Trump's Re-election? Did the Federal Reserve Already "Decide the 2020 US Election"?

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As of beginning July 2019 prospects look positive for a re-election of Donald Trump as President in November 2020. Headline stock market and GDP figures all look positive...at the present. The huge unanswered question is whether that can be sustained until the fateful elections. We see signs already that spell potential trouble for the Republicans.

A major problem for the Trump prospects to win a second term in November 2020 is the fact that since 1913 no American President, nor the Congress, control the decisions of the central bank, the legendary Federal Reserve or Fed. What few are aware of is the fact that the Fed is not a government agency. This is despite the fact the President nominates persons to serve as directors. The reality is that the Fed is privately owned largely by the international banks and financial groups that control global money flows. They determine in complex ways the control of US money creation, the heart of the economy.

In December 1913 a cabal of Wall Street Republican international bankers led by J.P. Morgan, John D Rockefeller, Paul Warburg and cronies pulled off the fateful coup d'etat that saw "Democrat" Woodrow Wilson sign away the money power of the government to the bankers. Since then, the Fed has determined the course of the nation's economy independent of the interests of the national economy or the citizens.

The President of the New York Fed, Benjamin Strong, as head of the most powerful of the 12 reserve banks, literally determined the fate of the US and Europe until his death in 1928. His interest rate policies were directly responsible for creating the 1920s stock market bubble and the October 1929 Wall Street Great Crash. That in turn led to the 1931 global banking crisis and the Great Depression. It was the Fed under Allan Greenspan that was responsible for the creation of the securitization USA housing bubble and also for its deliberate destruction into the "Great Recession" of 2007-2008, a key factor in the 2008 Obama win. This Fed is the real power over economic good times or bad.

It can be demonstrated that every recession or boom, every so-called business cycle since 1914 has been determined by the Fed. When Donald Trump became President he selected several directors of the Fed Board of Governors, including Chairman Jerome Powell beginning February 2018, apparently believing Powell would continue an easy money regimen.

When Powell and the Fed continued the Janet Yellen interest rate increases and withdrawal from Quantitative Easing by selling off the assets it bought after the 2008 financial crisis, the effects were initially overshadowed by the Trump tax law and other factors that spurred both the stock market, the dollar and the economy. By late 2018, however, it began to become clear that the Fed was on course to create a collapse of the post-2008 asset bubble in stocks and real estate, prompting unprecedented criticism from Donald Trump of Jerome Powell, his choice for Fed chairman.

By December 2018, almost a year into Powell's term, financial markets appeared in freefall, the stock markets down by 30% in six weeks, junk bond markets freezing and oil prices down by 40%. At that point on the urging of a group of influential business people, Trump began to attack Powell for trying to create a new recession.

By March 2019 Powell announced the Fed would likely not raise Fed Funds rates as had been planned further in 2019, holding it at 2.375%, suspending plans to do three or four added rate hikes in 2019. Markets were euphoric.

But by then Fed prior actions had set into motion deep shifts in the economy which are now becoming undeniable. Monetary actions tend to have a lag effect of six to nine months in the real economy. The aggressive Fed tightening through the end of 2018 is just beginning to show damage in the real economy. This is beginning to concern the White House. Here are some preliminary indicators that all is not peachy.

Trucking and Agriculture

According to the Bank of America's Trucking Diffusion Index for the week of June 21, the national truck freight outlook hit the lowest level since October, 2016, just before the US elections. More alarming, the indicator is down 29% year-on-year, the largest decline since the index started. The current US outlook for freight demand is at a five-year low. Reports are that the construction sector is struggling due to weather issues in key markets.

What this suggests is that the volume of goods being shipped by truck through the US economy is showing a not healthy trend. How long this goes on is at this point not clear. It is an indicator of real problems.

If we add to this the developing crisis in US agriculture, the picture becomes darker not only for trucking but for the overall economy. Record rainfall across the Midwest farmbelt has so far had a devastating impact on crop prospects well into the key summer growing season.

The US Department of Agriculture cut its estimate of the corn harvest, a rare event, in June. Farmers say the government is downplaying the crisis. In addition lack of Congressional action on the Mexico and Canada trade agreements and the Chinese restrictions on US soybean exports are combining to create one of the worst US farm crises in recent years. The US Farm Bureau Federation, a major lobby, has stated that a third emergency farmer bailout would be necessary if export markets for US farm products are not soon reopened. The Farm Bureau states that the combination of disruption of key export markets together with low spot prices, high inventory levels, a slowing economic outlook, and damaging weather across the Midwest, "could culminate into a full-blown farm crisis on par to the 1980s."

These are not the only signs of storm clouds in the US economy. Sales of existing homes have declined on a Year-on-Year basis for 15 straight months. Rising interest rates are a major deterrent for home buying. Further, the monthly Philadelphia fed survey of Business Outlook expectations, which monitors expected company new orders, sales, employment and other indicators of business activity, registered a sharp drop from 16.6 in May to only 0.3 in June.

This all does not yet indicate a full recession in the overall economy. However it shows how vulnerable the fragile recovery from the 2008 debacle still is. In this situation the Powell Fed is not at all playing a constructive role.

Powell proclaims Fed Independence

On June 25, Fed Chairman Powell gave a speech to the New York Council on Foreign Relations, the original think-tank of the Wall Street bankers created in the wake of World War I parallel to the British Chatham House. In his remarks Powell stressed the Fed's independence from political pressures: "The Fed is insulated from short-term political pressures — what is often referred to as our 'independence," Powell said. "Congress chose to insulate the Fed this way because it had seen the damage that often arises when policy bends to short-term political interests. Central banks in major democracies around the world have similar independence." It was a declaration of independence from Trump.

The reality, as Donald Trump noted repeatedly in public speeches in March and April, despite the Fed statement about interest rate pause in March, the Fed has not stopped tightening. It is via the little-noticed policy called Quantitative Tightening, the moves by the Fed to tighten money liquidity in the banking system and economy by forcing major banks to buy back some of the almost $4 trillion in corporate bonds and other assets the Fed bought to bail out the major banks and financial giants after the September 2008 Lehman Bros. crisis.

In early 2018 as it was simultaneously raising Fed Funds interest rates, the Fed delivered a double-whammy effect on market interest rates by "selling" some $50 billion a month of its assets from the unprecedented Quantitative Easing (QE) experiment of 2008. QE was a de facto policy of Fed money printing by buying select bonds and other securities, including mortgages, from primary security dealer banks, giving them huge liquidity in return. QT is the attempt to put the QE liquidity Genie back in the bottle by reversing the process, a highly dangerous experiment, one by no means urgent.

As the impact of Fed QT actions began to cause alarm, in February 2019 the Fed agreed to reduce the tightening, but only from $50 to $40 billion a month until now. That comes to almost half-a-trillion dollars less liquidity in the economy annually, not small. If a recession now unfolds over the next 16 months until the November, 2020 elections, it will once again by the "gods of money" at the Fed and their banker backers who caused it. If Trump then loses the 2020 re-election it will owe more to the Fed than to his bizarre Democrat opponents.

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