

## Sustaining Disbelief

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With the constant iteration of "recovery, recovery, traction, traction, recovery, traction " and so on, one cannot help but expect that the process will finally be complete, and that we will then experience the real meaning of the word. But it never ends. Nothing much happens. It's more like "hare, hare, krishna, krishna, krishna, krishna, hare, hare -- an incessant incantation. We have become encased in the spirit world of a bubble, and only those riding the outer limits of the expanding sphere will ever experience the nirvana of recovery.

The gap between the privileged and the rest of us continues to grow while Yellen, the necromancer in chief, struggles to keep our world intact by spouting words such as -- "not any time soon - maybe June or September - I'm flexible" -- as if there is a make or break significance in a lousy 0.25% hike in interest rates. That fear of yanking away the last major prop, even if ever so slightly, of the one segment of the economy that is actually thriving, tells us more about the real nature of the overall economy than what is presented to us as "expert analysis."

Once again this week saw the world markets hit new highs, but the joy has dissipated because it's now become painfully obvious that the game has been set up for the speculators to win, and at any moment the truth may crash through the facade and all the victories retracted. The GDP second reading was ignored by the markets. 4th quarter GDP figures were lowered to 2.2%. Growth from the same quarter of 2013 based on real final sales is 2.3%. The same during the recovery period: 2.1, 1.5, 2.0, 2.6, 2.3 -- in other words about 2% -- a very meager recovery that barely covers population increase.

Yellen has been touting the increase in consumer spending as indicative of a recovery. By far the biggest segment in recent quarters have been health costs; in the last quarter almost twice as much as housing and utilities. 18% of total consumer spending wasted on private health costs that includes little that would stimulate the real economy. Clearly the Fed is concerned that any act that may cast a shadow on the illusion of a recovery may dissipate the flimsy framework of public acceptance. The US appears to be even more fearful than the Eurozone and Japan. Auto sales have been the one positive segment of the all-important manufacturing sector, much of that due to easing of creditworthiness and extension of monthly payments. A similar easing is being proposed to boost housing sales. Yet American banks are sitting on \$2 trillion invested in US government related debts. The Fed is still paying banks 0.25% interest on deposits it holds for them; even on amounts above that required by law to secure bank investments. Other central banks have imposed negative interest rates in order to encourage banks to make loans and boost the economy. Again, the fear of pushing the banks ever so slightly reveals the weakness of the underlying structure.

Meanwhile, the kind of explosiveness one might expect from Greeks produced only a dud in the pathetic backward belly-crawl of the Syriza leftist frauds.

Krugman wonders why there was so much criticism of the Greek government. Sure, they gave up on their promise to reverse some of the programs that have, as even Krugman admits, wrecked the standard of living and quality of life for most of the Greek working class. Sure there was no haircut or even crude shaving of the huge outstanding debt; the banks will get their tons of flesh. But at least Greece has 4 months of things as they are before they inevitably get worse.

The CPI was down 0.7% in December after a 0.1% decline the previous month. This led to a significant increase in real average hourly wages to \$10.55. Most of it due to deflation. The Fed says they have no concern about a deflationary spiral -- it's just mainly the fall in fuel costs. But the Eurozone still had a +0.6% in the CPI even though they have the same fuel benefits. We should all hope for one of these negative spirals just so everyone obtains a precise image of the class structure and learns that they can never work together.

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