



Written by [Charles Scaliger](#) on January 21, 2016

More Market Mayhem

The bears were running amok on Wall Street again Wednesday, as stocks swooned more than three percent in early trading, only to recover — somewhat — by day's end. The Dow ended the day down another 249 points (1.56 percent) and the S&P 500 gave up 22 points (1.17 percent). The Nasdaq swung wildly throughout the day, and ended up declining by only 5 points (.12 percent). The near-term catalyst, as has been the case for weeks, was the continued decline in oil price, with crude oil dropping below \$27 per barrel for the first time in more than a decade, ending the day down another 7 percent, at \$26.55, a price not seen since September 2003. As Matt Egan of CNN's Fear and Greed Index drily [put it](#), the markets went "from horrible to just bad."



The markets have been in continuous decline since the first trading day of the year, and there seems to be no end in sight. For the year, the Dow has lost more than 1600 points, and the S&P 500 (a much broader and therefore more reliable index, despite lacking the cachet of the Dow) is down 9 percent. Crude oil, meanwhile, is down an incredible 28 percent since the beginning of the year. As at the onset of the Great Recession, all the talk is of "capitulation" (defeatist investor sentiment) and the likelihood of a new recession.

So far, signs point to a new recession in the offing, and probably a bear market. Perhaps years of misguided policymaking that has served to kick the metaphorical can down the road are finally coming to an end. One factor that has investors panicking is the prospect of newly sanction-free Iran flooding global markets with additional crude oil, which will continue to drive prices downward. Be it noted that declining oil prices are a sign of capitulation, but not on the part of Wall Street fat cats. They reflect the reality that, because of ongoing economic malaise on Main Street USA — malaise the government and the investment sector has been ignoring for years — America's days of careful, spur-of-the-moment road trips and other needless gasoline expenditures are over. Even at current prices, filling a car tank costs anywhere from 20 to 70 dollars for most of us — a significant expense for most household budgets in the New Economy. In other words, the once free-spending American middle class has finally capitulated to new economic realities and is rediscovering the thrifty habits of previous generations.

Cratering oil prices are creating concerns of bankruptcy in the energy sector. With dozens of oil companies having already filed for bankruptcy, today's decline saw shares of major energy stocks like ConocoPhillips, ExxonMobil, and Halliburton down more than 4 percent.

Wednesday's trading overseas pushed Japan, the UK, and France officially into bear market territory (defined as a decline of 20 percent or more) — where Germany was waiting to receive them.

The reality of an economy managed from on high by elite bankers and financiers with the authority to



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print new money at will and shovel it into the maws of well-connected crony capitalists is endless booms and busts, with the systematic, secular impoverishment of all but the privileged few. But even the financial elites are unable to foresee the consequences of the choices they make on behalf of the rest of us. The decline of oil prices, trumpeted in the establishment media as an economic catastrophe, is in fact a long-overdue event restoring some semblance of sanity to energy pricing. In the short run, companies will go bankrupt (unless bailed out by solicitous politicians on the take), but in the longer run, prices will recalibrate and new companies will arise to better approximate the reality of consumer needs and preferences.

This time around, it is to be hoped that politicians and bankers will refrain from the sort of destructive policies that exacerbated the last economic downturn, and allow the market correction to run its course. But if the recent past is any guide, the Powers That Be will stop at nothing to shield their own assets from harm, no matter what the cost to everybody else.



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