Winning for Losing

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The big news from last week was the better than expected GDP report for the third quarter of 3.5% growth. That the nice news was thanks to ISIS and friends causing an 8% increase in military spending ($30 billion year to year) was left out of mainstream reporting. The second major economic plus was a 4.6% increase in exports. Since military sales are second only to agriculture in exports, no doubt Iraq has made hefty purchases to replace the vast amount of armaments it gifted to ISIS when whole divisions of the Iraqi army took to their heels on seeing the flowing robes of the men in black. The beauty of making mistakes, of fouling things up when you are a member in good standing of the ruling class, is that when mistakes are corrected they end up at least doubling the profit of a venture. Works especially well when it's government work. And the beauty of our numerous small losing wars, they begin as gushers and then ease off into highly profitable, and endless, 'stripper wells', keeping the death and injury rate of our "heroes" small enough to not create much excitement.

Bloomberg reported an interesting poll of investors that do business with Bloomberg. A plurality of 38% said the global economy was worsening. That's twice as much as the June poll and the highest since September 2012. This is worth more attention then general confidence polls because it doesn't involve phone calls to shut-ins who are likely to say all the right things out of thankfulness for the human contact.

Why so much negativity when on our side we hear nothing except that the "recovery is gaining traction?" If the rest of the capitalist world is now, or will soon be, in recession, so will the United States Eurozone growth is.at. 0.2%. Germany avoided a technical recession by having 0.1% growth while Italy went into recession after 13 consecutive quarters with no growth. Chinese aggregate lending was down almost 30%. The growth rate this year will surely be the lowest in 25 years. In Japan the Nikkei is at a 7 year high while the real economy continues a slow slide into oblivion. The rest of the BRIC countries are going the way of China.

The clue to the sort of madness that must be sifted out in order to discover a kernel of reality is that Greece now has one of the most "robust" economies with growth rates of 0.8%, 0.3%, 0.7% the last three quarters. Of course, the unemployment rate is still almost 26% and the real economy has shrunk by a quarter from pre-recession level, but growth and profit are looking much better. That's similar to the way the US seems to be doing so much better than other countries. There was a time when terms like assets and commodities referred to something real, tangible, now they are more likely to refer to something that refers to something that may someday be real and tangible. That's why the perceived state of the economy and the country in general is that it has failed in all phases of the game. The party in power experienced reawakening in the recently election when the vast majority of the electorate either stayed home or voted for the out party. Touting a "recovery" and generating economic reports that out-fake the rest of the world is no longer cutting it.

A possible clue as to what may be coming in the near future. After experiencing a scare when the economy flashed an 8% sub-correction, and then going all-out to make sure it wouldn't result in the "big one", the Fed is now once again concerned about asset bubbles after the S&P rose 12% in a month. Esther George of the KC Fed is now frequently given the opportunity to voice her concerns and talk of interest rate rises. Maybe the Fed should also find a way to soften the cheerleading of financial reporting. Like on Friday they made a big deal about the 3% increase in retail sales. They might have noted that retail sales declined 3% the previous month. A quick and painless way to show folks that nothing is as good as it seems.

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