

Can Parasites Truly be Free?

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The answer is yes when they are attached to the blessings of capitalism. The recent corporate tax cut law had promised to open the gates for billions worth of corporate financial assets, currently stashed abroad, to return to homebase America where they will be invested in productive enterprises that boost the real economy and provide many good paying jobs.

Well a good deal has come back and the S&P 500 companies have proudly set a new record: In Q1 of this year they have invested \$189.05 billion in themselves, that is, their own stock, and thus breaking the 2007 record.

That wasn't the only extravagant gift to themselves, they also kept pumping cash into dividends even as profits slackened. Both of these further enrichment of the rich measures have been frequently used for some time; 'tax reform' merely left more on hand to give away to the people that matter most.

But that doesn't mean that corporate executives aren't fiscally responsible. Diminishing available capital can make a firm's stocks and securities less attractive to investors. Jeffrey Snider in his blog suggested a possible solution. Save on worker's pay. Keep wages for current workers at the lowest possible and don't offer wages sufficient to draw workers from the labor pool to the labor force. This accounts for the very small rise in real wages and the very large number of potential workers out of the labor force.

Britain has been going through a Monty Pythonesque silly season thanks to Brexit. First the Brits surprise everyone with a vote to leave the EU. That brings down the Cameron government. The new May government has been going through a torturous process of trying to satisfy both the leavers and the remainers in the Conservative Party. It's decision to remain within the EU customs union doesn't fool anyone because a custom's union is basically the EU. Like Norway the UK would be technically not a part of the EU while being forced to obey all its rules and regulations. So unless one thinks obedience is preferable to having the bother of participating in the decision making process, it will not please anyone. A number of leavers have resigned one of whom, foreign minister Boris Johnson, is a close buddy of Trump. Trump, with the usual delicacy that he's noted for, said, with current PM May at his side, that Johnson will make a fine PM. A passel of dodos attempting to fly.

Commodity prices are one of the best indicators of the strength of an economy. Weakness is not good. This week's Bloomberg's Commodity Index of 25 raw materials fell 2.80% on Wednesday, the most since 2014 (which signaled the two weak years to come), and is down 8.88% off the May peak. Weak commodity prices predicts a weak economy to come and with that an inflation decline. Futures are signaling 2.08% down the road.

It seems that the German legal system does not only take decades to settle matters with Nazis, financial crooks also receive lengthy treatment before being brought to justice. Ten years ago a scheme involving shorted stock just before dividends were to be paid was discovered. The German procedure when dividends are paid is that a quarter of it is set aside for tax purposes. The recipient could have it credited to his tax bill, or if none is needed it will be returned in cash. Because a shorted transaction involves borrowing for a stock purchase and then repurchasing that stock at a lower price for a profit each transaction involves multiple shares and ownership. Thus what should be a single transaction can multiply the tax break up to four times. It's estimated that German taxpayers were shorted \$11.7 billion.

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