Time to do it Again

1-16-14

Following the beginning of tapering and the terrible December jobs report there had been a weakening in the markets the first weeks of the new year. What would be the news on December retail sales? Initial reports had them weak with merchants making drastic cuts to spur sales. Then the report: November sales increase cut to 0.4%; and December, the month many businesses have the majority of their sales, a measly 0.2% growth. A bad sales reports? No, a good one because the consensus of the shills and touts had it at 0.1%. Thus the biggest tout of all, the WSJ, can call it a robust December.

The real economy continues with weak consumer demand, slow new home sales growth (though lots of construction – that should produce interesting results!), terrible employment with the cut-rate unemployment rate dropping because of workers giving up on finding a job. GDP growth reportedly good for third quarter, but most of that was inventory buildup.

The news is the same around the world for the most part. France, practically no growth. Europe's strongest economy, Germany, reported slower GDP growth in 2013 than 2012 (0.4% to 0.7%). Much of southern EU remains in deep recession. Emerging markets also suffering a slowdown which may worsen because of cash flow decline due to tapering. Chinese growth the slowest in 13 years or so. Japan – a disaster waiting to fulfill itself.

The FT had a report today (1/15) that was a good example of not seeing the forest for the trees. The Conference Board reported that total factor productivity declined in 2013 for the first time in decades. Labor productivity is the key under capitalism for an improvement in the standard of living. Work harder, produce more with less, then the worker may get more after the boss sells the bounty and makes even more for himself. The writer notes that this is a world problem; even the new fast growth economies are having a slowdown in productivity. Yet he has not a clue as to why this is happening even though he says we have a "weak demand recovery". Well, of course, that's it. World capitalism' decision makers have made real production secondary to profit making by other means. It's easier to profit playing with paper than developing new products, improving manufacturing processes, etc. And so we have the unreal tail weakly dragging the real dog.

But let's not forget a real improvement trends: lower budget deficits and foreign trade deficit. Our flood of newly sourced oil exports has helped trade. Of course, the profits from oil shale and fracking don't include the cost of externalities (what the future will have to pay for the mess we are making today), but this is an oil and gas boom time in terms of the way our profit maniacs look at things. And the big increase in Revenue? Well, the Fed prints it and ships it out so that businesses can make big profits and pay some taxes (or billions in bailout money). No doubt the super-rich actually feel good paying taxes when the receipts are so beneficial for beneficial for the well-being of Americans (them).

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