GlobalResearch
Center for Research on Globalization

The Inner Circle, The Politics of Truth And The Seduction of Power

By Matthias Chang
Global Research, November 23, 2014
Future Fast Forward
Region: USA
Theme: Global Economy, History

All centres of power – Office of the President, Prime Minister, Heads of International Organisations, financial institutions, the military etc. are invariably subject to the "politics of truth".

Speaking truth to power is often a hazardous task. Truth when disclosed often injures one or more vested interests. And this is one of the reasons why truth always has a hard time getting through.

The members of the inner circle wield enormous influence and would do almost anything to project that they are indispensable to the holder of power and cut down anyone that poses an existential threat.

The most vicious are not the outsiders trying to get in as often perceived by those not within the corridors of power but rather the members of the inner core themselves.

Those who have worked at the highest levels of the Executive Branch and survived would exhibit deep wounds and scars, and recount with gusto in their memoirs.

Therefore, an effective leader is one who is not only willing to accept ugly truths, but will ensure the conduits of truth are always open. And the messenger of truth must be smart enough to navigate past the choke-points and toll-gates without ruffling any feathers and or perceived as a threat.

Easier said than done!

Hence, it is critical for a leader to realise that the subversion of leadership and power starts at the choke-points and toll-gates. In the circumstances, whether truth or disinformation and insidious propaganda gets through depend on the person guarding the choke-points and toll-gates. The beginning of the breakdown of leadership and the dissipation of power starts when these "guardians" abrogate to themselves the right to filter what should or should not be told and who should or should not meet with Power!

Within the power matrix, the person or group of persons who determines financial policies exerts more influence on the centre of power than any other. And, as Mayer Amschel Rothschild (1744-1812), founder of the House of Rothschild puts it:

> Let me issue and control a nation's money and I care not who writes the laws.

If anyone still needs proof of this political reality, we need only to examine the actions of the global central bankers post the 2007/2008 global financial tsunami led by Bernanke of the US Federal Reserve.

So pervasive is this influence that heads of states and governments worldwide have all but abrogated their financial powers to central bankers acting in concert. From the mere role of a lender of last resort, central bankers have now morphed into “market makers” accountable only to themselves and vested interests. They now have absolute control of not only the money supply but the power to determine arbitrarily the price of money (i.e. interest rates). All financial markets are now controlled by the unelected officials of central banks. And their modus operandi is mathematical models and algorithms from which they formulate policies.

It matters not that all these models and algorithms have failed and were proven to be disastrous when they could not even predict the financial crisis that nearly bankrupted the global financial system and which prompted the Queen of England to ask on 9thNovember, 2008 at the London School of Economics, Why did no one see the crisis coming?

And the best and brightest replied, Principally, a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole.

This is a sick joke and I am sure the Queen must have been flabbergasted by the flippant answer!

While the collective of bright people failed to understand, many of us were screaming to Power of the impending crisis, but none took notice for Power had too much faith and respect of such bright people wearing blinkers.

If proof is needed, my book, *The Shadow Money-lenders and The Global Financial Tsunami* published before the onset of the crisis says it all.

Yet, today and in spite of such glaring failures, heads of states and governments continue to follow the policies formulated by central bankers blindly. Sound common sense is disregarded in favour of mathematical models and algorithms even though the latter have proved to be totally useless and inadequate.

Pippa Malmgren who was in Malaysia recently, in her book, The Breakdown of the Social Contract and the Rise of Geopolitics to be published soon and citing the financial journalist Felix Salmon wrote: that smart people are led to do stupid things by misplaced belief in an algorithm. In short, they become wedded to the elegance of the math at the expense of reality. Reality is messy. You can’t quantify it and it does not neatly “fit”.

She went on to observe:

> The economics profession suffers from its desire to jam all human activity into a mathematical model. There is a long history behind this tendency to believe that the entire truth lies in math, which the Hungarian-British writer Arthur Koestler called “The Cartesian Catastrophe”.

Economists and central bankers pretend to have knowledge and the Nobel Laureate Friedrich Hayek (himself an economist, albeit from the "Austrian School" and not a Keynesian) was scathing in his criticism when delivering his Nobel Lecture, The Pretense of Knowledge. He said:

> Physical scientists can observe and measure things that drive the system they are studying but society, and therefore the economy, is not like a physical system: many of the most important factors cannot be seen or measured. Consider the thoughts and intended actions of millions of people at different times, for example. Economists and other social scientists, in their attempt to be scientific, ignore what they cannot measure. Therefore, many of the most important factors affecting the economy are not considered, while some of those factors which can be measured are deliberately controlled. The results are incorrect predictions and actions which positively harm society.
>
> The failure of economists to guide policy more successfully is closely connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful sciences – an attempt which in our field may lead to outright error. It is an approach which has come to be described as the "scientific" attitude – an attitude which, as I defined it some thirty years ago, is decidedly unscientific in the true sense of the word, since it involves a mechanical and uncritical application of habits of thought to fields different from those in which they have been formed. I want today to begin by explaining how some of the gravest errors of recent economic policy are the direct consequence of this scientific error. It is as if one needed only to follow some cooking recipes to solve all social problems.

In the book, A Conversation with Ambassador Richard T. McCormack by Henry E. Mattox, the author recounted the conversation between the Ambassador and the Fed Chairman, William McChesney Martin who served from 1951 to 1970 under five Presidents: Truman, Eisenhower, Kennedy, Johnson and Nixon. The author described the conversation as follows:

> When I (Ambassador McCormack) asked him what kind of person we should recruit to head up the new office, he responded: "if you want this new office to be relevant, do not appoint an academic economist,1 and particularly avoid econometricians." Instead, he recommended that we recruit someone who
>
> "had broad personal reach in the American and global economy, who understood how markets operated, and who was able through a network of personal contacts to anticipate developments before they were finally reported in official statistics."
>
> He went on to say: We have fifty econometricians working for us at the Fed. They are all located in the basement of this building, and there is a reason why they are there. Their main value to me is to pose questions that I then pass on to my own network of contacts throughout the American economy. The danger with these econometricians is that they don't know their own limitations, and they have a far greater sense of confidence in their analyses that I have found to be warranted. Such people are not dangerous to me because I understand their limitations. They are, however, dangerous to people like you and the politicians because you don't know their limitations, and you are impressed and confused by their elaborate models and mathematics. The flaws in these analyses are almost always embedded in the assumptions upon which they are based. And that is where broader wisdom is required, a wisdom that these mathematicians generally do not have. You always want such technical experts

on tap in positions like this, but never on top."

Given this wisdom, I would suggest that political masters adopt similar attitude to central bankers and their hordes of technical experts with their overconfident mathematical models. These central bank officials should be "on tap but never on top" of policies and or be in the driving seat.

Whenever, I was critical of such global central bankers, the reaction was that I should not question such experts. A Nobel Laureate came to Malaysia a few years ago to explain about this achievement – his "risk model". The irony that escaped the attendees who were in awe of this intellectual con-artist was that he could not and did not foresee the global financial tsunami that almost destroyed the global financial system. Thus far we have been vindicated and our common sense have been proven right more times than the mathematical models and algorithms of the "collective of bright people" who cannot even answer the Queen's question cited earlier.

The same goes for the members of the inner circle of political masters across the political divide.

A political master should make his circle of advisers to be "on tap" but never allow them to be "on top" but merely to play their assigned roles. This sharp observation by the former Chairman of the FED, William McChesney Martin and quoted by Pippa Malmgren in her book, needs to be repeated again and again.

More importantly, they should not be allowed to arrogate to themselves the power to be in control and or to block the conduits of unblemished truth – these appointed guardians of choke-points and toll-gates.

Political masters never ask, "Qui Bono?" (who benefits) when conduits of truth are blocked. Yet, they remain surprised when the messenger decides to say no more.

Last but not least, Political Masters should never kill the messenger!

Notes

1 Bernanke is a good example of "academics" with no background of the reality of markets who on assuming the leading role arrogate to themselves a role beyond their capacity and obvious limitations! Most central bankers the world over are no different. Is slavish imitation of the FED wisdom, you be the judge? I thank Pippa Malmgren for bringing this quote to our attention.

Articles by: Matthias Chang