

The Story So Far II

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It was another thrilling week on Wall Street as the major indices hit new highs. Usually new highs require an economic report showing that things are less bad than previously thought, or that the trade war, the current favored fly-in-the-ointment, took a turn for the better. But not on Friday when Trump backed off on reducing tariffs on Chinese goods with a partial trade agreement.

The S&P 500 is the standard of American market health. According to Goldman Sachs, corporations are set to spend \$480 billion this year buying their own stock. That is more than any other investor segment: total households, mutual funds and Exchange Traded Funds. But repurchase authorizations are expected to decline in 2020 because in 2019 S&P 500 companies have spent more than 100% of their free cash flow on stocks and dividends. Authorizations precede actual purchases. According to InsiderScore S&P 500 share repurchase fell 19.5% in the second quarter from the previous year.

Of course none of this means a slackening of the continuous stream of positive mysticism shrouding the world wide weakening economy. Populism and rebellions everywhere have become the new norm. Political and economic conditions in Germany have never been this bleak since the big slump (with the political component now much worse), yet their Dax index is at 13,228, a little less than 300 points from its all time high. This is an economy that will likely report a technical recession because this quarter appears to be worse than the already negative prior quarter. Industrial production has declined for 5 consecutive months, and politically, centrist parties are being pushed aside by right and left alternatives, yet the bright shining lie of the market helps dissipate the gloom. Germany is a world wide industrial powerhouse. The weakness of its export economy is verification of the world wide economic and social malaise, and corresponding protests.

It's much the same in the UK, a nation whose people are masters at surviving tedious streams of bullshit, and where the interminable Brexit completion has dissolved into a snap election which will likely result in more very proper uproar, the FTSE still manages to do quite well. It's economy is slumping all around which is blamed on Brexit in much the same way trade wars disguise reality in the US. At about 7400 FTSE is only 500 points from its all time high. The UK barely avoided a negative last quarter and the current one should be worse.

But it's now China, technically the world's second economic power but in reality the nation that has the most influence on the world economy because of its huge capacity to buy and sell, that deserves the closest attention. It also plays with its economic data to make bad news almost hopeful. It's supposed to be good news that exports were only down only 0.3% in September (tripled to 0.9% in October).

Good if one forgets what Chinese exports once were, and what must be recovered if its to re-establish its powerhouse status. Exports more than doubled in the three years between 2002 and 2005, then doubled again in the next three years. Between October 2014 and October 2019 -- 5 years -- exports increased by 3%, that is **total**, not per year. The middle class brats in Hong Kong are not rioting for democracy. They just want to detach their once thriving city from a doomed rudderless ship.

Life of the Poor Under Capitalism

In one of those another one of those insulting curiosities of capitalism the World Bank recently bragged that soon 90% of the world population will soon be living on \$1.90 a day. As if \$1.90 is living and some sort of escape from poverty. Note how the system monetizes poverty. Countries like pre-capitalist China and today's Cuba provided free medical care, full educational opportunity, and sufficient food for all. Living conditions were far better than any capitalist third world nation. But to the capitalists anything that is free is nothing to them, therefore they were the impoverished nations of the world.

A serious unacknowledged problem with their data is that it takes at least \$5.00 a day to escape poverty, and that has to be in real dollars, not like the \$1.90 calculated in local currency which comes to 30 cents. Further, it would take \$7.40 of real dollars per day for a person to live to 70 years of age.

The reality of capitalism is that 836 million Indians live on 50 cents a day. India is a very rich nation in resources and educated people, but thanks to capitalism most of its people live in abject misery. The majority of all the people on Earth live on about \$3.00 per day. Globally 4.3 billion or 60% of humanity live on less than \$5 per day.

According to a Pew report living on \$10 to \$20 per day constitutes a middle class. That comes to 783 million people or 13% if the total. Much to brag about if one thinks people are so stupid as to believe such a sum constitutes a middle class. \$15 a day is the official poverty line in the US, and the US is the least generous among developed nations when it comes to determining what is poverty. This is life under the Capitalocene.

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