The Perfect Job

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Looking for a job?

You might be interested in one I found listed on SEEK. The deion reads:

Position Vacant. No life experience required. Positive outlook essential. No accountability. Delusions of grandeur preferred. Exceller conditions. Global travel. Pays well. Please apply to your nearest central bank.

The Fed opted to keep rates on hold this week.

According to Bloomberg:

> '*Federal Reserve officials remained on track to gradually tighten monetary policy after leaving interest rates unchanged and sigr they were not alarmed by recent U.S. economic weakness.*
>
> '*"The committee views the slowing in growth during the first quarter as likely to be transitory," the Federal Open Market Committ said in a statement Wednesday following a two-day meeting in Washington. "Near-term risks to the economic outlook appear ro balanced."*'

Slowing growth is *transitory?*

The definition of 'transitory' is 'temporary, fleeting, or short term'.

If we measure time back to Adam and Eve, you could argue a strong case for eight years of slowing growth as 'fleeting'.

But in the context of recent history, it sounds more like the Fed is starting to eat the mushrooms it's been feeding.

Every single day, the ball and chain of debt fastened to the global economy becomes heavier. Growth is only going to get slower.

Yes, there will be times when it appears that growth is picking up.

However, this 'period of growth' will correspond with a government debt binge. A binge on infrastructure spending, most likely. Or ev some other project that captures public imagination at the time.

Proof of this 'permanent debt and temporary growth' model is here in our own backyard.

The mining boom was no marvel of economic stewardship. The demand for our resources was a direct result of China increasing its load. It rose from US$7 trillion to US$28 trillion in the space of six years. Borrowing US$21 trillion between 2008 and 2014 was insar

Once China realised 'enough is enough', the boom turned to bust.

The legacy of this debt frenzy is a financial system in China that's awaiting its very own 'subprime' moment.

And it's coming.

The upshot of any higher GDP reading is that it'll be fleeting…transitory.

In announcing the ANZ Bank results earlier this week, CEO Shayne Elliot acknowledged we are in a 'lower for longer growth enviror Thank God someone in the banking world has decided to speak the unspeakable.

According to *The Australian*: '*Mr Elliot said low wages growth was a feature of advanced economies such as the US, Germany and Japan, and was likely to continue here for a few more years.*'

The *AFR* continues: '[Mr Elliot] *said it was important for credit growth to slow, otherwise household debt would rise to unsustainable*

I'd argue the 'unsustainable' line was crossed some time ago.

Slower credit growth and lower wages growth hardly sounds like the recipe for higher economic growth. This is not some fleeting fac
These are deep structural changes.

But when you live in 'Central Banker Land', what the heck…

You don't have to concern yourself with how the low interest rate policy is screwing the retiree. Or how it's encouraged people to tak
debt to buy over-inflated assets. Or how you've rendered the wonder of compound interest redundant.

No, you get to play with your positively-programed economic models. The ones based on a fictional world of endless debt-funded consumption.

On a scale of one to 10, my computer literacy would rate about two…on a good day. But even a tech dummy like me has heard the term 'GIGO'.

Garbage In, Garbage Out.

Greenspan spilled the beans on the flaw in the Fed's economic forecasting ability when he made this rare admission in 2013:

> '*Keynes was hardly the first person to note the importance of irrational factors in economic decision-making, and economists sur
> did not lose sight of their significance in the decades that followed. The trouble is that such behavior is hard to measure and stubbornly resistant to any systematic analysis. For decades, most economists, including me, had concluded that irrational facto
> could not fit into any reliable method of forecasting.*'

And this is from the man who, in 1996, used the term 'irrational exuberance' to describe the market euphoria at the time.

Central banks — and I believe this with every fibre in my — are clueless. Being clueless is fine if it causes no one any harm.

But being clueless in a position where you have the power to ruin millions of people's lives is not only dangerous, it's criminal.

In 2010, Ben Bernanke wrote this in justification of the excess use of QE:

> '*Higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spendir
> will lead to higher incomes and profits that, in a virtuous circle, will support further economic expansion.*'

The evidence is to the contrary.

Wages are lower. Economic expansion is sluggish. And that's even after you include all the debt that's been added into the system t
artificially inflate the GDP numbers.

But what the Fed and other central banks (including the RBA) have succeeded at is creating the greatest debt bubble in history. All i
pursuit of 'growth'.

Deliberately pursuing money-printing policies to artificially inflate asset prices. And lowering interest rates to entice people to borrow
these overvalued assets. Both policies will, in time, be judged to be acts of madness.

When this historic debt cycle turns a full rotation, central bankers will be vilified.

How could these outwardly prudent, bookish, nerdy, boring types have been so reckless? Why did they set so many people up for fa with the lure of cheap finance for expensive assets?

Surely, after the events of 2008/09, they must have realised what was obvious to many. That pursuing policies to encourage a great level of debt and frenzied speculation would end badly. Not only in tears, but in hardship, depression and, in some cases, suicide.

The relentless and reckless pursuit of growth has taken us to a point where there are no good outcomes. Debt cannot expand forev Asset prices cannot rise indefinitely. Economic cycles have not been rendered obsolete…severe recessions do happen.

When these 'known knowns' all become reality, the 'unknown unknowns' are going to be brutal.

When the inevitable happens, central bankers are going to have a lot to answer for.

A word of advice: Answers from people who are clueless are not going to be worth very much. A bit like the portfolios of those who believed the central banker 'Neverland' theories.

What was missing from that job ad was the length of tenure. Personally, I wouldn't plan on it being for too long.

Cheers,

Vern Gowdie,
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Vern Gowdie
Vern Gowdie has been involved in **financial planning** in Australia since 1986. In 1999, *Personal Investor* magazine ranked Vern a Australia's Top 50 financial planners. His previous firm, Gowdie Financial Planning, was recognized in 2004, 2005, 2006 %26 2007, Independent Financial Adviser magazine as one of the top five financial planning firms in Australia. He is a feature editor to *Markets* and is Founder and Chairman of the *Gowdie Family Wealth* advisory service and editor of the *Gowdie Letter*To follow Vern's financi more closely you can you can subscribe to *Markets and Money* for free here.

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