

Spain Joins the Italian Farce

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The new Italian political comedy worthy of a Dario Fo interpretation has added new material for the final act. After the Five Star and League named Conte as their choice for Prime Minister people were disappointed that he wasn't the excellent manager of the Chelsea football/soccer team. But President Mattarella said he was OK because nobody knew anything about him. Then Conte, with something more than a consultation with his political backers, selected Paolo Savona, an economist and former minister, as his finance minister. But for that Mattarella said no, the 81 year old Savona doesn't like the Euro, therefore he didn't like Savona. That meant Conte couldn't form a government and his term of service was over. As a further slap in the face, the idiot Mattarella named one Cottarelli as an interim Prime Minister; this person was formerly with the IMF where he was known as Mr. Scissors. Just the sort of thinking that got Mattarella's Democratic Party shifted off to oblivion. There was talk of impeaching Mattarella or calling a snap election, but before a choice was made Mattarella woke up to discover a trace of intelligence left in his brain, and reopened negotiations with the two parties. Thus giving birth to the death of the Cottarelli premiership and ministry, and the recall of Conte as PM who now named an acceptable person as finance minister, and to make everybody happy, Savona was named Minister of European Affairs where he can probably officially say all the stuff he would have said as FM.

The Italian situation highlights a world trend -- the ruling class, exercising its last gasp mind over matter solution to all things out of its control, drones on and on saying the economy, is good, getting better, robust, looking up, better than when compared to all those bad years -- nobody believes it, nor can they even stomach listening to the rubbish. Italy took a hard fall in 2008 but has now gone through 15 consecutive quarters of growth. The Italian people were so un-thrilled with the accomplishment that they booted out the government that took credit for it and elected one that has yet to determine, even in their own minds, what will be their political program.

Spain competed with Italy this week in presenting the world with another collapsed regime. PM Rajoy of the renamed Falangist Party today received a vote of no confidence and was immediately replaced by Sanchez of the Socialist Party. This also caused much distress to capital, both at home and away, because they love regimes that not only fully subscribe to the interests of market capitalism, but have a streak of nasty nazism providing strength to their backbone. Rajoy was perfect in his vile-ness. But the SP, which of course has nothing to do with socialism despite its name, loves the whole EU concept. Therefore there is no euroskeptic fear unless the Catalonia issue returns. An independent Catalonia would want to be in the EU -- but the EU won't allow it. Perhaps the next downturn will allow that issue to play itself out.

The Fed this week voted to begin easing up on the Volcker Rule which came into being in the Obama regime because of the Great Slump. The problem is that banks

ultimately backed with public funds love to gamble with what they have, and the rule is supposed to steer the gamble so that they lose other people money and not the stuff taxpayers have to refund. The key point to note is that all attempts to save capitalism from itself will fail. The system will just pine away unless it has every avenue of increased wealth opened to them.

Another jobs report today. The Establishment Survey number was 223,000 which, if adjusted for population, would be twice that in the mid-1980's and almost that in the mid 1990's. And the unemployment rate fell to 3.8%. The Labor Force Participation rate was 62.8 last month. The consensus was that it would stay the same. Instead, it **fell** to 62.7. That's how the rate looks better – because people are leaving the labor force. The farce endlessly repeated.

Up until 2014 the Chinese state bank would come to the rescue if businesses couldn't make their payments on bonds and loans. Gradually it has let their maturing capitalists suffering the consequences of their bad business practices. This year there have been 20 failures valued at more than \$3 billion. China has a debt that is 268% of their industrial output. Either the failure rate, or the debt, could get worse very soon because \$3.12 trillion worth of bonds will becoming due in the next 12 months. How will it be played out? Stay tuned.

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The Japanese economy is the third largest in the world but first in deserving the world's attention because of its thirty years of going nowhere despite pulling out all the stops to get somewhere, to great whoops of joy at the slightest hint of success, now appears as the archetype failure for world capitalism. Japan's eight consecutive quarters of (minuscule) growth came to an end the first quarter of 2018 with a (minuscule) decline. The same has happened to its claim of victory over little or negative inflation. And the same *Groundhog Day* appears to be happening worldwide, except that this one isn't funny.

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