

## Now Comes the Thrilling Retreat

9-26-14

Not as exciting as Suvorov's slow escape through Alp passes with Napoleon as his worthy opponent, but quite interesting in light of the dull norm of market fluctuations.

Attention is piqued on all sides when the realization that measures taken to revitalize the world economy are not only ineffective but are now looking rather silly. The best example is Japan's Abenomics in which the neo-fascist PM of that nation (his current cabinet contains a few Nazi symps) decides the nation must avoid deflation. How - by increasing effective demand? No - by printing lots of money. There is inflation but Japan's record high public debt has worsened because of the wasted new debt. Abe must show the world that he is aware of the problem. A large increase in the sales tax brings in added revenue and a retail boost before it goes into effect, and then it stifles the economy once the grace period ends. Meanwhile, the weakened yen still cannot achieve a positive trade balance because it also increases the cost of imports. But Abe continues to keep this mess upright through the hefty purchase of equities with public funds. The Nikkei is above 16,000, close to its highest point since its amazing fall from 39,000, while the moribund real economy watches all the excitement from the bleachers.

Of more immediate silliness we have the Alibaba IPO, the biggest ever. The company that is being compared to Amazon, but this one has no warehouses, no inventory - it is based on nothing but \$6 billion of intangibles and lots of public acceptance, much like Facebook with its numerous fake "likes". And then we have the completely ridiculous Tesco getting caught inflating earnings by a whopping 25%. Then there is the always reliably ridiculous Republicans who kept the Export Import Bank alive, hopefully long enough for a new startup called Boeing to get on its feet by perhaps by obtaining two thirds of the Ex-Im's annual expenditure to guarantee export expenses, just like it did last year.

American markets were significantly lower the first two trading days because of a surprising fall in existing home sales for August. The annualized total was a bit more than 5 million. Nine years ago it was a little more than 7 million. Six years ago it had fallen to 4.11 million - and after 6 years of recovery and an additional 14 million people that need homes - it manages only this measly increase.

But not to worry. Thanks no doubt to seasonal adjustments and other government sanctioned fakery new home sales rose an even more surprising 18% in August - an annualized figure of 504,000. Headlines touted it as the strongest growth since 2008. It would have merely tied May's figure had not that month's 504,000 been lowered to 458,000. Still, not much of a recovery compared to the 1.2 million sold in 2005.

That sandbagging of the slide only last a day. On Thursday the market had its worst day of the week. Durable goods orders fell 18% -- almost as much as it rose

the previous month. How important can this figure be if a company named Boeing makes it look good or bad just on the basis of its business? Ah, ha! That's why we can't get rid of the 'gift to big business' Ex-Im Bank! Well, durable goods sans transport only grew 0.7% as opposed to -0.5% the previous month. Probably the markets were more distressed by the stressful bending of the new Apple iPhone and the company's fouled up upgrade of IOS8.

Back to digging in the gold mines for additional wealth effects. Eureka! The second reading of the second quarter GDP was increased for a second time - 4.0, 4.2, 4.6. To recapitulate: The last report of the first quarter had the GDP at -2.9%. Then they decided to calculate all GDPs back to 1999 in a different way -- thus, the new number for the first quarter became 2.1%. Now this new figure for the second quarter involved rejiggering several categories, but what is of most interest is that they decided to alter the definition of what constitutes corporate profits in such a way to make it look better. Corporate profits were down more than \$200 billion in the first quarter and up \$164 billion in the second. The financial surgeons report that the \$200 billion plus figure would be much better if the latest treatment were applied but will problem decide against the procedure as it might lead to the death of all public credulity.

Finally, the New York Times had a small squib on its front page promoting an article in the business section - "The Dollar's Strong Comeback". Surely they must acknowledge the cause as increasing weakness in Europe, Asia and South America. No - it's because "global investors see a resurgence in the American economy". And that is the world that we live in -- When the fear of those in power reaches a tipping point, their lies will be the only utterances that reveal any truth.

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