

## Mexico Joins the Populist Parade

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Andres Manuel Lopez Obrador (AMLO) won the July 1 Mexican presidential election and will have until December 1, when he assumes office, to create a program that differs demonstrably from the preceding failed presidencies. All that differs presently is AMLO himself and his self created MORENA party.

AMLO's election represents not only another spanner thrown into the mystifying claims with respect to the health of the world economy but also adds to the worldwide populist wave. But throwing a monkey wrench into the system's electoral process as an expression of displeasure is only a fleeting gesture. It cannot long satisfy. What comes next may undermine the viability of capitalism itself.

A populist strain has always run through the Latin nations of the Western Hemisphere. Mexico had Cardenas. The remnant of Chavismo in Venezuela. Morales in Bolivia. The rise and fall of Lula and Rouseff in Brazil, preceded by Vargas. Peron and wife in Argentina. They all fail because, while broadly identifying the ways of capitalism as the problem, they all imagine that they have identified unique ways to make peace with the devil.

But now the Great Beast of the North has its own native critics gnawing at its vitals, and most of Europe is experiencing a currently benign internal subversion of a more civilized sort.

This thing known as the **Economy** exists for the purpose of maintaining the physical existence of the people that live within its various nation states. The type of economy that rules most of the world is capitalism. That means maintaining the physical existence of the people must also be profitable. And since profit certainly comes before people it thinks it can lie its way through the prevailing slump while continuing to rake it in. The decay of orthodox politics is a sign that they've been found out. Next up is knowing what must be done to tame the beast.

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Today's employment report: 213,000 jobs in June. LFPR rose from 62.7% to 62.9%. Does this mean that folks are leaving home to take some of those fine jobs employers are begging to have filled? Not yet. The unemployment rate rose from 3.8% to 4.0%. But surely a strong demand for new hires must also mean sharp rise in wages and salaries. Not yet. Real wages actually fell compared to the previous month. When the unemployment rate was this low 20 years ago monthly hires averaged well above 300,000. From November 2007 the Civilian Non-Institution Population, AKA, the labor pool, added 24.7 million persons. At the same time the work force only absorbed 8.3 million. Of the remaining 16.4 million a small number have retired meaning the rest should be looking for work. Either they are doing that or they have given up because the bountiful existence of jobs is a fiction.

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China had big plans for the future in those heady days when they were the manufacturer for the world. Among them was to transform the Chinese worker's home life into something like the typical American family of the 1950's, or at least provide them with indoor toilets and cooking facility. Toward that end it has built 18 million flats over the past three years. Now if China were really communist they would parcel them out based on life time usufruct rights. But those are bygone days – the workers must purchase their new homes with money from the sale of their old shacks and mortgages. China's need to rein in its debt will mean cuts in low rate loans for construction and purchase of those homes. As an alternative the government is promoting renting because that would also reduce the rapid rise of home prices.  
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