

## **As the ‘V’ Turns to ‘K’**

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It was a sure bet that planned and existing debt/asset accumulation will not be able to suddenly turn around the economy. The economy has never shaken off the 2008 fiasco, having only recovered about half of what it lost in real dollar terms. But it only took some signs of life to declare that a robust recovery saved us from a horrible fate. The S&P, was 3368.68 in mid-February, fell to 2405.55 in mid-March, ended a few days ago at 3251.52. Similarly, the DJIA, fell from a peak of 28996.11 to a low of 20117.20 and recently reached 26680.87. Nasdaq is at a record high well above 10000.

But it's no difficult thing to re-write the fictitious economy into an exciting triumphant story. The festive spirit would still be felt by many if only the real economy knew how to accept a joke. But the unexpected rise of 10 million more Americans filing for unemployment compensation simply wasn't funny. Clearly the trillions thrown into the breach hasn't been enough. Congress is close to passing measures for trillions more but our wasteful and ineffective system appears to be suffering from self-doubt. It was taken as a given that the pandemic had peaked in April in this country, then, this week, it hit a new peak.

A few capitalist countries like Germany and China have been reasonably functional – have the means in place to suppress the disease while providing basic support for waiting out the storm – but not the US and many others who regard security as a bad investment. A writer for the Financial Times came up with a new letter to describe the shape of the economy in the process of development. It's the letter K. The vertical leg describes the rapid collapse of the economy. The rising right-angle bar shows the recovery of the ruling class from the shock of the slump. And the one going the other way pictures the rest of us. If only the put-upon majority would kick the K head over heels

### **Economic News**

– Goldman Sachs has apparently come to terms with the Malaysian government on its complicity in the raiding of that country's sovereign wealth fund. The scheme involved GS selling bonds to raise \$6.5 billion for a development fund. From which many of those

involved in its management found better use for it in a scientific endeavor – to prove that money really does have much to do with the pleasure principle. For helping to steal most of the \$6.5 billion, Goldman will return \$3.9 billion of the loot; \$2.5 billion has a straight cash pay-out, and the rest for what cannot be recovered from others. This was such a blatant, out in the open, act of personal theft that a few thought some officials of the world's biggest investment bank might do some jail time. But that was about as likely as the coronavirus turning itself into a giant ice cream making machine to help us make it through this relentless heat wave.

– The Fed chief is positive that the big banks are strong enough to weather bad economic conditions, unlike the events of 2007-2008. According to Bloomberg the 4 biggest banks – Wells Fargo, Citigroup, JP Morgan/Chase, Bank of America – paid out from 2017 through this March \$1.26 in dividends for every dollar retained as net income. From 2007 to 2010 Citigroup required \$2.5 billion of cheap-loan bailout money from the Fed to stay afloat. The total with the addition of another half a trillion from other federal agencies made the bailout of Citigroup the most expensive in world financial history. Now Citigroup has more than \$100 billion debt coming due in the next three years. Surely after past experience it has accumulated sufficient liquidity to support the bank and take care of the debt. In 2019 it paid out 121.8% of its net income in dividends and stock buybacks. But don't blame the bank if it blows up again. The system put the stamp of approval on shareholder enrichment over any other concern.

– S. Korea's GDP declined 2.9% last quarter, the steepest since 1998. Exports which make up 40% of the economy declined by 57%. It joins Japan, the US, and many other countries in official recession. Apparently not China which did not have consecutive quarters in decline.

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