion in additional aid but will not make it through the Senate in that form before Congress adjourns early in August.

Much of the market run-up was based on optimism generated by the end of lock down and economy returning to its functioning form, and with that a rapid decline in unemployment. Forgotten is that many firms are bankrupt and will never reopen, and that perhaps 20 million Americans currently registered as temporarily unemployed will soon be counted as without a job. Microsoft, as part of its technology training program, is predicting 250 million jobs lost worldwide. For some reason they fail to see that the desktop is just as vulnerable to replacement as the workbench.

As described below, China and other capitalist countries are undergoing the same market run-up. Some fools who still must go through the pretense of accepting China as a communist country as understood in terms of the mysteries of Chinese characteristics. But those 'mysteries' are as vulgarly bourgeois as that French term can be imagined. Guess which publicly traded firm is now the most valuable. Surely it must be some industrial enterprise or financial institute. No it's Kweichow Moutai, a liquor company that is partially state owned while publicly traded on the Shanghai exchange. It's makes a variety of liquors, but by far its most important is China's national drink baiju which the company has improved to vastly increase its demand. But the real basis for its success is that it was Mao's favorite drink. Thus by purchasing and drinking Moutai the Chinese people are able to maintain their last link to the revolution, Mao, and a fleeting memory of what communism once was, with Chinese characteristics.

Economy related news

-- The of the U S's largest banks, Chase (Morgan), Citigroup, and Wells Fargo have set aside \$28 billion to deal with a large rise in defaulted loans. Both Morgan and Citigroup recently increased

revenues by many billions thanks to the recent market melt-up. But poor Wells Fargo, no a major player in investment banking, lost more than \$2 billion last quarter.

-- A recent measure introduced in the House, the Workforce Promotion and Access Act, contains the usual good things: higher minimum wage and provisions to enable access to work (child care, etc.). But one proposal differs from past good deeds than never pan out; funding would include a *"0.1 percent tax on each trade of stocks, derivatives, and other financial instruments. The Congressional Budget Office estimates that such a tax could generate \$777 billion over 10 years."* With the proliferation of high speed trading in which profits are made by going in and out of the market within a blink of an eye, this could be a boon for raising needed funds and making the markets less hateful to the general public that has to work for a living. Since this involves buying and selling, the NYC sales tax should be applied (about 4.5%) per transaction. That would bring in meaningful funds while making the super-spongers think up even more dastardly schemes to enrich themselves by doing anything but useful labor.

-- China also has a margin-fueled melt-up in the Shanghai and Shenzhen markets. Speculators ran up those markets in the past week to a \$1 trillion increase in capitalization. \$185 billion of that was with borrowed funds -- the highest level since 2015. Regulators are not bothered because margin gambling is still only 40% of the 2015 high. Still, when things went bust in 2015 \$5 trillion in market value was lost. There are currently more things undermining the world economy than there were 5 years. When this depression sets in, it's likely cost investors much more than the last slump.

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