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Trump and the Coming Global Financial Squeeze

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Defying the predictions of all the so-called experts, Donald J. Trump sailed to victory in the 2016 race for the White House. The financial and equity markets also defied the "experts," who had predicted that a Trump win would precipitate a massive decline in the stock market. Instead, the stock market has taken off on a blazing streak, setting the best election year performance since 1945. Instead of falling to 900 points, as anti-Trump analysts had forecast, the Dow Jones Industrial Average has raced up past 24,900 and is headed toward 25,000. The bulls are rejoicing and projecting more record-setting profits and economic growth from here to eternity.

However, memories are woefully short, and seemingly forgotten is the fact that a similar "irrational exuberance" preceded our great financial crisis of 2008-2009. That calamity was the end result of out-of-control federal spending and lending policies combined with the ever-destructive monetary policies of the Federal Reserve. The fake prosperity bubble, pumped up with fiat money and government-promoted malinvestment, finally popped, as bubbles inevitably do. (Here at *The New American*, we had been warning of the coming bubble explosion for several years, while the "exuberantists" insisted that everything was just fine.) Still haunting us are the consequences of that devastating debacle of less than a decade ago: gargantuan bailouts of the politically privileged Too-Big-To-Fail (TBTF) banks and the vast new powers and functions assumed by the Federal Reserve.

Unaccountable Powers

The Fed has only recently begun to "unwind" the trillions of dollars of funds that it mysteriously created, and for which it has given no accounting. On top of this, the globalist banking elite (the central bankers and their colleagues in the giant private-sector banks and investment funds) used the pretext of global financial "systemic risk" posed by that last crisis to invest the International Monetary Fund (IMF) with vast new powers and funding resources. The activities of these banking elites, who float back and forth from top posts in governments and central banks to their private-sector lairs, go largely unreported. Their meetings are secret or semi-secret, yet they guide and/or control the destiny of nations, and the policies and prescriptions they adopt dramatically affect the lives of billions of people on this planet.

It is the opinion of this writer that those policies and prescriptions, far from being benign, are destructive and diabolical. They are destroying the middle classes — worldwide, as well as in America — and redistributing global wealth, with the bulk invariably being distributed to wealthy globalists and their retinues, while only minuscule amounts ever reach the poor, who are the ostensible objects of said policies and prescriptions.

Unfortunately, thus far, President Trump has given little indication of any intention to challenge, undo, or change any of this. As it pertains to the Fed, he has been disquietingly quiet, in marked contrast to Candidate Trump, who blasted the institution (as well as its chairman, Janet Yellen) to the roaring approval of his supporters. On February 22, 2016, Candidate Trump tweeted: "It is so important to audit The Federal Reserve." And he took competitor Senator Ted Cruz to task in the same tweet for missing the vote on the Audit the Fed bill. However, since becoming president, he not only has gone silent on this "so important" matter, but worse, has appointed a Wall Streeter and Fed defender to be Treasury Secretary: Steve Mnuchin, a former Goldman Sachs man, Yale Skull and Bones member, and former Soros Fund partner. When questioned about auditing the Fed during his Senate confirmation hearing in January 2017, Mnuchin replied that "the Federal Reserve is organized with sufficient independence to conduct monetary policy." No audit is necessary; let the secrecy, manipulation, and chicanery continue!

Photo: AP Images

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When it comes to the International Monetary Fund, other than some minor verbal sparring with IMF Managing Director Christine Lagarde, President Trump has signaled no intent to oppose our continued membership in and financial support of this behemoth that is set to become the global Federal Reserve System, endowed with frightening monetary, taxing, surveillance, and regulatory powers.

Unbridled Spending

An examination of President Trump's first budget plan clearly shows that, rhetoric notwithstanding, the new administration is making no serious moves to curtail runaway government spending or end the debt bondage that threatens to enslave our progeny down to our children's children's children.

"Deficit spending has become an ingrained part of the culture in the Nation's capital," declares the president's budget, entitled "A New Foundation For American Greatness — Fiscal Year 2018." "It must end to avoid passing unsustainable levels of debt on to our children and grandchildren and causing serious economic damage," the document rightly observes. "When debt levels keep increasing, more and more of the Nation's resources are required to service that debt and are diverted away from Government services that citizens depend on."

All of that is true, but what is Team Trump going to do about it? First let's take a look at our debt situation. Last September, our officially tabulated national debt surpassed $20 trillion for the first time in our nation's history. Our nation's debt now exceeds our annual gross domestic product (GDP), estimated at $19.23 trillion. Interest payments on that debt came to $276 billion for Fiscal Year 2017. That amounts to 6.8 percent of all federal outlays.

As ugly and frightening as that picture is, it is still a gilded lily compared to the actual state of affairs. Our true national debt, as Professor Laurence Kotlikoff has been warning for years, is actually more than $200 trillion — more than 10 times the official tally. Dr. Kotlikoff, a professor of economics at Boston University, says the official national debt figures cited by federal politicians, bureaucrats, and central bankers are arrived at by using fraudulent accounting methods. "Most of the liabilities the government has incurred in the postwar period have been kept off the books because of the way we've labeled our receipts and payments," he notes. "The government has gone out of its way to run up a Ponzi scheme and keep evidence of that off the books by using language to make it appear that we have a small debt." If we assume that the federal government will make good on its social-welfare promises in the areas of Medicare, Medicaid, and Social Security, the country's debt is enormous, as baby boomers continue to retire. Only if we assume government will not pay off on these promises can we claim lower levels of debt.

Euphemists would say we are "over leveraged." Realists bluntly acknowledge that we're swamped in debt and close to drowning.

The Trump budget plan announces a commitment "to bring Federal spending under control and return the Federal budget to balance within 10 years." Would that not be wonderful? If only it were so. Unfortunately, the details of the budget show otherwise.

"One of the cardinal rules of government accounting and rhetoric is to call any slowdown in the growth rate of government spending a 'cut,'" remarked Ryan McMaken last May. "This gives the impression that less is being spent when more is being spent. It's just that less is being spent than the government had planned on spending otherwise." McMaken, the editor of *The Austrian* and Mises Wire, reminds everyone that in all the debates and discussions over the Trump budget, "There's lots of talk of cuts, but it's important to remember that there are absolutely no cuts whatsoever in the actual amount of money the government plans to spend."

"According to the Trump plan," McMaken notes, "there is a slight decrease in total spending increase compared to what had been planned in the baseline budget. Trump wants to increase spending by 16 percent from 2016 to 2020, while the baseline assumed a 20 percent increase.... Trump plans to increase outlays from $3.8 trillion to $4.4 trillion, from now until 2020." Yes, Team Trump has adopted The Swamp's accounting subterfuge, in which a decrease in the increase is called a "cut."

"Meanwhile, of course," McMaken observes, "the federal government will continue to rack up huge deficits adding to the enormous national debt. To make this look less bad, the Trump administration has invented revenue numbers out of thin air that the administration claims will reduce the annual budget deficit to zero dollars ten years from now — in 2027." We knew as kids that Popeye was being suckered when he gave in to the ever improvident and always ravenous Wimpy, who infamously promised, "I'll gladly pay you Tuesday for a hamburger today." The promised Tuesday payment never came, of course. But as adults we continue to buy the Wimpy line from politicians who pledge to gladly balance the budget five or 10 years from now for another mountain of debt today. We allow them to rob all the tomorrows of our children and yet-unborn great grandchildren for promised perks and pleasures for us today.

The Trump budget's rosy forecasting for zeroing out the annual deficit, McMaken notes, "not only assumes continued robust tax collections … but also assumes there will be no recession in the United States for another decade." Good luck with that! All other economic signals aside, the Federal Reserve's "unwinding" and "tightening" policies could send us into a recession all by themselves — and are likely to do so. In fact, more and more "mainstream" economists are using the "r" word these days. Some are going further, even warning of a depression "worse than the Great Depression." It used to be that only doom-saying "gold bugs" such as former congressman Ron Paul or Peter Schiff uttered such gloomy forecasts. But they and other realists were vindicated during the last crisis, and wise men will listen when they point to the same underlying fundamentals that point to another, and worse, impending crisis.

Economist Thorsten Polleit encapsulates the enormity of the Federal Reserve's destructive potential in an article entitled "The Fed's Great Unwind: Will It Sink Us?" in the November-December issue of *The Austrian*. "In the course of the financial and economic crisis of 2008–2009, the Fed lowered interest rates to basically zero," Dr. Polleit writes. "It also increased its balance sheet from $879.4 billion at the end of 2007 to $4.5 trillion in September 2017. It did this by purchasing US Treasuries and agency mortgage-backed securities (MBS) in the amount of $2.4 trillion and $1.7 trillion, respectively, thereby having injected additional 'base money' into the US banking system." It is worth mentioning that the Fed's decision to conjure the mind-boggling sum of $4.5 trillion out of thin air is an egregious usurpation of power that our Constitution grants to no institution. And since the Fed and its TBTF banking cohorts and congressional allies thwarted Representative Ron Paul's efforts to get a genuine audit of the Fed, we do not know where or how those staggering sums were, and are, being used.

Recently, the Fed has made a slight, but significant, change in direction. "It has raised its target interest rate from near-zero to a still-tiny rate slightly above 1 percent," Dr. Polleit notes. "What is more, the Fed has decided to start shrinking its balance sheet beginning in October 2017 by gradually reducing the reinvestment of principal payments from its security holdings." If the Fed is to be believed (a dangerous and foolish proposition) and it sticks to its announced plan (an iffy proposition), then its balance sheet of U.S. dollars would be reduced by an estimated $1.7 trillion to $2.8 trillion at the end of 2020, which Polleit points out would still be $1.9 trillion above its pre-crisis level seen at the end of 2007. A trillion here, a trillion there — umm, some of us would still consider that a significant chunk of change, even in these days of beyond-stratospheric budgets.

The Next Bust

Understandably, the Fed's "exit plan" has many investors spooked. "It is feared," says Polleit, "that the Fed's draining of liquidity from the banking sector could result in an overly restrictive effect on credit markets. This, in turn, could push borrowing costs upward, sending the economy — and financial markets in particular — down, even potentially paving the way toward a new full-blown crisis."

For the past several months, the TBTF banks and insider investment houses — Goldman Sachs, Deutsche Bank, Bank of America, etc. — have been telling their in-the-know investors that a recession may be on the way. Goldman Sachs, the infamous "Vampire Squid," has even acknowledged that most modern recessions have been caused by the Federal Reserve. A report entitled "The Next Recession: Lessons From History," released this past June, states: "First, the most frequent contributors to modern recessions have been monetary policy tightening." Again, in its conclusion section, the report restates that "the dominant cause of postwar US recessions" has been "monetary policy tightening." Even though the Goldman report does not explicitly mention the Federal Reserve's role in all of this, it is, of course, the Fed that tightens and loosens monetary policy. For decades, free market economists such as Murray Rothbard, Ludwig von Mises, and Ron Paul have been exposing the fact that Fed policies are responsible for the boom-and-bust roller coaster that has devastated our economy, and that of the whole world.

It is significant that Goldman Sachs is admitting this, especially considering the incredible lock-hold that the gold-plated, politically connected investment firm has at the Fed. With the start of the new rotation schedule on January 1, 2017, four out of the five Federal Reserve regional presidents serving as voting members of the powerful Federal Open Market Committee are "former" executives at Goldman Sachs: William Dudley, president of the New York Fed; Neel Kashkari, president of the Minneapolis Fed; Robert Kaplan, president of the Dallas Fed; and Patrick Harker, president of the Philadelphia Fed.

These are the people who wield mind-boggling power over the financial plight of the entire planet. Of course, equally troubling is the fact that William Dudley, who presides over the New York Fed, the most important of the regional banks, is also a member of the globalist Council on Foreign Relations, as are three key members of the Fed's Board of Governors: Fed Chair Janet Yellen, Lael Brainard, and President Trump's recent appointee, Jerome Powell. Trump's top choices to fill the Fed vice chair post recently vacated by the resignation of CFR member Stanley Fischer are reported to be John Brian Taylor and Mohamed El-Erian, both of whom are CFR members. The CFR brain trust has been the guiding hand behind the Fed since its inception. Wall Streeter Paul Warburg, the chief architect of the Fed, was also an early member of its Board of Governors and president of its advisory council, as well as being a founding member of the CFR and a member of its board of directors until his death in 1932. CFR members have dominated the Fed for the past century, pulling the financial levers that cause recessions and depressions. Are they planning another one?

Dr. Polleit reminds us that "the latest economic recovery has been, first and foremost, fueled by artificially low interest rates. Exceptionally low borrowing costs have encouraged firms to invest more, private households to consume more, and the public sector to spend more — and so growth seems to have returned. If interest rates rise, however, the monetary policy induced economic upswing ('boom') will come to a shrieking halt, most likely to fall back into recession ('bust')."

Thanks to the moral hazard injected by the Fed and its sister central banks during the last crisis, with bailouts of the most criminally culpable banks, the global financial system is in even greater danger of "systemic risk." It is beyond the power of the Federal Reserve, even working in concert with other central banks, to deal with the potential carnage, we are told by the globalists. But the saviors already have the "antidote" ready for the poison they have created. It is referred to in banking circles as the "new global financial architecture."

The centerpiece of this new "architecture," as we have been explaining in these pages and online over the past several years, is a "supersized" International Monetary Fund, with immense new Fed-like powers — on a global scale. Besides Fed-type money creation and a global currency to replace the dollar — via an amped-up version of the IMF's Special Drawing Rights — the globalist plan envisions new powers of taxation and savings confiscation, as well as "capital flight" restrictions to prevent escape from the emerging predatory global state. Fittingly, Communist China is the big new player in this fast-developing New World Order convergence scheme, and the IMF's Lagarde has suggested that Beijing may replace Washington, D.C., as the headquarters city for the IMF.

It will be impossible to Make America Great Again if our economic destiny is controlled by vultures entrusted with unconstitutional and unaccountable powers. However, President Trump and the U.S. Congress are not even mentioning the issue, and their business-as-usual, spend-and-borrow policies are further empowering the Swamp creatures that have brought us to our current destitution.

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