

From the Ridiculous to the Sublime

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The Institute of Supply Management at least provided the interested public with a learning experience if not accurate information. Its initial report had factory output falling in May to 53.2 from April's 54.9. Then an external financial fellow informed them that they published the wrong secret number. Oh, yes, said the ISM, we used the April seasonal adjustment figure by mistake. Here's the correct number -- 55.4. So we learned that one lousy month of seasonal adjustment makes a gigantic difference. The embarrassment also caused them to show the non seasonally adjusted figures and, lo and behold, without the adjustment the output dropped by 2.0 from April to May. And some people think that only ignorance makes people doubt such highly ethical output by private and government consortia and bureaus. But the ISM did a good job the next day making the output for services rise cleanly with expectations.

The big report this week was the May jobs report which came up with 217,000 new ones for the month. Considerably less than the 270,000 plus the previous month. The three month average is 234,000. Considering that Dec. 2013 was only 74,000 and January 113,000 (both well below expectations), it appears we have here a spurt from a dribble which is now diminishing. Furthermore, the quality of the jobs is poor, almost all in the low income service sector. Only 6000 in manufacturing. The nominal figure of jobs lost in the recession has been reached with the 7% increase in population still standing in line.

Abroad the major news was the continuing slide of the Eurozone. Manufacturing output dropped from 53.4 to 52.2. Inflation dropped to 0.5. Draghi pulled out all available stops. Lowered the interest rate to 0.15% and established a negative interest rate of - 0.1% for banks to keep their holdings in the ECB. The only thing left is to follow the policies of the UK, US and Japan and print money.

The true nature of inherent capitalism is now being clearly revealed. Only fools of the Libertarian sort can fail to see that the system is inherently flawed. After the economic collapse all major developed nations took steps to prevent the same conditions returning -- massive worthless piles of security given the name of assets even though there was no possibility the debts they carried could be repaid. Now all those same nations are taking steps to increase the level of unpayable debts in order to prevent another collapse before at least making it seem that we've recovered from the current one. The US, UK, China, EU, etc. are easing banking holding restrictions. China and Japan preparing new stimulation packages. Japan economic policies are becoming increasingly deranged. After the sales tax increase sales fell 4.4% while inflation rose 3.2%. In the US consumer credit rose to \$26.85 billion last month - the fifth highest since this data was recorded. Meanwhile savings fell. People need massive credit expenditures simply to stay in place or to purchase low cash requirement bargains. GM had its highest sales month since the middle of 2008. Amazing considering the recalls and the more than 74 people killed in their defective vehicles. How did they do it? Lower cash payment, extend monthly payment (up to 80 or so months), accept

buyers with lower credit ratings. Even coffins on wheels are a deal if the price is right.

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