

Happy Days Are Here Again

by Richard Spencer

Time to pop the champagne, everybody! JP Morgan Chase has reported [3.6 billion](#) in profits and CNBC's beloved Dow Jones has gone over 10,000. Everything's hunky-dory, right?

Well, there are many reasons to suspect the total phoniness of the recent rally. For one thing, the big financials are making profits mostly through trading, that is, zero-sum games that don't do much of anything in the way of wealth creation (every good trade is mirrored by a bad one). And they're doing it on money they've borrowed at *0 percent interest* from their good friends at the Federal Reserve. A situation like this is inherently unsustainable – an economy can't be based on people borrowing from their uncle – which means most if not all of the gains are pure bubble. There certainly aren't any signs of job creation or productivity gains in the real economy to justify these rises in valuations.

It's worth going into all this in more detail, but for now, let me quote a few gems from a great blog I stumbled upon the other day, "News from 1930," which reports on what the perennially bullish *Wall Street Journal* was saying a year after the '29 crash.

Here are some choice cuts:

"I think it is pretty well conceded that we have reached or passed the bottom of this depression and from now on can look to gradually improving business"; industry should be back to normal by end of Q1 1931; company business in Sept. up 25% over Aug.; Business recession has been costly, but cost will be recovered thanks to removal of "deadwood acquired in prosperous times." Looks forward to tremendous prospects in all industries.

~ G. Verity, Pres. American Rolling Mill Co.

In our opinion we have passed the bottom of the curve and business is slightly but unmistakably better and in our opinion will continue to improve slowly.

~ W. Procter, Pres. Procter & Gamble

While depression is worldwide, US doesn't need to wait upon recovery in rest of the world but can lead the way as it did in 1922. Our resources, people, and scientific discovery are unimpaired. Depression is "but a temporary halt in the prosperity of a great people."

~ President Herbert Hoover

Plus ça change...

As it turned out, the stock market would not return to its 1929 high for another [26 years](#), and only after a protected depression, a world war, the destruction of Europe's industrial base, and the establishment of dollar hegemony around the globe with Bretton Woods. A similar systemic reorientation would seem necessary for recovery in the U.S. to take place this time as well.