

## True Grit Boosts the Markets

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In *Keywords: The New Language of Capitalism* John Patrick Leary groups and describes a variety of late capitalism's favored language tools; various keywords used to advance or defend the system mainly through obscuring real conditions. One such favored keyword is *grit*.

It's usually aimed at those living in poverty or subjected to various forms of discrimination. Sure, they may tell a poor school kid, you are poor, and may have missed breakfast and had trouble sleeping because the heat was out, but now you are in school and you can still improve yourself if you work hard, show some fortitude and grit. Don't let being in a class of 45 students, or having to share a book with three other kids, true grit can overcome any obstacle. But the investor/speculator class can also be troubled by situations in which a mighty force working against them has no evident means to control it other than their gritty efforts of resistance.

Most depressions, recessions, panics are followed by sustained periods of recovery. Ten years on after our Great Slump there has been nothing worthy of a recovery despite frantic efforts to proclaim its existence. Most of the major economies have experienced near or actual recessions instead of thriving economies, and this is the explanation for the political breakdowns popping up around the world. There is evidence everywhere that the world capitalist economy is sinking once again. Attempts like the QE's have proven worthless and toward the end of 2018 it seemed like the one artificial positive, the markets, were on the verge of a major bear. So what are our movers and shakers to do?

Enter the first stage of true grit. The frank willingness to make perfect fools of oneself, like Powell's overnight reversal of economic conditions. As the dignified head of the august Fed no one must dare to take notice. He also must show true grit by ignoring the evident significance of the latest BLS jobs and earnings report which if it weren't fictitious would verify his concerns about a hyperinflation danger. Instead of the immediate need for another rate hike we had the vice chair of the Fed say this week that there might be only two rate hikes in all of 2019.

So far in January their gritty efforts have paid off. The markets have made a significant recovery on the bases of nothing but grit. Most sessions would begin with a decline, often quite large, but end with a large net gain. Speculators are selling early and buying late. They are pulling themselves and the one positive part of the economy up and up by grit, by compensating and overcompensating through their efforts to create a positive illusion for a stumbling real economy.

Grit, of course, is pretty much the same as pulling up oneself by one's bootstraps. In its early usage it was an example of crazy behavior; it was Baron Munchhausen pulling himself out of a swamp by his own hair. That is late stage capitalism. A swamp. We are all in it, and it's up to us, and grit, to pull ourselves out.

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### **Latest Economic News**

- Eutostat reported that European Industrial Production declined by 3.2% year over year. That is a large decline not seen since 2012-2013 when Europe fell into recession.
- OECD data revealed that the world economy fell below 3% as it entered 2019. That's the first time below 3% since 2016 and a full 1% below the 2000-2007 average.
- David Brown writing for the South China Morning Post says that many are expecting that China's growth will be between 5 and 7 percent. But he sees negative forces building up and growth may be as low as 2% unless there are interest rate cuts and efforts to increase the money supply.
- Krugman writes that he expected a major Chinese crisis in 2011. The country did have some problems but was able to pull itself up before crashing. It's major policy to maintain growth is to spend a huge portion (about 40%) of its GDP on investments but that has done little to increase consumption. If China gets into trouble it will not just affect exports which are no particular concern for the rest of the world. China is now a huge importer; \$2.2 trillion as compared to the US \$2.9 trillion. That's about 2.5% of world GDP. Thus, a major decline in the China economy will wreak havoc on the major exporters of the world.
- Slack labor productivity is often (wrongly) cited as the underlying cause of the collapse of Stalinist Russia. They needed the miracle of capitalist efficiency to set things right. So how have they done after 30 years of capitalism. Labor productivity measured in US dollars and divided by the number of hours worked by Russia's labor force amounted to 25.4 in 2016; the lowest in Russia. In fact, that figure is less than half of the EU's 53.4 average. From a mismanaged but powerful bureaucratic dictatorship under Stalinism to a weak decrepit capitalism as Russia. No wonder so many Russians still revere Stalin.

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