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Governments and Central Bankers – The Blind Leading the Blind

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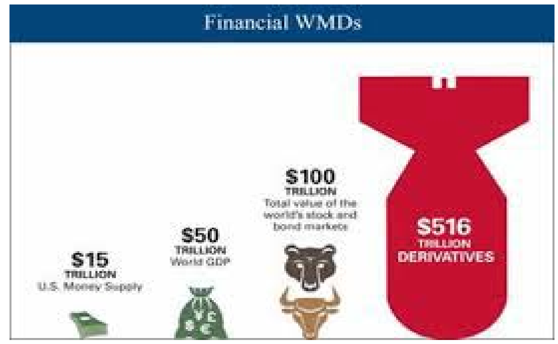
Mr. Dhillon has worked and negotiated with highest levels of Governments in Canada and India. His extensive experience in securing and negotiating multi-hundred million and billion dollar mandates in project development, gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends.

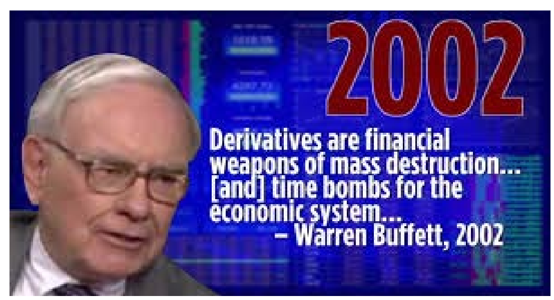
Mr. Dhillon has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".

In 2008, the champion of free markets, America, through its deregulated iconic capitalist instruments: private - Investment Banks, Banks, Insurance Companies, and other Financial Companies and Institutions, almost collapsed the global financial system. It was only the immediate and coordinated infusion of massive capital in the form of 'economic stimulus' by all major Governments and their Central Banks that prevented the absolute collapse.

Wall Street and the related financial institutions, such as Big Banks, Insurance Companies, Hedge Funds and Private Equity Capital Companies, broke whatever rules were left after decades of deregulation, and wreaked havoc on the global financial system. The financial institutions, and the individuals within them, with impunity, exacted a heavy price on the global economies and global populations, which is being paid even today, and will be for years to come.



Through their financial 'weapons of mass destruction' – unconscionable underwriting of subprime credit, incomprehensible and dangerous financial derivatives, and unadulterated, unmitigated greed, where no amount of money made, through whatever means was ever enough, even though the sums made by those financial players then, were simply incomprehensible even to the average American, not only blew up the financial system, but a fairly well integrated global economic system that had created unprecedented wealth in the past decades.



Now, this global economic system lies more or less in pieces, and like the fabled 'Humpty Dumpty', no one seems to know how to put it back together again.

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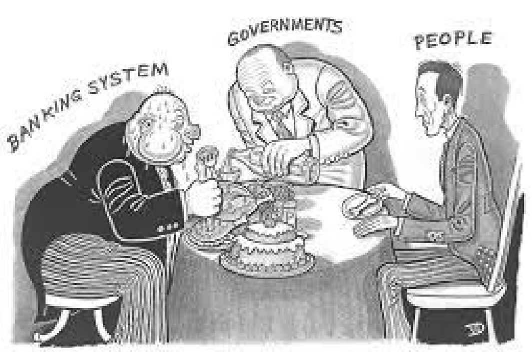
These private companies, the bastions of capitalism, then asked for and accepted public funds as bailouts, which were given by the most ferocious free market proponent in the World, the United States Government, without punishment or penalties of any consequence, in fact, incredulously, they were rewarded with Billions in bailouts with taxpayer money, thus giving capitalism a bad name the World over.

Having been generously rewarded for their misdeeds (*which would have sent any ordinary person to jail, or a regular company into bankruptcy*), by practically free money instead, no particular lessons seem to have been learned by the financial industry players, Governments and their Central Banks. Nor have the rules of the game been changed much. By needing to bail out private sector capitalism, through the enormous handouts of public funds, which were readily and shamelessly accepted, even though it was decidedly a socialist thing to do, cemented the formula that is continuing to be used today, the year-on-year bailout of Banks and Global Economies, resulting in the distortion and the endless disruption to the rebalancing required by the forces of free markets, to eventually set things right.

Nobody in power wants to bite the bullet, or pay the price for the misdeeds of their own greed. The pain inflicted by the economic wreckage caused by the direct actions of the rich and powerful, is as usual is pushed down to the regular and poor people, who are then told to suck it up and tighten their belts. And any hurt experienced at the top has been long balmed over by the steady and unprecedented supply, now in the Trillions, of freshly printed money by the Central Banks.



In this World, where the rich and powerful seem to be rewarded further for actions that damage the well being of the rest of beleaguered humanity, there is no cure being applied, but only more of the same balm, the 'Quantitative Easing' formula that continues to directly reward the financially powerful with more and more easy money, and leaves the working class and the poor to wait endlessly for the 'trickledown effect'.

But this so-called 'remedy' of easy credit fueled the last crash, and the current seeming endless easy money infusions, is creating larger inflated asset bubbles, in global financial markets (*stocks, bonds, financial derivatives*), and real-estate markets, than the previous bubbles that brought on the last crash. That means the larger bubbles being created now will in turn trigger larger crashes in the near future, when these bubbles finally pop, as they eventually must.

In the global economies, particularly in the developed ones, aggressive printing of money combined with the policy of ultra-low interest rates is designed not only to keep credit cheap (*the problem of the past*) but also to punish the savers,

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and drive them to spend and invest in riskier asset classes, such as the financial markets and real-estate, thus creating the same high risk and crash prone environment, that everyone is still trying to recover and escape from.

The critical action needed back then, has over the past five (5) post ‘2008 crash’ years, become the only remedy the Governments and their Central Banks have used to try and cure the serious global economic malaise that followed the 2008 crash. And, after the initial effective stabilizing result, the remedy, ongoing massive financial stimulus, like most modern drugs, comes with bad side effects, and treats the symptoms, but does nothing to try and identify and cure the disease. And like modern doctors not understanding the nature of the disease, Governments and their Central Banks, kept increasing the dosage of the ‘stimulus’, even as its effectiveness declined steadily over the years, to where now it is having little to no effect on economic activity, but has plenty of effect on the asset bubbles. Just the mention of modest tapering by the Federal Reserve (*$10 Billion a month out of the $85 Billion*) sent the markets sliding throughout the month of January and into February.

In this topsy–turvy World that we now live in, the financial markets slump at the announcement of good economic news and rise at the announcement of bad economic news, because of the inference that the bad news will assure the continuation of the financial support of the Central Banks with easy money.

The financial industry players the World over, particularly in America, Europe, Japan and China, are now addicted to making vast amounts of easy money through the easy money from their Central Banks, and these Banks and their Governments dare not cut the supply off as the consequence will be the collapse of the economic house of cards that they have been building over the past 5 years.

So, after 5 full years of unprecedented financial stimulus, totaling in the Trillions of dollars, the global economy is still in critical condition, and in fact will experience increasing bouts of severe convulsions before plunging, possibly, into a full fledged regression. And, the Governments and the Central Banks have no other ideas than to keep pumping money to keep this false ‘recovery’ afloat. It is truly the ‘blind leading the blind’, to the edge of the ever higher debt cliff.

Since our first report on the subject in September of 2012, we have been steadfast in our stated position, that sustainable economic recovery was not possible regardless of the amount of financial stimulus injected by all governments, unless the rebalancing required by all economic regions was systematically and cooperatively undertaken.

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In spite of yearly G20 meetings, that cooperation is still more talked about than actually practiced by the major governments. In fact, currently the opposite is true, where antagonistic and protectionist policies are now being implemented, leaving other governments to answer with their own counter measures.

We had stated that economic recovery was not possible because the Western consumer that had been on an unprecedented buying binge, fuelled by easy credit for the last two decades, had been badly mauled by the 2008 crash, and was tapped out, and could no longer afford the carefree spending ways of the past. At least not to the same degree, as nobody had bailed them out with vast amounts of cash. We had additionally stated that that change in behavior, in the Western consumer, would result in reduced imports from Emerging Markets like China and India, resulting in serious over capacity, and thus dampen their extraordinary past growth rates. Which in turn would dampen the global economic recovery. And that's exactly what has happened, amongst other things.

We had also stated that the Western developed countries, to try and stimulate their own economies, would need to create jobs internally, and would encourage their own exports, putting further pressure on all countries that formerly exported to them. And in doing so, would adopt monetary policies that would lower their currencies so that their manufactures became more competitive. Japan is the most glaring example of that policy now.

All of the above reasons and more, recounted by us in our past Economic Reports, are now being cited as the reasons for the renewed fears that the oft pronounced Global Economic Recovery of the past few years has largely been an illusion. And, that there are real weaknesses and tangible near term threats in the various major economies (*stock markets in America, real estate and credit markets in China*) that have the capability to seriously undermine whatever stability has been induced so far by the extraordinary financial stimulus, and the ultra low interest rates.

As we stand in February 2014, after five (5) years of Trillions of dollars spent by Global Governments through their Central Banks to bring on economic recovery, we at GETAnalysis have been proven correct: there is no real recovery in place, as economies still swoon and totter, and threaten to relapse into economic recession, if not outright depression, upon the threat of removal of the 'stimulus' life-support systems.

The proof that there is no sustainable recovery anywhere, is manifest in the barely marginal or downright negative data coming in from all major economies, in the increased financial markets' volatility, declining trade numbers, and rising bond yields, interest rates and dramatically declining currencies in most Emerging and some Developed Economies. And of course by the continuing pledge by the Central Banks to heavily support the "recovery' with "whatever it takes".

The warning signs of a teetering global economic system, after years of unprecedented cash infusions are everywhere, and we warn our readers that the probability of systemic failures, in many economies, is still to come.

Unfortunately the reaction to this worsening situation, by Governments and Central Banks, is going to be the same, more stimulus spending, which will only make matters worse as debt climbs, certainly not better, in the near and longer term.

Those of our subscribers who (*for a very modest subscription amount*) read our Economic reports over the past year would have known the reasons that we postulated for the near impossibility of a sustained global economic recovery, regardless of the size and frequency of financial stimulus, and the suppression of interest rates, especially in the developed economies.

Those reasons are now being trotted out and acknowledged today by the big institutional economists and analysts, for the now obvious geo-political and economic cracks in the global system that once more threaten global financial stability.

This site was set up specifically to give the straight goods, and to inform the sophisticated, and the lay person, on global events and policies that are taking place daily, by knitting together a complex but understandable and vital picture of the prevailing positioning and future direction of geo-political economic trends, that will critically affect everyone's life, regardless of their personal situation or the place of domicile.

By the end of this month, we shall put out our next detailed Economic Report, assessing the current Global geo-political economic situation, and then prognosticating on the trends apparent to us for the rest of the year. For now we can confidently say that the condition of the global economies, as they are now, were clearly anticipated by us over a year ago, even though the 'experts' at that time thought the recovery was surely on its way, even as some still think so today.

They were certainly wrong then, and we think that they are wrong now.