Metastasis of Financial Blindness

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In some cultures there are certain practices that are left unseen because they enhance the cohesiveness and well being of the society in which they occur. For example - in a so-called primitive tropical culture it may not be possible to have complete privacy for basic human needs like excretory functions and bathing, and because of that anyone nearby does not see what is happening. They do not think - "Oh, look, so-and-so is doing that, I must turn away and pretend not to see." No, they simply do not *see* what is happening. Even if their eyes do pick up the data, the information is never allowed to enter consciousness. Anthropologists term this cultural blindness.

Recently an example of this has manifested itself in our so-called advanced society. Our financial geniuses just can't understand how such a bountiful increase in new jobs -- over 1.3 million in just a few months -- has not led to any improvement in any other sector of the economy. The Citibank Economic Surprise Index rates the deterioration process of the American economy the speediest of all in recent months (the worst since 2009) -- even Latin America, let alone Japan and the Eurozone are not sinking as fast. Virtually all data reports have been misses -- all except one -- the jobs reports. Yet none of the experts (especially Krugman, the left blockhead to Stockman on the right) ever see's the blinking light bulb and says, "Hey, maybe there is something f--ked up about the jobs picture."

What we know -- Feb. 2008 US to Feb. 2015 US population grew by 16.8 million. Over that period the number of workers with full time jobs (permanent job averaging over 30 hours per week) was only 44% of the labor force - 2 million fewer than before the crisis. The labor force participation rate is at the lowest level since the 70's. Aside from the heavily falsified methods of calculation, the types of new jobs are a factor. A newly reported job does not necessarily mean a new hire from the ranks of the unemployed. The majority of the reported new jobs are in low wage industries like entertainment and hospitality (waiters, bartenders, doormen, etc.) and retail. Low income often forces many of the employed to seek more work -- second and even third jobs. Other factors such as Obamacare forced many of the low income to cut work hours in order to qualify for subsidies. In many cases the employers did the forcing -- for example, Staples threatening to fire all workers that refuse to work for less than 25 hours per week, or Trader Joes ridding itself of health insurance costs by handing out $500 per employee and telling to shift for themselves.

Why might employers retain more employees than they need? A sign of that is the low rate of productivity. Part of the cause is that it's more profitable to invest in equities, the carry trade, leveraged buy outs and the like, than to improve ones core business through capital investment. Another is that hiring and holding workers provides a good smoke screen/justification for record profits and stock valuations. God forbid that profit should be recognized as primarily their portion of the speculative bubble. Another reason -- And then there is the *hoist by their own petard syndrome* -- They have repeated the lie of a recovery so often and in so many different ways that they've come to believe it themselves.

China is making moves to alter the management of its 123 state owned industrial operations (worth $3 trillion) so that they are more integrated in a market based economy -- next likely step is to sell them off. Only 1/3 of the now predominantly capitalist economy is state owned. The government is using a corruption sweep to clear out state managers. Once they return as CEO's the current corruption will be taken as generally accepted business practices.

Real wages for production and non-supervisory workers (80% of the work force) is down to an annualized 1.5% and falling. Real wages for supervisory employees is about 4% and rising. When merged the Fed is able to report a decent, though dishonest, rising wage figure. But the wealthy tend to invest or save. They have all they want with respect to the purchase of goods that enhance their quality of life.

Thus the shockingly bad news on Thursday. Retail sales fell 0.6% in February (the Wall Street Journal expected a 0.2% rise). The third monthly decline in a row. The markets worldwide went wild with a robust rise. Once again this shows that the markets are driven by a speculative herd mentality. The market goes up on good news like a high jobs figure because that means the economy is gaining "traction" -- and it goes up on highly negative retail sales report (70% of the GDP) because that means the Fed may hold off longer on raising interest rates because the economy is failing.

But it was a one day boom. On Friday the downturn resumed. The Dow and S&P have given back all this year's gain. The dollar has continued strengthening against all currencies -- Euro down to $1.05 -- not that it's actually stronger, just that foreigners are scared of their own currencies that they are flocking to dollar-denominated securities. After all, America has the biggest and strongest economy in the world -- if it goes, they all . . . .

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