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Trump: A Modern-Day Herbert Hoover? Financial Plunge 2019

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Clearly, Hoover was world's apart from Trump geopolitically, at war with no other nations, polar opposite how both extremist right wings of the US war party operate today. This article deals only with economic and financial issues.

Hoover had the misfortune of taking office eight months before the October 1929 Wall Street crash, ushering in the Great Depression of the 1930s, followed by WW II when FD Roosevelt was US president.

He failed to heed advice of economist John Maynard Keynes who later gave to Franklin Roosevelt. He urged "spend, spend, spend." Supply "cheap and abundant credit."

Focus on "increas(ing) the national output" by stimulative fiscal policies. Boost purchasing power by "put(ting people back to work."

Back then, the US wasn't burdened by today's high debt level exceeding GDP, increasing exponentially because of unsustainable military spending at time when the only US enemies are invented ones.

Trump took office at a late-cycle time similar to excesses of the 1920s, characterized by money printing madness that facilitated speculation on a grand scale.

On August 7, Wall Street on Parade's Pam and Russ Martens reported that "central banks are in panic mode for good reason," explaining the following:

The benchmark 10-year US Treasury plunged "a stunning…41 basis points in 8 days (to) 1.65 percent," down from an earlier in the year yield of over 3%, perhaps heading toward exceeding its past decade low of 1.37%.

The inverted yield curve often signals recession ahead. After a decade of monetary and speculative excess, it's likely coming, maybe matching or exceeding the October 2007 – March 2009 turmoil.

With short-term treasuries now at a range between 2 – 2.25% after a late July quarter point cut, and the Federal Reserve's near-$4 trillion already bloated asset portfolio, it has much less ammunition to combat an economic decline than earlier — complicated by a potential perfect storm hitting the economy and financial markets ahead.

The Office of the Comptroller of the Currency explained the following:

Five US too-big-to-fail mega-banks hold an unthinkable amount of derivatives, facilitating

speculation, what Warren Buffet once called "financial weapons of mass destruction, carrying dangers that…are potentially lethal."

Here's what the five US mega-banks hold in these instruments:

- JPMorgan Chase – $58.7 trillion
- Citigroup – $51.5 trillion
- Goldman Sachs Group – $50.8 trillion
- Bank of America – $37.9 trillion
- Morgan Stanley – $35 trillion

Combined they hold 86% of the amount of these instruments held by 5,000 US banks.

Using them to accumulate windfall profits could dramatically backfire if the economy turns sharply south, a significant possibility ahead.

What goes up in financial gains over a prolonged period can unwind rapidly during a significant economic decline.

On August 11, economist John Williams commented on "unstable and deteriorating economic and political circumstances, foreshadow(ing) domestic financial market turmoil" in his judgment, adding:

The "flight from US stocks and the dollar into into gold should continue," signaling a potential "major tipping point."

What's going on is exacerbated by chaotic geopolitical conditions, largely because of unacceptable Trump regime actions.

According to economist David Rosenberg, "(w)e are living in dangerous times…a period of history that will be written about in textbooks in years and decades to come, and the undertones are none too good."

Count the ways:

Financial markets are pricing in recession ahead.

"We have a bond market in which a quarter of the universe trades at a negative yield" — including in economic powerhouse Germany.

"Investment grade yields, on average, are below zero in the euro area."

Unlike earlier economic downturns, including post-October 1929, 2001, and 2008, today's "global debt load is infinitely larger now than it was at the peak of…prior credit-bubble cycle(s)."

> "The world is awash in debt. Years of monetary intervention among the world's central banks created artificial asset-price inflation and exacerbated wealth inequalities at the same time."

What's going on "is a global phenomenon." Mass shootings in the US nationwide are

symptomatic “of a society starting to come apart at the seams.”

“(T)he world is splintering.” There’s possible Brexit in some form, “deep (EU) divisions,” months of violent Hong Kong protests, Sino/US trade and possible currency war, instability in the Middle East and Indo/Pacific, the threat of possible US war on Iran, and heightened India/Pakistan tensions over Kashmir.

Rosenberg noted that for the first time since the 1930s,

> “a Federal Reserve tightening cycle got stopped out at 2.5 per cent on the federal-funds rate…(D)ebt dynamics are very unstable…interest rates (likely) to go (way) down…”

If go negative in the US, a real possibility if there’s economic and financial turmoil, “how do assets with cash-flow streams get valued,” Rosenberg asked?

“The distortions are wild…(G)old prices have broken out in recent months in all currency terms and central banks are adding bullion to their reserves.”

Trump is a geopolitical and economic know-nothing. Verbally trying to weaken the dollar “jeopardizes its status as the world’s reserve currency,” said Rosenberg.

His protectionist tariffs war on China and other countries are destabilizing and counterproductive, especially at a time of growing global economic weakness.

There’s “no end-game in sight” on the Sino/US trade and currency war he initiated.

“This sounds a lot like the 1930s to me,” said Rosenberg. Will major hot war follow like at the end of that decade?

Economist F. William Engdahl asked if China will trigger the “next financial tsunami.”

Will irreconcilable differences between both countries, showing no signs of resolution, “trigger (another) Lehman Crisis” like in 2008?

> “Are we on the verge of a so-called ‘perfect storm’ that will transform the post-1945 global order?”

The Chinese curse about “liv(ing) in interesting times” may come home to roost in the months ahead.

Potential economic, financial, geopolitical, and military crisis conditions may be triggered by wrongheaded Trump policies — making a looming bad situation worse by his chaotic actions.

As always during times of crisis, ordinary people suffer most.

Highly-indebted households and individuals on fixed incomes with minimal savings are most vulnerable to be harmed by protracted instability and economic weakness that may lie ahead.

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