

Worst Since 1970

July 1, 2022

The year 1970 is well on the way to validating what many suspected long ago - that the decade (beginning specifically in November 1973) marked the peak of American capitalism which was to be followed by a slow irreversible deterioration. The new evidence is the decline of the S&P 500 over the first 6 months this year to a depth not seen since 1970.

Some data trends – In 1950 American economy constituted 27.5% of the world's GDP (based on the research of Angus Maddison). That of the USSR 9.5%. Over the entire postwar period the Russian economy never came closer than 44% of the US GDP (in 1975).

China is a different story. It's economy based on market exchange rates is 74% of the American economy. But based on Purchasing Power Parities (as measured by Maddison) the Chinese economy is already 18% larger than the US. The IMF anticipates China's economy will surpass America's by 35% in 2026.

The U. S. was once the manufacturer to the world, but in 2019 (latest available data) China now accounts for 28.7% of the world's manufacturing production compared to 16.7%. For trade in goods in 2021 China's was 35% higher. For exports it was 53% higher in 2018, and in 2021 it was 92% larger than US trade (figure in Covid here).

Nothing is more important than available capital for Capitalist competitors. In 2019, the latest available data, China's gross capital savings was in absolute terms 56% higher than the US.—the equivalent of \$6.3 trillion compared to \$4.3 trillion. Taking into account capital creation China's was 635% of the US. That's \$3.9 trillion to \$0.6 trillion. The US still leads in productivity, technology and company size, but the gap is diminishing.

The US does what it can to keep the American public in the dark that the economy is in an evidently permanent state of decline. The very low unemployment rates, 3.9% in December 2021. That is calculated based on a 61.9% labor force participation rate. Twenty years ago that rate was 67.3%. We supposedly have a labor shortage while the labor market is 3.6 million jobs *below* pre-pandemic levels, and the number is probably 5 to 8 million when accounting for population growth.

But there is one area of the world economy where America excels – military research and growth in weaponry. Its current defense budget for the year is \$801 billion which is *38% of global military spending*. A failing economy to go along with America's military involvement (800 foreign bases) around the world is one that will use its military prowess as a business tool. We know what cornered animals will do when stressed, with their lives at stake. For capitalists there is no life outside of capitalism. Therefore it will risk the world itself in order to save itself.

Crypto Crisis Worsens

It was another bad week for the Crypto scam this week including freezing out depositors and going out of business mergers. *Three Arrows Capital*, a very optimistic hedge fund that made many optimistic purchases, has been ordered liquidated by a British Virgin Island court. It has filed for Chapter 15 bankruptcy, a form that was added to American bankruptcy law in 2005 to better handle international cases.

Voyager Digital, a crypto broker, was the major victim this week being forced to end services and seek a buy out. Block Fi, a crypto lender, was approved by the FTX to negotiate a possible purchase of the company.

China Estate Purchase

Nani Wang, a 33 year old former board member of JD Health International (a division of commerce giant JD.com), purchased a 49 room estate with three private beaches on the Italian island of Sardinia for \$84.2 million, *in cash!* So much for the old days when *'barefoot doctors'* humbly served the health needs of the poor for minimal remuneration. Now everybody pays -- with presumably token health services still available for the very poor.

Last year Chinese buyers purchased \$2.3 billion worth of European properties, down 18% from the \$2.7 billion in 2020. But 2022 is on track for substantial increase with \$1.4 billion purchased through May.

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