# Dizzy Economists Can't Stop the Fed from Running in Circles

Retrieved Friday 30th of June 2017 06:40:23 PM

What’s the definition of insanity?

Oh, that’s right…doing the same thing over and over again and expecting a different outcome.

How’s this for a track record in insanity? (Emphasis is mine.)

‘***IMF Downgrades*** *Global Economic Outlook Again*’

– *The Wall Street Journal*, 6 October, 2015

‘***IMF downgrades*** *forecast for Canada’s economy in 2016 and 2017 – Global growth slowing overall, group says*’

– CBC News, 12 April, 2016

‘*Storm before the calm?* ***IMF downgrades*** *Latin America growth forecasts*’

– CNBC, 27 April, 2016

‘***IMF downgrades*** *outlook for US economy*’

– CNBC, 22 June, 2016

‘***IMF downgrades*** *eurozone growth post-Brexit*’

– *Financial Times*, 9 July, 2016

‘***IMF Cuts Global Growth Forecasts*** *on Brexit, Warns of Risks to Outlook*’

– IMF, 19 July, 2016

And the latest downgrade…

‘***IMF downgrades*** *US growth as officials claim Donald Trump’s plan for US economy will fail’*

– *Express*, 28 June, 2017

And this is only a few excerpts from the past 18 months.

The reason given for the most recent downgrade on US growth (from *Express*): ‘*THE International Monetary Fund yesterday cut its*

Some might be inclined to call this phenomena ‘Groundhog Day’…after the movie starring Bill Murray.

But that would be completely incorrect.

In the film, Murray’s character is doomed to relive the same day over and over again until he gets it right.

Whereas the IMF keeps reliving the same day over and over again and continues to get it wrong. No, we are not witnessing Groundhog Day — this is insanity.

The IMF, central banks and treasury departments are all guilty of this madness. They repeatedly overestimate future upside, even th

Take the IMF's latest 'excuse' for the US downgrade: '…*dropping its assumption that President Donald Trump's tax cut and fiscal sp*

The punters, encouraged by Wall Street's spin, might have believed Donald was going to rejuvenate the US economy overnight.

But surely you'd think the IMF would have dug a little deeper than Wall Street's self-serving rhetoric.

Apparently not.

Is my frustration a case of being wise after the event?

Here's an extract from a [*Markets %26 Money* article] I wrote on 30 January, 2017:

'*Will he* [Trump] *succeed? No.*

'*Trump is saying all the right things, but talk is cheap.*

'*Do you really think Europe, China, Japan and the rest of Southeast Asia are going to sit idly by and let him dictate terms?*

'*They, too, are facing debt, demographic and political problems of their own.*

'*The die is cast. This is not the 1950s, and it is most certainly not the 1980s, when Reagan came to power.*

'*Boomers are 30-odd years older. The world is drowning in debt and welfare promises. And automation is chewing up and spitting o*

'*No longer can the next generation look forward to earning more than what their parents did. Heck, they'll be flat out holding a job fo*

'*The Donald is one hell of an entertainer, but this is destined to go pear=shaped.*

'*As I said 368 days ago* [in a [*Markets %26 Money* article] written on 27 January, 2016]*:*

> '"*As the US (and the rest of us) continues down the path of never-ending debt and deficits with our final destination being econo*

While the Donald may be a source of amusement, the IMF is a source of embarrassment.

Why persist with this piged policy of continually overpromising and perennially under-delivering?

The IMF's insanity is driving me insane.



Can we please have an honest discussion about the parlous state of the global economy? People need to make decisions about the

We are not going back to the glory days of 4, 5 or 6% growth anytime soon. If we even register the occasional 3% ‘growth’ figure, we

The WADA finding would state that ‘excessive levels of the economic growth hormone’ were found in the economic .

Genuine growth is a phoney. The only thing we’re growing is our debt levels. The continual injection of debt into the system masks t

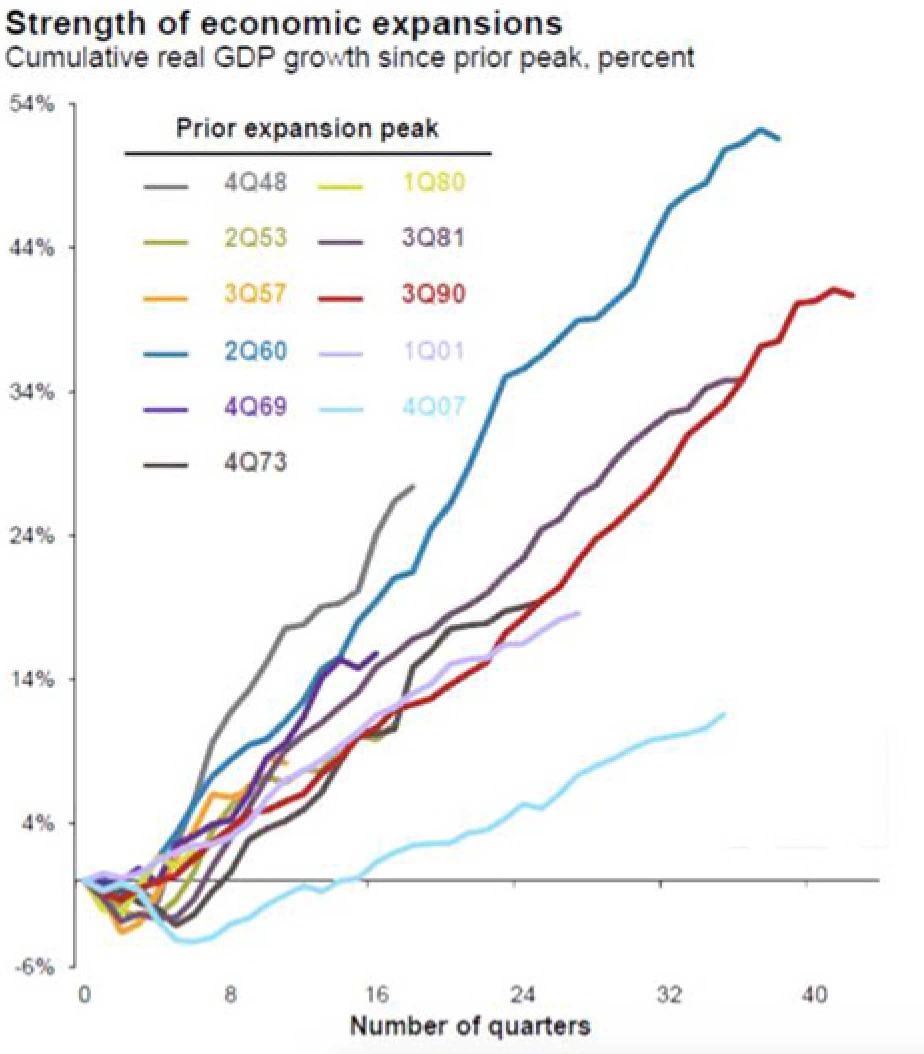
Since the turmoil of 2008, the Fed and other central banks have gone into overdrive to recreate the economy’s glory days.

The rest of the world followed the Fed’s lead in unbridled money printing (quantitative easing) and interest rate suppression.

What sort of recovery did the Fed’s $3.6 trillion in funny money buy it?

The following chart tracks the strength of US economic expansions since 1948.

The light blue line at the bottom is the cumulative GDP growth since the US economy’s previous peak in the fourth quarter of 2007.




Source: BCA Research
[Click to enlarge]

In spite of the historic and unprecedented stimulus methods employed by the Fed, this has been THE worst expansion in US history

Yet, the US share market has been able to disconnect from the underlying economy. From its 2009 low, the S%26P 500 index is up

The Fed has been extraordinarily successful at creating the wealth effect, but that wealth has not trickled down to the economy.

Economic growth is a function of labour force growth and increased productivity.

Corporate America has paid scant regard for using the cheap and abundant money for the purpose of becoming more productive.

According to Dr Lacy Hunt of Hoisington Investment Management (and former senior economist for the Federal Reserve Bank of Da

'*Quantitative easing encouraged a shift* [in corporate thinking] *from real investment to financial investment. The Fed's backing your p*

While revenue growth has mirrored that of the real economy, corporate America has been able to generate the illusion of profitability

This period of illusion and delusion is coming to an all-too-familiar end.

Dr Lacy Hunt continues (emphasis is mine): '*Quantitative easing has created a lot of negatives, one of the most glaring is this liquidi*

Record business debt. Record government debt. Record household debt.

But we have nothing to worry about.

Earlier this week, Fed Chair Janet Yellen said, '*The system is much safer and sounder.*'

What a relief.

This is the same Janet Yellen who, last year at Harvard University — when asked about the GFC — said, '*We really didn't see that c*

According to a report from the World Economic Forum, '*She* [Janet Yellen] *said the explosion in borrowing* [pre-GFC] *was a sign, bu*

Why was Janet Yellen at Harvard University?

To receive the Radcliffe Medal. Here's the criteria to be a recipient: '*The Radcliffe Institute presents the Radcliffe Medal to an individ*

Well, there's no question Janet has had a '*transformative impact on society*'. But it's an impact that I think is more worthy of derision

Yellen should hang her in shame at being so utterly clueless.

Yet the world of academia gives her a gold star. Go figure.

This is madness.

What we're witnessing is fraud on the grandest of scales.

Vast quantities of debt have been used to 'solve' a debt crisis.

Maintaining the illusion of prosperity, economic growth and stability is the imperative of these institutional repositories for economic a

They think by telling the person in the street — the one who hasn't had a wage rise, whose job is under threat, and whose househol

Obviously they believe they can fool all the people all the time. Who's the fool in that situation?

If Janet tells us the system is '*safer and sounder*', it's an odds-on bet that we're much deeper into the brown stuff than people realise

The Fed and other central banks have blown the greatest asset bubble in history. The underlying economy is weak and getting wea

The fact that Janet and Co. can't see we're ed for the biggest financial crisis in history comes as no surprise.

When historians review this era of excess dispassionately, three words will be repeated: Insanity. Madness. Fraud.

**Regards,**

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