

SLOW TO NO GROWTH REMAINS

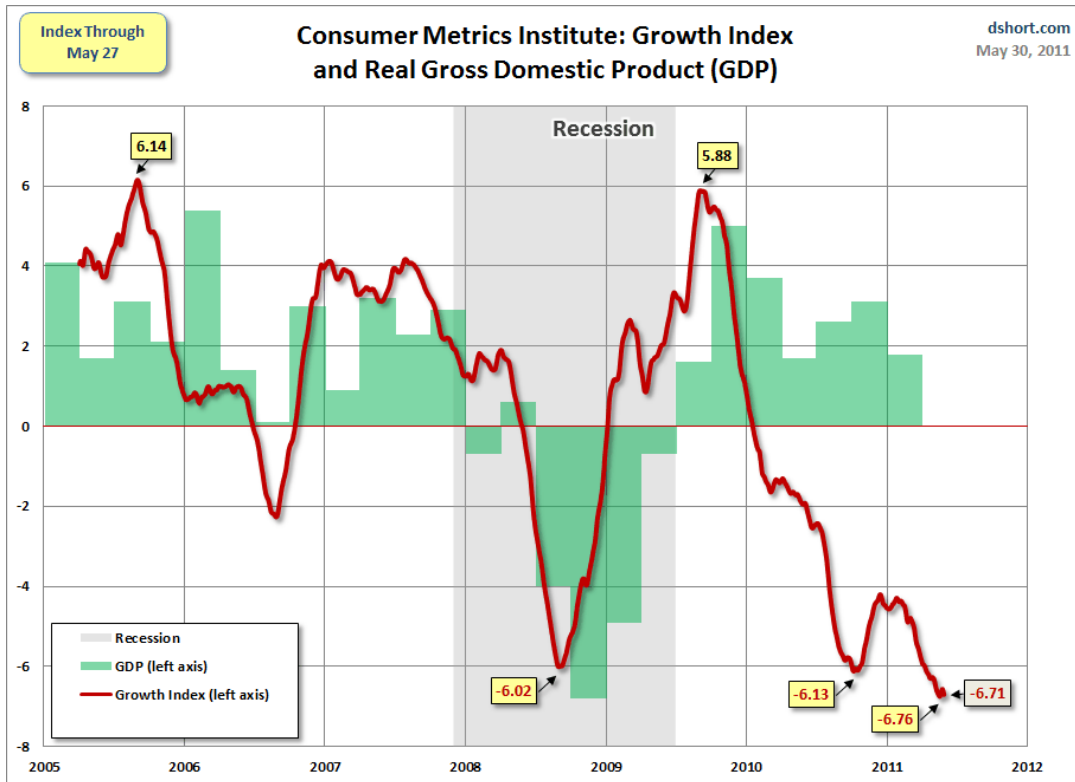
WEB BUZZ 2011.06.06

The economy continues to sputter along approximately in line with the description of economists Reinhart and Rogoff in their book *This Time Is Different: Eight Centuries of Financial Folly*. The U.S. 2Q real GDP number of 1.8% is obviously seriously below average. And, of course, the rest of the world is in much the same shape.

As this is being written, another bailout of Greece seems to be taking place. With the exception of Germany, Europe is near recession levels, as is the United States. Germany and France are propping up the rest of the continent as the Mediterranean countries are slowly sinking into the sea. We believe it is only a matter of time before the Euro is broken and the entire ill-conceived European Union is reduced to naught.

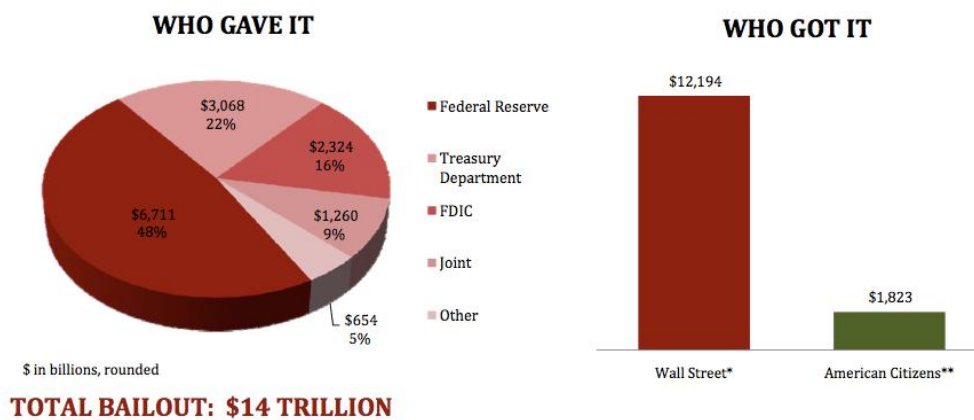
Germany and France have treated the balance of continental Europe as a spend thrift stepchild just as the U.S. Government has pampered (and thus purchased the votes of) those of us who constitute the lower rungs of the economic totem pole. It works for a while, but an ugly thing named debt eventually brings the party to a close. That's where the western world is now - smack-dab against the proverbial brick wall.

From all appearances the U.S. economy remains quite weak. If we can eke out 2% real GDP the rest of the way this year it will be rather lucky. As you know, we follow a multitude of economic indicators, one of which is prepared by the Consumer Metrics Institute. Please note in the chart below the disconnect between their growth index and the real GDP.



Adapted from dshort.com

It worked well until the very end of 2009, and maybe that has something to do with the second chart which traces the location of stimulus money. Guess what? Wall Street received 83% and we got what the bird left on the pump handle. One thing we know for sure is that this type of crony capitalism will come to absolutely no good.



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