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The gods of Central Banks and the Illusions of Control

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When the entire World awaits with baited breath for the Federal Reserve's decision to raise - or-not-raise interest rates this Thursday (*September 17, 2015*), 0.25% from 0.25%, one knows that the global economy has been hijacked by the World's most powerful Central Bank. When the World's economic fate seems to hang on the utterances of the Fed Chairperson regarding the raising of a quarter ($\frac{1}{4}$) point interest rate after years of near zero rates, and multi-Trillion in monetary stimulus, you know the U.S. and the Global economic condition is extremely precarious. When this condition is present even as the other major Central Banks are actively and concurrently engaged in massive monetary stimulus, as the European, Japanese and China's Central Banks are, one should be heading for the hills with all the doomsday survival gear. There is something drastically wrong when a quarter ($\frac{1}{4}$) point rise in the key lending rate becomes this important that you have to encourage people around the World to 'breathe'!

All those who are convinced that the Fed's rate decision is that critical, have obviously bought into the prevailing sentiment that Central Banks with their power to create money from thin air, and therefore will always have the unlimited money supply to throw at all the economic or financial problems that keep appearing with frightening frequency, are all powerful, and can control the economies, and asset markets permanently.

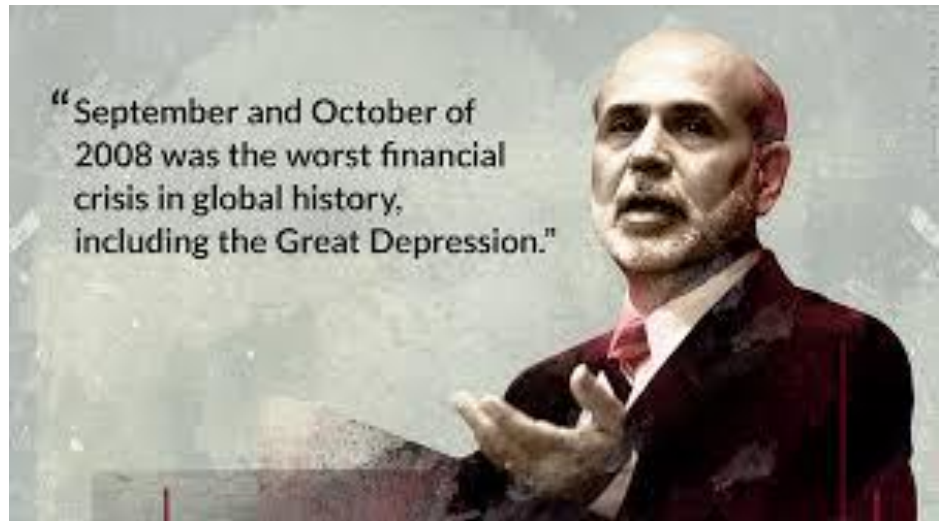
We have never bought into that fallacy and have viewed all the Central Bank's excessive intrusions into the natural economic cycles and corrections with incredulity and increasing alarm.

The reason being that upon observing the more than 30 years of Central Bank monetary expansionist policies, we have seen the extension of the natural business cycles through direct interventions, followed by the inflated

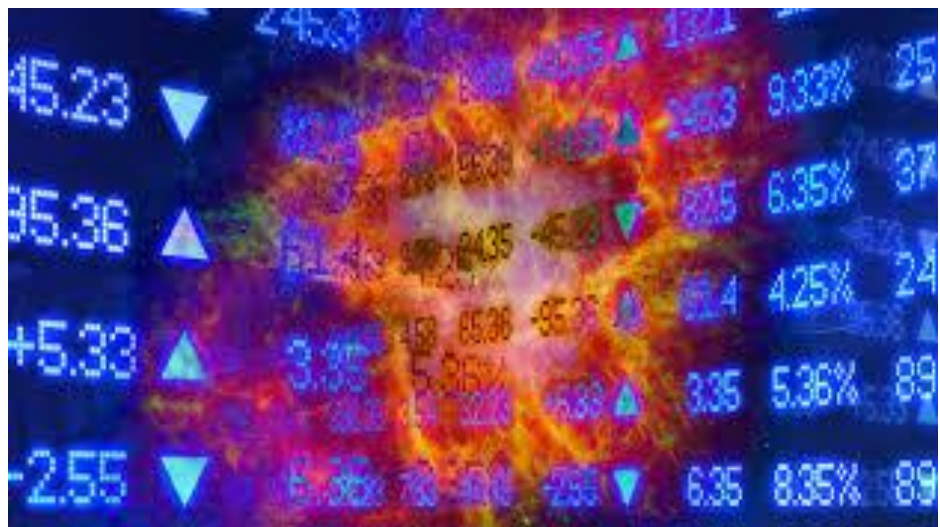
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and delayed reactions of greater and more severe crashes, which required greater interventions and greater amounts of pumping, leading to ever greater bubbles. The last one, "the 2008 Crash" being a case in point, in the sheer magnitude and severity of it.



That is why as we have stated in our recent Economic Reports, we think that the financial markets and the global economies are doomed to a greater crash because the intervention of the Central Banks on the global stage, since the last crash, has been truly unprecedented, and the delayed and excessively inflated economic environment is showing all the signs of a giant bubble leaking. Additional panicked pumping by Central Banks is only going to further exacerbate the stresses.



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We think this entire current Global economic environment created by the Central Banks, at the behest of their controlling masters, has been a misguided, wishful and greedy experiment, definitely not rooted in good old fashioned common sense. The major economies have been hijacked by the financial and political class, allowing the Central Banks, led by the Federal Reserve, to try and play economic gods in creating an ever inflating, recession proof, national and global economy, with perpetual expansion and extraordinary prosperity for the top 10% of the controlling elites.

Apart from making unconscionable amounts of money in a blatantly rigged game, the top 10% have contributed little to actual economic growth. This is painfully apparent by the sorry state of the current Global economic condition, and the ever widening gap between the 10% and the rest of the 90% of the World's population today. Through this untested experiment, all they have done is create a monster that has an insatiable appetite for ever greater monetary stimulus and easier credit policies that in spite of seven years of endless feedings is still weak and sagging and ever more threatening. As the monster becomes more threatening and spins out of their control, the major Central Banks are becoming more alarmed and are taking unprecedented steps to pre- arrange its feedings (*pre-emptive interest rate drops in Canada, the announcement of extending the unprecedented Trillion dollar plus monetary stimulus past 2016 in Europe, by the ECB*).

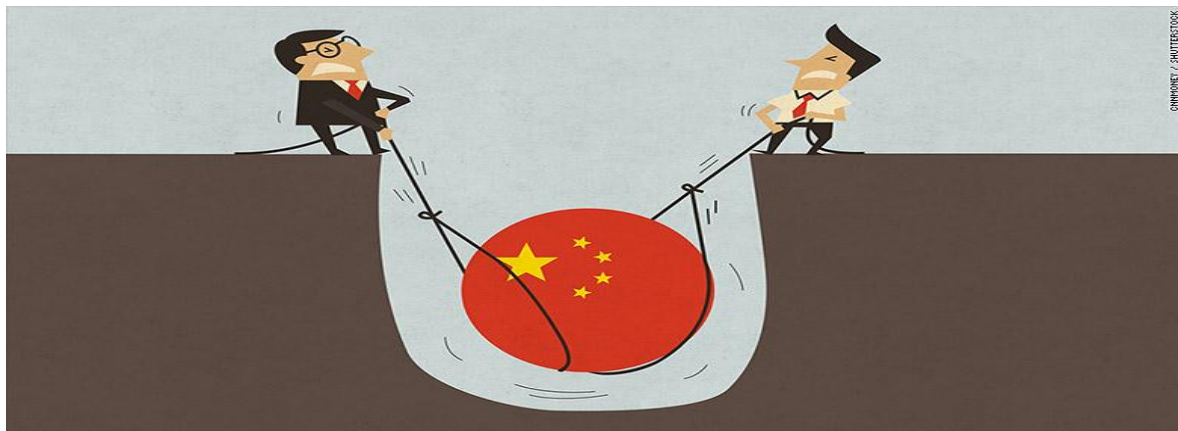
As for China, the monster is really loose there. The Government has thrown away any pretense of trying to show how much they are in control. They have ordered the Peoples Bank of China to open all the spigots for greater liquidity in real estate, manufacturing, investments in wealth products and stock purchases on margin, because all those sectors are sagging alarmingly. And in case that wasn't enough, they have thrown in the kitchen sink, ordering people to buy but not sell stocks, including arresting heads of top brokerage firms on suspicion of selling stocks and thereby being unpatriotic and underminers of the national good. The Government has called on across the board nationalism, where one is supposed to cheerfully endure the coming hardships amid contracting economies, slower growth rates and the inevitable rising unemployment, all exacerbated by disappearing hard earned equity in stock markets and real estate investments, as their values decline - all in support of the "motherland". While the peasants are asked to cheerfully sacrifice and stoically bear the burden of mismanagement and mal-investment of the past 30 years, the rich and powerful, equally cheerfully, have been spiriting massive amounts of capital out of China in ever increasing Billions (*It is so comforting to know that the exploitation of the masses, generally, is so universal regardless of racial, political, cultural, ethnic or religious ideologies*).

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Even as recently as the beginning of this year, nobody would have argued that if there was an economy under absolute control, China's was it. We didn't think so, and now we don't think anybody sane would argue that China's economy is under any real control. So much for the perception of control, of powerful governments and their Central Banks.



It is and has always been our contention, that the Central Banks, including the Federal Reserve, have limited control on the economies, in spite of their perceived unlimited powers. We always thought they are effective in emergencies for a short period of time, and in tweaking the monetary and fiscal levers in normal times, and only if they use their powers judiciously.

But, increasingly over the past decades, and in spite of some spectacular crashes - in 1997 the Asian Crash, then the 2000 Dot.com crash, and lately the 2008 sub-prime credit crash - the confidence of the Central Banks has actually risen in the aftermath of these crashes, and instead of becoming more cautious they have thrown all discretion to the winds and have decided to play god with the global economies and their local markets, and have tried

The gods of Central Banks and the Illusions of Control

September 16, 2015
Page 5

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to permanently pump up the economies, eliminate natural and necessary downturns, and get rid of volatility (*don't know what gave them those ideas*).



Well, that didn't turn out too good for Japan thirty years ago, or for China now, and we don't think that it will turn out too good for America or the rest of the World in the near future, because it is quite apparent that regardless of the perceived powers of the Central Banks, even the Federal Reserve, they are not gods with absolute permanent control. All the Federal Reserve's machinations over the past decades have resulted in artificial expansions and spectacular crashes. Why should it be any different this time?

Yet here we are, a day away from the apparently earth shaking moment of a possible 0.25% rate rise, and the whole World is a-twitter with anticipation.