

Can the United States Survive a Bear Market?

Posted on [August 11, 2018](#) by [Fantasy Free Economics](#)



If the stock market falls, it will take the rest of the economy with it.

Without rising asset prices, there would be no economic recovery. The model used for causing economic activity is the “If we build it they will come.” model. The idea is that if the wealthiest of the world’s citizen are enriched when the value of all they own rises independently of earnings and everything else, the recovery will extend all the way to the bottom of the food chain. Does the logic of this sound solid? If it does, I will remind you that the logic behind a chain letter sounds appealing. If you only give the idea a superficial look a chain letter sounds great. Lets not be too hard on chain letters. Profits have been made, by those who initiate chain letters. Profits are being made by the originators of the “build it and they will come,” economic model.

Economic models are interesting animals. An economist can develop one based on any kind of logic. The model is never tested empirically. The whole population jumps on it as if it was manna sent from heaven. If engineers built a plane that has never been on a test flight, would the airlines buy it and put passengers on it? Probably they would pass on the opportunity. The pretense of knowledge pays more than does actual knowledge.

Where does government economic policy come from? It is mandated in the Full Employment Act of 1878. O.K., but how is the plan of intervention decided upon? Any economic intervention is going to be based on the needs of the world’s most politically powerful citizens. Who might that be in todays world? Those are the folks who already have most of the worlds wealth and resources. Does it not make sense, that our plan for economic prosperity would be the one which would enrich them the most?

Build it and they will come? Did they come? No they have not. So, all of the worlds resources are now focused on preventing any type of bear market in stocks. A bear market will take the economy with it because their is no genuine economic growth that has been caused by anything other than high asset prices.