

Sublime Madness Fuels Markets

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After one bad market day, all, and much, much more, was reversed because somehow the coronavirus pandemic was judged to be not serious enough to harm the world economy. Even when China recalibrated their figures and the number of deaths and cases jumped overnight, the result was only a meek downturn, mostly in the Dow. Resistance to the truth held up pretty well to the end of the week with the WSJ sticking to its rubbish while Bloomberg opted for earnings reports and Powell issuing a positive teaser.

While the Corvid-19 pandemic may do minimal harm to the world it is certainly infecting and killing many people in China, and most certainly is doing significant and possibly prolonged damage to its economy. The consensus among economists is that China as the world's biggest buyer and seller of things now is the main driver of the world economy. Yet for the time being the media smoke machine is keeping investor heads in the clouds.

The mandate to limit the spread of the disease by isolating many millions certainly damaged retail, travel and industrial sectors. Factories reopened officially on the 10th but those that did may still have hampered operation. Just as travel is limited internally (today the government announced that all persons approaching the sacred gates of Beijing must place themselves in 14 days of isolation or else expect punishments -- the safety of the gods is paramount) it is severely limited externally as most of the world is not too welcoming of anyone from China entering their country. Travel to the US is expected to fall by 28% -- a big drop in big spenders for the American travel and retail industry. In 2018 Chinese tourists in the US spent an average of \$23 billion a month. 16% of world tourism trade is from China. According to the Economist Intelligence Unit Chinese tourism will not recover until the second quarter of 2021, and will cause a global loss of \$80 billion.

In 2018 China has chief buyer and seller to the world accounted for 39% of world GDP growth. The 2003 viral pandemic shocked the world economy -- today China's economy is 4 times bigger than it was then. And finally, China has spent billions to stabilize its economy following the 2008 slump. Its debt to GDP ratio grew from 160% to 300% today. And still its economy continued its slow and seemingly relentless slide. Now comes this surprise shock to its economy which must be saved with depleted resources. One would think the same

shock would effect the markets, but there the sublime madness of greedy investors is a filter between it and sanity.

Economic Info

– A curious anomaly has risen to the surface of what passes for the sense of decency and humanity in the minds of the financial class. Actually it's probably motivated more by fear, but to give the devil its due, some are so bothered by the manna from heaven falling into their clean, callus-free, never worked, hands, that they are willing to pass some along to the plebes in the form of a Financial Transfer Tax. Recently a paper by Antonio Weiss and Laura Kawano was released advocating such a tax. What made it particularly interesting is that Weiss was once a partner in the investment firm Lazard, and later a top official in Obama's Treasury department. And further, it was published by the Hamilton Project at the Brookings Institution. The founder of that Project is Robert Rubin, a bigwig at Goldman Sachs and Citigroup, and a public servant in the Clinton Administration where he held the post of Treasury Secretary. So it seems that the sector of the capitalist class that actually produces something still feels safe about becoming super rich, but the sub-parasitic sector that leaches off the 'productive' sector that exploits the producers senses that masses of pitchforks may be heading their way. Better to give a little back, after all, it's really theirs anyway.

– Where would we be without innovative entrepreneurs bringing us exciting things to add some spice to our dull lives. But some don't quite work out. Juicero suddenly went out of business. This firm received \$118 million to bring us a \$700 wi-fi enabled machine that squeezed juice packets. Soft Bank stopped adding to its \$375 million investment in Zume. This firm delivered partially baked pizza to San Franciscans in trucks that finished the baking along the way. That way customers would consume pizzas at home as freshly baked as if they were in a pizzeria. Zume is now moving into compostable molded-fiber packaging.

– German 4th quarter GDP came in at a rounded off 0.0% -- which is to say, almost nothing. Year to year GDP growth totaled 0.4%. That says much about the state of the real economy. Germany actually produces a lot of useful things. Manufacturing accounts for 20% of its GDP while in the US it's only 10%. That's short shrift for workaholics.

– In 1930 brilliant capitalist economist John Maynard Keynes wrote an essay on what capitalism will bring to humanity by 2030. Its creative investment and technology will have raised living standards 8-fold making everyone so rich they will only need to work 15 hours a week while spending the rest of their daily lives at leisure or personal improvement. Such is a good example of what passes for brilliance among capitalists and their acolytes.

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