

The \$27 Billion Truth About Warren Buffett

Retrieved Tuesday 11th of July 2017 07:41:15 PM
< class="l">

POITOU, FRANCE – This morning, we are wondering: How dumb is the Fed?

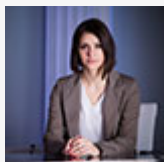
The question was prompted by this comment by former Fed insider Chris Whalen at *The Institutional Risk Analyst* blog:

[O]ur message to the folks in Jackson Hole this week [at the annual central banker meeting there] is that the end of the Fed's reckless experiment in social engineering via QE and near-zero interest rates will end in tears.

"Momentum" stocks like Tesla, to paraphrase our friend Dani Hughes on CNBC last week, will adjust and the mother of all rotations into bonds and defensive stocks will ensue. We must wonder aloud if Chair Yellen and her colleagues on the FOMC fully understand what they have done to the US equity markets. [...]

Once the hopeful souls who've driven bellwethers such as Tesla and Amazon into the stratosphere realize that the driven game of stock repurchases really is over, then we'll see a panic rotation back into fixed income and defensive stocks.

Recommended Link



[CNN, CNBC, NY Times... Are They ALL "Burying" the Truth?](#)

You're never going to believe [this](#). CNN... CNBC... *The New York Times*... None of them are covering this message. Mistake: This could impact YOUR family... HARD. Discover the [#1 story you AREN'T being told](#).

Bent and Distorted

If you believe the newspapers, the Fed has begun a "tightening cycle." It is on course to raise its key interest rate, little by little in quarter-point increments.

It must know that this is a perilous thing to do. After so much market manipulation over such a long period, prices all up and down the capital structure – from junk bonds to quality stocks and solid real estate – have been bent and distorted.

After all, that was the idea: drive up the price of stocks and bonds by driving down interest rates. People would be forced to spend or invest their money rather than save it. And higher financial asset prices would make the rich feel even richer.

Walking down the street, the dollars would overflow from their pockets like turnips rolling off the back of a produce truck.

They'd feel so flush, they'd buy, buy, buy... sending the plain people into a flurry of trucking, toting, and busting their humps to provide them with goods and services.

Then, after the rich were fully satiated (after all, how many martinis can the 1% drink?), they'd have to invest.

Cash would flow into money-losing startups like Tesla and Snapchat. Line acquisitions, such as Amazon's purchase of Whole Foods, would keep stock prices bubbling higher. And trillions of dollars in stock buybacks would make the rich even richer.

Recommended Link



[My Warning to American Retirees](#)

My name is Ted Benna, the guy who created the first 401(k) savings plan. I have [an important warning](#) for anyone plan to use their 401(k) or IRA to retire. There are [3 great dangers](#) I see coming that could cut your accounts by up to 40%. Or these could happen before AUGUST 1st. For the full scoop, [click here](#)...

Money Mirage

But the feds could only work this miracle by buying bonds. And the feds didn't have any money. What could they do?

No problem! They used their fake money, the post-1971 credit dollars – trillions of them... money they could create at will.

From the post-crash bottom in 2009 to today's top, U.S. stocks and bonds registered a cumulative increase of about \$20 trillion. And upon that mirage now rest the hopes, dreams, and contentment of millions of people all over the planet.

One has planned his retirement based on his gains over the last eight years. Another has taken out a loan against his 401(k) to fund his business. Still another – a major player on Wall Street – has a billion-dollar hedge fund portfolio... a leveraged "low vol," which depends on further support from the Fed.

And look at super investor Warren Buffett...

The latest line news tells us his gifts to charities now top \$27 billion. The money is to be used to fight illness and poverty worldwide. But the gifts came in the form of Berkshire stock – not cash. Imagine how the halt and the hungry will suffer if the stock goes down!

Recommended Link



[Bleeding America – Inside the \(Hidden\) Civil War](#)

Protests are becoming riots. Big-city violence in small towns. And according to one expert, [that's just the beginning](#)...

Classic Credit Bubble

Which brings us back to our question: How dumb is the Fed?

As you can see from the foregoing, the boom of 2009–17 was wrought by the Fed and paid for with fake money. It is a classic credit bubble, in other words – not genuine prosperity.

Almost all the new jobs created during this period were low-wage or part-time jobs in health care or government, not high-paying jobs in manufacturing. That's why real earnings, per family, have scarcely improved... and real employment (as a percentage of the available workforce) has gone down.

All the bubbly action, in other words, is in the financial markets, not the real Main Street economy. And as the Austrian school economists tell us, every boom not financed on real savings must end in a bust.

Nothing comes from nothing. Fake money produces fake prosperity. Take away the fake money... and the fake prosperity "poof," too.

Which is why the Fed will never, voluntarily, stop manipulating prices. It can't let the markets return to "normal" price discovery.

Because the markets are likely to discover prices a lot lower than Dow 20,000.

“Normal” may be a lot higher than a 2% yield on a 10-year Treasury yield, too.

“Normal” may mean a deep depression as the economy shakes off the foolish investments and misallocations of the last eight years. “Normal” would also mean the disgrace of Janet Yellen and Ben Bernanke, who are largely responsible for this bubble.

But “normal” won’t stop there. The crisis of 2008–09 was a repudiation of the Fed’s fake-money debt bubble. The stock market crashed as the bubble deflated, just as it normally does. But then central banks went back to work, doubling down on their error with more hot air than ever before.

Federal debt alone almost doubled from about \$10 trillion to about \$20 trillion. Worldwide, \$68 trillion in debt has been added since 2007 – a 45% increase – bringing the debt-to-GDP ratio to 327%.

All of this debt now hangs on the feeble reed of more ultra-low interest rate policies.

The Fed says it is going to return its interest rate policy back to normal...

No chance. It’s not that dumb.

Regards,