When Want Becomes Need

1-9-15

Wants should follow the fulfillment of need, but during this stretch of financial disaster, the component that needed dismantling was instead given everything it wanted. At least the slow-as-molasses-in-a-frigid-winter movement toward a much deserved redemption seems to be reaching an ever expanding head.

The week began with a major sell-off mainly because of falling oil prices and other commodities, and Europe's economy moving closer to deflation. The next day the markets were still down on much higher volume. Oil kept falling while oil companies in this country kept drilling because they have $200 billion in debt to service. Then the markets staged a grand recovery because of horrendous worldwide economic reports which, of course, means the speculators will continue to get all they want for some time to come. The Eurozone went into - 0.2 deflation. That means Draghi has no choice but to announce a QE for Europe at the January 22 ECB meeting. Meanwhile, Yellen spoke of headwinds and promised at least 4 more months of zero interest. Charles Evans -- a 24 year Chicago Fed man declared that raising interest rates any time soon would be "catastrophic." Market still up the next day. Chinese interest rate only 1.5%. Foreigner speculators flee Japanese markets now that they've consumed everything Abe had to offer. Japanese households receiving welfare reach highest numbers since figures compiled in 1951 -- even as the population declines -- and this is the world's third biggest economy. Well, to be fair, the world's biggest economy has 46 million people receiving food stamps ($80 billion in cost), just about the most ever, and twice 2007 levels, but at least its population is growing.

Other interesting reports: Eurozone industrial production was 115 in 2008. Fell to 90 the following year. Peaked at 100 in the 'recovery', and is now once again falling. Capital Expenditure (Capex) is judged one of the key signs of a real recovery. It has been weak because corporations feel that good manners require them to graciously accept, and put into the most profitable use, free money proffered them by the Fed -- Unfortunately for those depending on a recovery that use in the guaranteed upwardly mobile markets and not the real economy. But companies have invested $180 billion in capex the past 5 years -- half of it in oil shale and the like business. Shame on them for actually trying to do *something* with the easy money rather than doing *nothing* except profiting through speculation.

Then along came Friday. The BLS reported 252,000 jobs in December (higher than the 240,000 estimate), and pumped up November's numbers to 353,000, the highest since 2012. *But the markets were down worldwide!* (Europe mainly because of Greece moving left, banking scares, and reports that Drahgi will probably managed to get approval for only half a trillion dollars in government bond purchases - half of what was hoped for, not that any amount will actually work). The WSJ headlined an article wondering why the markets when down on a good jobs report. Will they actually admit the numbers are ridiculous -- that they are reported by "good news is good for business" companies rather than the government basing it on its own concrete employment statistics? Maybe they will note that the face-to-face Household Survey came up with only 111,000 new jobs. No. It was because real wages were down 5 cents per hour on average, that makes it a minuscule 1.7% increase year-to-year, and November's 0.4% rise was lowered to 0.2%. The Labor force participation rate fell to 62.7% - lowest since 1977. 451,000 left the labor force which resulted in 383,000 fewer unemployed, and that lowered the rate to 5.6%. It is axiomatic that real, effective, job growth must result in higher wages and more people entering the labor force. Either the job figures are bogus or the nature of most of the jobs are low paid.

American capitalism has already experienced the basis of a solution when it temporarily lowered the payroll tax 2% (thus further weakening the Social Security fund because a substitute funding never materialized and providing an excuse for privatization) -- That actually helped the economy -- the real one; the only one that matters. Now they wait desperately for the working class to spend, to consume, to drive the economy to recovery after they've done everything in their power to forcibly lower wages in order to increase profits. After WW2, much like the typical banana republic, they drove all the leftists, the only political orientation that places the interests of the working class before that of the capitalists, from the unions and replaced them with corrupt class traitors that only thought of enriching themselves -- that is, with people like them. Thus with two-tier wage agreements, whipsawing union locals, and the like, they have effectively created something close to company unions. Japan is also in the same boat. There the unions go through the equivalent of a militant tea ceremony before formally agreeing to what had been privately decided among the labor/capital bosses.

But that is the nature of class conflict. The stronger of the classes will do all that it can to weaken its opponent in order to increase its wealth and power. The capitalists have so much achieved what they've wanted that the power of labor is now negligible, just when it's most needed to help them survive.

http://www.unrealeconomy.org