

Is the GOP Clown Car a Volkswagen? It should be.

Written by Bruce Enberg

Friday, 25 September 2015 19:47 - Last Updated Friday, 25 September 2015 21:36

China marked its President's visit to the US by announcing a cap and trade program on the burning of carbon starting in 2017. Now the Right Wing Nut Jobs really can call Obama's Cap and Trade proposal a Commie Plot with some small measure of truth.

China's economic problems are likely to get somewhat worse, but it's hardly the global disaster the short sellers would like you to bet on. Literally bet on, Wall Street has instruments to sell you that will cover you against China's collapse for a small fee. Check out their Brooklyn Bridge penny stocks while you're at it.

It appears China's problem revolves around moving to a consumer driven economy. They have 600 million middle class people to serve and are planning for 400 million more over the next 15 years.

A number of past officials in China have become absurdly rich 'investing' in the stock market and are facing long prison terms for corruption. They were also resisting the move to consumerism but that is rapidly coming to an end. So it's unclear exactly for what they're being prosecuted: for corruption, which is usually tolerated, or for resisting the new Five Year Plan from Comrade Chairman. That's the real title of China's 'President', He's really just the Chairman of the 205 member Central Committee and they represent every major power base in China.

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Speaking of dodgy investments, I hope you weren't too heavy into German car companies. It's not just Volkswagen that's coming under scrutiny, it seems you really can't build a small cheap diesel engine that violates the laws of physics. It's not difficult to clean the sulfur out of diesel exhaust, but it's too expensive for a small engine. VW and other companies claimed they had a magic way of doing it involving computer control, except the computer was lying and cheating like a Conservative politician.

The scheme was simple: the factory-designed test of exhaust output involved taking control of the onboard computer from the testing equipment. But that actually triggered the computer to run a secret program that leaned out the engine so it ran clean. Conveniently, no provision was made for also testing horsepower output as that went to zero. You can have clean car that goes slow or a dirty car that goes fast, VW was pretending you could have both at a cheap price. The fallout from this could kill the company.

VW only got caught because a small US environmental group was trying to collect data to promote clean diesel, not to prove it's not clean. They borrowed a exhaust gas tailpipe probe and not having a shop dynamo to run the car on, they loaded it in the trunk and went down the road. The onboard computer not being hooked to a dynamo had no idea it was time to cheat. Germans just don't understand that Americans don't always follow orders without question.

The final numbers for 2nd quarter GDP were a robust 3.9% growth. This is like we had before Reagan. Low gasoline prices are boosting consumer spending for housing and big ticket items. Factory numbers suggest there should be another small uptick for the 3rd quarter. Since Conservatives have run out of ways to drive up gas prices we could roll into the election year with what for these days passes for a truly booming economy.

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Twitter @BruceEnberg - My new German computer says that I now have seven gazillion followers.