

Will it Be a V, a W, or an L?

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The financial sector of the economy is already heavily invested in a sharp V turnaround based on their gamble that when an economy skids to halt, the first sign of movement means that all causal issues have been solved. It is now all onward and upward thanks to the vast sums of magic potion the Fed fed us to in order to believe such rubbish. Sure the number of Americans sickened by Covid is well over two million, and more than hundred thousand have died, but everybody gets sick, and as to death, like Garfield said: "Everybody, dies."

But then, like the Monty Python sketch in which the building begins to fall every time the magician allows enlightenment to enter the minds of the blessed, the Fed is running out of its bag of tricks necessary to reformulate and inoculate investors with a mania for buying and holding. On June 10th there was a one day market collapse as bad as anything in March. Powell seemed to have righted the ship only to have another one shaping up for this Monday. Preventing that led him into pulling a full Mario Draghi and setting into motion the means to buy up everything nobody else wants. And Trump trumped it by announcing a proposal got a more than trillion dollar expenditure on infrastructure.

Forget about a V recovery since the last was when J. P. Morgan bought one in 1911 (the dot.com bust only involved a tiny portion of the economy). A W recovery means small periods of recovery in between downturns. And an L is an economy going sideways rather than up. This has been the real state of the economy because there never has been a baseline recovery from the GFC, but taking those upward blips into account, we can say we've been in a WL recovery. As for the future? Follow the tail of this S.

Dirty Deals Emanating from Congress, the Fed, and Treasury

So far trillions have been thrown into the breach, almost all for the benefit of financial institutions and only incidentally for the rest of us. After all, even a wheezing real economy at least still lives. The root of it all is that banks and other lending institutions have never recovered from the effects of the GFC. These professed risk takers have just enough courage to take candy from a baby. Thus the capitalist state

has to spoon feed them in hopes that they will someday regenerate a financial spine.

One of the most shameless schemes to do so is the Paycheck Protection Program (part of the CARES act) designed to assist small firms in keeping their employees employed and paid. These firms must have fewer than 500 employees and generally privately held; not public firms with market value and access to capital markets.

In fact, the bulk of the sum earmarked is going to public firms outside of the scope of the terms of the act. Mnuchin has refused to name companies receiving this support. But through back door research, like going over SEC filings, a number have been discovered. FactSquared found that 438 publicly traded firms have received loans through PPP.

It's been commonly stated that it is small businesses that pull economies out of recessions. But that's only true when survival of the richest and biggest dominates a crisis. Then access to the money trough is reserved for them.

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