

The Cost of Ignorance is \$26,000

Written by Bruce Enberg

Tuesday, 21 February 2012 22:01

The Dow touched 13,000 today on news that the Greeks will be bailed out with another \$140 billion, of course that money really goes to the big banks, not Greece. The new so-called bailout will only be delivered if the Greek government complies by the end of the month with a long list of austerity measures that will ensure the continued decline of their economy.

The Greeks must also prepare two state industries for handover to the pirates by June, and the banker appointed to be in charge of their government plans to literally loot the entire country. Absolutely every public asset of value is being sold off for a pittance to the corporate robber barons. The Communist Party of Greece is on the rise, their slogan could simply be, "We told you so."

The President's *Report on the Economy* came out on Friday and it contains an interesting graph. The Bureau of Labor Statistics keeps track of labor costs compared to the prices businesses charge, and they chart the product of the two factors as the "mark up over unit labor cost." The year 1947 is used as the base line for this chart and the graph it uses doesn't historically deviate far from that line. Earnings go down during recessions as you might expect, since employees still need to be paid while prices tend to slump, and then rebound above the line in the good times when prices rise.

This century has been different. Starting in 2001, the line has been moving steadily upward in the employer's favor, but during the Bush recession it only leveled off and didn't decline. Since the end of the recession the graph began moving up again, and this time it's going nearly straight up. In short, labor costs have fallen dramatically while prices have risen. This fits in with my contention that the unusually high unemployment claims every week (even as jobs are being created) are from the universal and deliberate effort to replace current employees with new, lower paid workers.

Democrats would be completely justified in calling for wage increases as a party plank. No case can be made for the fear of wage/price inflation. Indeed if wages don't rise, at some point deflation will grab hold. We've already seen it to some extent in real estate prices that continue to fall even below pre-bubble prices.

Republicans will squeal like stuck pigs at any suggestion that the minimum wage be increased, or by any policy favoring the re-invigoration of unions. Slavery is the natural order of things as

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far as the Republican Party is concerned, and their blue collar base just doesn't catch on. They firmly believe that if everybody else is a slave, somehow they personally will be better off (because it won't happen to them).

They believe the stories about how teachers are overpaid and any government at all is just plain bad for them. The typical Republican voter is sure the Europeans overspent on socialism and that the whole continent looks like some gray Stalinist apartment block with weeds growing in the streets. Even if it's really America that increasingly looks that way instead.

The Dow touched 13,000 briefly today for the first time in four years. When the Dow bottomed out at around 6500, the average 401(k) had lost an average of \$51,000. Now that the Dow has recovered its value, the average 401(k) has recovered \$25,000. Does anyone else see a problem here? The typical Republican does, it's Obama's fault. He stole their \$26,000 and gave it to welfare, foreign aid and unionized teachers. And, he wants to take my guns!

They will never catch on that the \$150 billion in bonuses that Wall Street takes every year came out of their \$26,000. Bonuses didn't slack off a bit even when the market was at the bottom. The really sad thing is that the \$26,000 loss isn't all of it. Unless you take your money out now, you will certainly lose more. NO money comes into the market except from suckers buying in, no matter how high the Dow goes, but money constantly flows out to the Wall Street bankers, traders and hedge fund managers. It's a rigged casino and still the Republicans vote for it, sadly most Democrats don't know the difference either.

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