

One Man's Collapse...

Nov. 13—Undoubtedly, today's top news was that the Chinese economy collapsed!

Bloomberg News, CNBC-TV, Reuters, and others, could not contain their passions regarding this spectacular development. As Miguel de Cervantes once famously (and ironically) showed, anyone who fails to see this dramatic collapse must be a Jew or a Converso. Look closely at the figures the Chinese authorities had to admit today, and surely you'll see it:

Factory production in China rose 7.7% from a year earlier, through October. U.S. factory production, through September, rose 3.3% in a year; and in Europe, industrial production was 0.5% higher in September than in the previous September.

Retail sales are up only 11.5% for the year to date in China—when everyone had expected 11.6%!—compared to a robust 3.8% in the United States and 2.3% in Japan.

Fixed capital investment in China grew from January to October, by a very disappointing 15.9%—again, we all had expected 16.0%. In the U.S. economy, the corresponding “capex,” or capital expenditures, rose by 3.4% in the year to September. And Europe—poor Europe! Everyone knows the banks there just won't lend businesses any money, so how can they make capital investments? It's not fair to include them in the comparison. For the record, though, it's 1.0%.

China's electricity output grew by 2.0% in the year through October. In the United States that mea-

sure has fallen by about 0.5% in each of the past four years.

GDP in China is growing at about a 7.4% annual rate in 2014, with some gloomy forecasts putting it as low as a shocking 7.0% in 2015; U.S. GDP, by contrast, is aiming to surge above 3% growth in 2014, for the first time in four years. And Europe—we'll find out tomorrow, but Europe, having grown by 0.2% in the second quarter, is hoping not to join Japan in a “triple-dip” contraction.

Economic infrastructure investment—this is the true sign of how bad the crisis is in China—they're increasing it willy-nilly in a desperate attempt to stave off collapse. China's domestic infrastructure investment will be roughly the equivalent of \$1.1 trillion this year, and over \$1.2 trillion when “out-bound” foreign infrastructure projects are included. Figures for Europe are not readily available, but Germany, for example, has had a total net infrastructure investment below zero for a decade.

The United States is following the “very slow but steady” course of about \$225 billion/year for infrastructure, but China, in a panic, is really goosing it. As Bloomberg describes their plight: “Since October, the NDRC [National Development and Reform Commission], has been actively approving infrastructure projects, which is a clear attempt to stabilize growth. The NDRC, China's top economic planning body, accelerated approvals for \$113 billion of infrastructure projects, China National Radio reported last week. The 21 projects, including 16 railways and five airports, were approved between Oct. 16 and Nov. 5.”

—Paul Gallagher