

Feeling Good About a Falling US GDP

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The Bureau of Economic Analysis at [bea.gov](#) has put out their latest report of Gross Domestic Product, and it was, as you would expect from the steady drumbeat of gloomy economic news, down.

The reason is exactly what you would think: “The decrease in real GDP in the second quarter primarily reflected negative contributions from private inventory investment, nonresidential fixed investment, personal consumption expenditures (PCE), residential fixed investment, and exports”, which is where I ran out of breath, mostly because my heart was pounding in fear and my muscles were twitching as that old familiar, “fight-or-flight” rush of raw adrenaline squished into my bloodstream.

For some reason, I think that we are supposed to be calmed that these losses “were partly offset by positive contributions from federal government spending and state and local government spending.” Gaaaaaahhhh!

Since I find it hard to express the horror I feel as a result of GDP falling while government spending is increasing, I will not try, and instead focus on the arcane handling of imports which, of course, seems perverse, in that imports are a subtraction in the calculation of GDP, so that when imports increase, GDP decreases.

Not this time, though! You can tell by the way the birds have stopped singing and the world seems to have caught its collective breath that GDP went down even more than you think because imports decreased, too, which means that, again seemingly perversely, GDP was registered as having an increase as a result, when, in fact, everyone has been laid off and bankrupted as we die a horrible economic death, screaming in financial pain from letting the filthy Federal Reserve create so much money and credit all those years so that the corrupt Congress could borrow and spend us into the calamity of \$12 trillion of federal government debt in a \$14 trillion economy, and a system of governments and public sector agencies that spends, collectively, half of GDP, supports almost half of the population, and employs directly and indirectly about 1-out-of-3 workers! Hahaha! We’re idiots! We doofus Americans are bona fide idiots! Hahaha!

Oddly enough, apparently puncturing my “we’re idiots” stance, we know how to make a profit even as the economy collapses, and “Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$67.6 billion in the second quarter, compared with an increase of \$59.1 billion in the first quarter.”

I say “oddly enough” because I figured that with sales falling and tax revenues falling, profits would be down. I was wrong!

Admittedly, accounting was never my long suit, especially the new kind of accounting where all kinds of strange, bizarre accounting-type things can happen, like how I end up owning myself and having to sue myself because I won't pay myself some money I loaned myself against the equity of some money that I had previously borrowed from myself, which I can't do because of the unrealized tax consequences of accrued future off-balance sheet liabilities of deferred contingent options and warrants collateralized into derivatives and related offsets, a condition which my computer model said could not happen in a million years.

Like I said, I am no expert on why businesses are making money, and I am certainly not sure why "Taxes on corporate income increased \$40.8 billion in the second quarter, compared with an increase of \$47.0 billion in the first", which seems at odds with Barron's reporting that the per-share earnings of the 500 largest companies in America (S&P 500) are, as of Right Freaking Now (RFN), a miniscule \$7.90, while a share of the index sells for the laughable price of \$1,029, meaning that the P/E ratio is a preposterous 130! Hahaha!

I laugh nervously because I am lost and scared, as I am not sure that Toto and I have ever been in this part of the enchanted forest before, because everybody seems to be insane enough to buy a stock at 130 times earnings, they seem to be stupid enough to accept record-high prices (and thus record-low yields) on bonds, even as a massive, multi-year, globally-coordinated "stimulus" of staggering amounts of money via "quantitative easing" gets into gear, but yet these strange people are not buying gold, silver and oil to capitalize on the blistering inflation in consumer prices this will surely cause!

But as astonishing as this corporate profitability is, for reasons I do not understand, I do know that the monetary base went to \$1.733 trillion from \$1.647 trillion the week before, which means that \$86 billion of new money was created in One Freaking Week (OFW), and that is, fortunately, all you need to know to buy gold, silver and oil, which is what makes it so easy that you rejoice aloud, saying, "Whee! This investing stuff is easy!"