

Renewing Reality

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While most American markets still haven't regained their 52 week losses, many are now positive for the year. That has led the promoters to claim that another pothole on the road to a booming recovery has been filled with high expectations of a smooth ride. It's time to renew reality by defining 'recovery.' If persons are hospitalized with a medical emergencies, they are likely to be given medication and attached to machines to stabilize their condition. They may even need surgery and then a period of recovery. With recovery the medical interventions are gradually removed and the patient returns to normal life. If the various interventions cannot be removed without the condition worsening, or if even more extreme intervention is required just to prevent a catastrophic event, then there is no process of recovery, and if the latter, then the condition is deteriorating. The economic health of capitalism in developed and emerging nations ranges from bare stabilization to a worsening condition. There is not the slightest sign of anything that can honestly be called a recovery -- indeed, the constant repetition of a blatant lie is evidence of its opposite. Current policies are intensified even though they have failed because the only other option is for those at the top to sacrifice power and wealth. Something that those beneath them have long ago felt. The National Center for Health Statistics has contributed evidence supporting the structural decline in the fabric of American society. The rate of suicides per 100,000 has greatly increased between 1999-2014. Males 15-24 18.2 in 2014, 16.8 1999 - Females 4.6 and 3.0. Ages 25-44 it's 24.3 and 21.6 - 7.2 and 5.5. For the oldest in this report ages 65-74 its 26.6 and 24.7 - 5.4 and 4.1. But for those in their prime productive years 45-64 it's 29.7 and 20.8 - 9.8 and 6.0. The significance of that highest rate is that it comes when life's accomplishments should have peaked -- when people should be feeling good about themselves. Instead many have come to the realization that they have passed the point of starting over having failed to reach or even come close to their goals.

The DJIA topped 18,000 for the first time since the middle of last year; this despite oil prices falling and a second failed attempt by producers to agree on output cuts to maintain a specified low price. Stocks have risen on the mere rumor of such talks while easily ignoring when nothing comes of them. The whole thing gets very silly because recent rises have been largely due to weakness in the dollar and a slight lowering of world output. It has nothing to do with a strengthening real economy requiring more energy, nor can production cuts reduce the risk of debt repayment failure unless the real economy really improves.

A meeting of 30 major steel producing nations to discuss the production glut failed to achieve an agreement on production cuts though China will continue shutting down plants.

On the profit reports front:

> Morgan Stanley reported a 54% first quarter decline YOY, but stock was up because it was better than forecast.

>IBM sales were down for the 16th consecutive quarter. Its stock value is up 11% so far this year.

- >Yahoo lost \$99 million this quarter (compared to \$21 profit the previous first quarter). Revenue fell 11.6%. That was better than forecast, so stock rose.
- >Coca Cola 4% profit decline on 2% sales rise.
- >Starbucks sales and profits rose, but less than expected.
- >Alphabet/Google -- same as Starbucks
- >GM profits and sales rose despite global sales for all car companies declining 2.5%
- >Microsoft profits down 14%. Revenue also declined.
- >McDonalds had a 35% increase in profits thanks to an all-day breakfast menu in their American stores. Revenue still fell by 1%.

Regarding the Panama Scandal: Bloomberg's McArdle bragged about America being shown to be a pillar of honesty amidst a sea of capitalist corruption. The names of 200 American crooks have been released so far, one being Wall Street financier Benjamin Wey charged with hiding millions made from illegal stock trading.

Bloomberg published a report suggesting that a key factors signaling a recession are on the verge of doing so. When temporary help payrolls topped out and began to decline recessions were soon to follow in 2000 and 2008. They are down 1.8% so far this year. Also a Fed favorite, the Labor Market Condition Index, has declined 3 months in a row. The last two recessions followed 11 and 16 months respectively.

There was a time when pensions were guaranteed and required to be fully funded. And if one failed a fund existed to back up losses. Then most of the pensions were switched to designed -- a weakly backed promise -- and they were permitted to become hugely underfunded. Those managing them relied heavily on easy money from equity advancement. Now many are showing signs of failure. The Central States Pension Fund which handles pensions for retired Teamsters in a number of states and paying out \$3.46 for every \$1 it receives. It pays out \$2.8 billion a year in benefits. The backup fund totals all of \$2 billion. But Congress provided a solution in 2014. It passed legislation permitting pension funds to cut benefits in an emergency. The proposed cuts will average 23%. Pensions down, suicides up.

Interesting article by Neal Gabler in The Atlantic (April 20, 2016) where he confesses to being one of the many Americans living beyond their means and in dread of an emergency need for cash. He cites data reported by NYU economist Edward Wolff that median net worth (includes housing equity and pensions) between 1983-2013 declined 25.8% for the third quintile of Americans (the first two presumably did very well); 63.5% for the 4th quintile; and 85.3% for the 5th. The Russell Sage Foundation determined that the median (half above half below) inflation adjusted net worth of an American household fell from \$87,992 in 2003 to \$54,500 by 2013 -- a decline of 38%. A sound basis for an explanation as to how a failing economy dissipated the fog of "recovery" BS which has led to Americans wanting anyone in office other than the mainstream political hacks of the two parties.

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