The Recovery: 2009-2011

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The ostensible world wide recovery from the greatest financial fiasco in 80 years has now brought into focus its peak period and terminus. The recent charting of data from both the US and the Eurozone depicts the apex of recovery starting in 2009, continuing until 2011, and from there gradually slipping away until today we can with a high degree of probability declare that the attempt to return the world economy to some semblance of normality using the current policies has failed.

Industrial production in the Eurozone has gradually subsided from its partial advance toward "healthy economy" levels. In the US Industrial production is 2.2% higher than where it was 7 years ago. Seven years after the 2000 recession it was up 12.5%. Meanwhile, the economic policy makers tout their conflicting approaches as worthy of bragging rights based on the bald assertion of (non existent) success.

A special idiocy of the competing arguments is that the policies are virtually identical and appear different only because they were just implemented in varying sequences. The Eurozone encompasses many countries and has to perform a more complicated juggling act to keep their respective economies up and running. When the financial catastrophe struck it lowered interest rates eventually to near zero; the ECB pursued a bond buying policy to reinflate the economy; and structural adjustments were enacted (cuts in the basic needs of the working people in their respective countries) in order to pay creditors and renew confidence. When buying securities with existing resources was not enough, it introduced a QE program similar to that of the US. That should serve as a prop preventing total collapse until it runs its course sometime in 2016. Then again, maybe not. The world markets had a profound scare today when the Eurozone seemed about to drop one of its balls. There is something appropriate, even poetic, about Greece, the foundation of western civilization being the avatar of its demise.

The US lowered interest rates, instituted a series of QE buying sprees, and also structural adjustments -- like cutting almost $9 billion from the food stamp program. The UK, as one might expect, followed the US in almost lock step. Japan instituted an insane monster sized liquidity dump that has totally failed to revive its economy while also providing conventional real economy stimulation and structural adjustments -- like a huge increase in the national sales tax.

China used it’s huge earnings from years of exports surpluses to flood the economy with liquidity and create a construction boom that is the nearest example of real economy collapse only because none of the other major capitalist nations have managed to create even a false boom in any section of their real economies. China also spent huge sums on infrastructure stimulation. Western economists aim most of their warnings toward the Chinese economy and its market mania growth -- actually the same mania is being displayed everywhere and China, unlike its competitors, is in a better position for a safe fall.

Krugman continues to brag about superior American policies even though they have all ultimately shown themselves to be failures except for re-enriching speculators. Housing, retail sales, industrial production are sliding from levels already much below pre-crisis levels. The German finance minister declares that its policies have turned the tide. Today Lagarde praised UK economic policies while foreseeing a $7 billion pound deficit in fiscal 2019-2020. Those UK policy makers said no, it would be a $7 billion pound surplus. And the IMF chief said, why quibble when it's only the result of the different way we do our calculations? Meaning -- everything we say is worthless.

Some tidbits -- A court exempted General Motors from a lawsuit involving bad ignition switches because the major portion of the crime occurred during bankruptcy. Therefore the families of the more than 84 persons killed because GM produced this crap, and never bothered with a recall or even a warning, are denied access to the billions the company is now earning because of the billions the taxpayers (and givebacks from workers) gifted them.
--The Brookings Institution issued a report that in 1978 15% of businesses were startups (less than one year old). In 2011 it was 8%. New companies are important because they are created to grow in such a way that increases employment. Older companies grow by mergers and acquisitions and leveraged buyouts and increase their rate of profit by increasing efficiency and firing workers (plus monopoly price fixing).
--Housing starts, expected to be around 1,040 million came in at 920,000 in March, barely more than frigid February.
--Schlumberger is laying off another 11,000 workers (total 20,000) bringing the worldwide total of layoffs in the oil industry to 100,000. The US rig count grew from 200 to 1600 in recent years is now down to about 900.
--Today's CPI report was supposedly positive because it was "inflationary" meaning their must be increasing demand and therefore an improving economy. Actually the entire CPI for March (food and fuel included) was 0.1% lower than a year ago. Of the 1.8% rise in "core" categories, almost all were in wasteful health expenses and higher rents because people can't afford to buy homes and have to live somewhere.

The old saying that money talks while bullshit walks in undergoing a polar reversal because of the gravity of the current capitalist crisis. It's supposed to mean that you get more done with money then with bullshit talk. But when it comes to real growth, you get much more from real bullshit then from something that can only reproduce itself.

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