China Turns Off 'Zero Trust'

02-15-2019

Expanding on the Pavlovian, Good Citizen – treat, Bad Citizen – Shock, monitoring system planned for the entire population, the Chinese state developed an advanced artificial intelligence system to root out corruption in governmental offices. China has between 50 and 64 million government employees. The system has access to 150 databases which can track the behavioral patterns of any employee it selects for examination. By detecting property transfers, money movements, etc., it often discovers somebody doing something wrong. The problem is that, while it's apparently accurate in locating persons guilty of corrupt practices, it cannot provide a coherent explanation of the data that led to the conclusion.

Only 1% of government employees have been subjected to the system. Since 2012 8,721 employees have been charged with misconduct. Usually they are just talked to rather than fired. But the stress of knowing that one is under such scrutiny contributes its own damage to the workplace. Most test sites have been decommissioned. Since some cultures have a tradition for those accused of an offense to readily confess their guilt – as if the custom of confessing a charge by an authoritative entity is more significant than actual guilt might that explain why the algorithm is unable to provide evidence of the offense? Do anything out of the norm and this thing picks you out – for being abnormal.

The US deficit increased by $319 billion in the first quarter of the fiscal year. The annual deficit is right on track to reach $1 trillion by 2022. When comparing the national debt, which is $22 trillion, we are usually told that it's still less than the GDP. Wherever they are getting the number for comparison it's not real GDP. That was $18 trillion in 2017 and has been expanding at about a half trillion yearly. That makes the US well within the range of sick nation categorization.

From 1948 to the mid – 60's hourly compensation rose slightly faster than net productivity. That is good for the workers. Then net productivity began to advance much faster than compensation, by leaps and bounds following 1973 when compensation growth was 90.95% while productivity was 95.65%, until in 2017 compensation was only 114.70% while productivity was an astounding 246.25%. There is your expanding gap between the elite and those that work for a living. Yet they still complain about weak productivity growth

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The German economy declined 0.2% in the third quarter. Would the biggest economy in Europe follow Italy into technical recession in the fourth quarter? Not if you accept 0.0% no growth as a token of growth. Wouldn't we say Germany was in a slump if it followed with five more consecutive 0.0% growth no-growth readings? Certainly. That's why officially, and accurately, based on per capita GDP, we can say Germany is in a technical recession.

Base metal commodity prices were down 16% year over year in January. Oil has risen a bit since the Saudi's announced an output cut. Prices had risen for that period of belief in world synchronized growth. The obvious connection of commodities to the real economy is now back to coherence.

The week ended with a surge across the markets; the Dow alone gaining more than 400 points. There must have been some very positive economic news. What was it? NOTHING. For the umpteenth time the markets decided the trade talks between the US and China were on the verge of a settlement when in fact the current negotiations had just failed. Thus an immediate announcement of more talks next week. Perfectly meaningless but speculators with their lemming like money sense know how to make something out of nothing. It's a shame that humans have to work for a living.

European industrial production fell by 3.6% in December following a 3.3% decline in November. So far the economy is on track to match the conditions of their last recession in 2012.

Meanwhile, the US inflation rate for January was 1.55% year over year, the lowest since September 2016.

It appears another recession is coming upon us. We call these things recession but Jeffrey Snider of Alhambra Investments has a better description:

Without any recovery at all, though, we are forced to consider not recessions plural, but a singular instance of something else. A triple dip in Europe lasting eleven years in total all due to a constant, common factor. Single contraction of varying intensity.

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