Chain 5: The Mechanics of Market Destruction – made simple

From: TJ Wormwood, L3R7C
To: Lucifer, Lord of Infinite Darkness:
Subject: THE MECHANICS OF MARKET DESTRUCTION – made simple

Attachment – WordFile: Strategy Paper on Project Fifth Horseman

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Please find attached the paper you requested outlining the mechanics of the Fifth Horseman proposal.

Regards TJ L3R7C

FILE DOWNLOAD – Mechanics v2

The Mechanics of Market Destruction: QE, Regulation, Austerity and Politics

Following the nadir of the Global Financial Crisis in 2008, stock markets have risen over 200%. Other financial asset classes have posted similar stellar gains. Investors have done exceedingly well. Yet, the sum of human happiness has dramatically diminished. Human wealth has not increased – stocks and shares are higher, but real assets have barely changed. While the authorities worry about deflation in the real world, inflation is hidden in financial assets.

We've achieved stunning success by playing a classic distraction con – focus the mark on what the left hand is doing, while the right hand robs them blind. Presidents, bankers and fund managers congratulate themselves on the success of the economy in terms of the gains in stock prices, their booming personal wealth, and how much patronising philanthropy they undertake.

The simple truth is workers are paid less today in real terms than they were pre-crisis. As the gig-economy takes hold, workers find themselves with less security, less welfare provision, their salaries buying less while local services deteriorate, abandoned and aren't replaced. Real earnings have tumbled, while the bulk of their taxes now go to paying grossly inflated civil service pensions.

Western economies are in worse shape with decaying infrastructure and obsolete factories. Health services can barely cope with the ravages of old-age, obesity caused by unhealthy eating, rising drug abuse, and diminished funding. Educational standards are dropping as students are forced to enter indentured servitude to finance their sub-optimal courses. Little thought is given to the future needs of modern economies as politicians are distracted by irrelevancies including Brexit.

The problems of the developing world are getting substantially worse and more difficult to address as we keep the rich nations focused on their own deepening problems. Human misery is increasing across the globe.

All these things can be fixed. It is our objective to ensure they are not, by keeping mankind distracted, unbalanced, uncertain, and never stop them making mistakes.

It's useful to understand the four major forces we've utilised to wreck the global economy.

We are utilising four main strategies:

Quantitative Easing, Monetary Experimentation and Modern Monetary Theory

QE has proved one of our most effective methods for creating long-term financial instability by creating unsustainable distortion.

In the face of what our operatives in the media and financial analysis described as the "imminent meltdown of the global economy", we encouraged Central Bankers to embrace a magical money tree theory of monetary experimentation on an unprecedented grand scale. We warned them inflation would be a consequence but didn't tell them where to look for it. An immediate global recession was avoided, but the unforeseen and unintended consequences have been remarkable and will prove long lived.

QE effects include:

- **Forced investors to take greater risks and invest in less liquid markets**
- **Hid inflation in Financial Assets – causing massive pricing distortions across all asset classes.**
- **Split the deflationary real economy from the inflationary financial economy**
- **Driven a debt fuelled corporate borrowing binge and fuelled Corporate stock buybacks.**
- **Accelerated income inequality**
- **Stalled business investment and innovation**

Our latest wheeze is Modern Monetary Theory, a heavy free-spending variation on Keynesian economics we've concocted and encouraged as essentially free unlimited cold-fusion money. It could be even more destructive than QE with the added advantages of:

Transferring inflation back into the real economy.

- **Diminishing confidence in Global Fiat Money**

- **Putting Governments into the economic driving seat where they can do most harm,**
- **Enhancing the power of bureaucracy and inefficiency.**

Regulatory Overkill

Regulators and bureaucrats failed to spot and act on the causes ahead of the GFC in 2007/08, missing the potential threats posed by the proliferation of "instruments of financial destruction" such as swaps, derivatives, CLOs, CDOs, and securitisation. They failed to act on the build up of lax underwriting standards across mortgage and other borrowing markets. They failed to anticipate what would happen if global monetary flows were shut-off and failed to provide liquidity when they did.

The global regulatory community didn't understand how markets worked then – addressing the symptoms of the crisis in terms of inappropriate debt instruments and failed banking, rather than the causes: heavy borrowing by individuals. They still don't understand today.

It proved simple to engineer a regulatory over-response so that banks stopped lending even as the crisis deepened. We continue to encourage regulators to believe prudent regulation, formulaic box-ticking and legions of compliance and risk officers will avoid the crisis repeating itself.

It won't.

A different crisis is guaranteed.

The consequences of post crisis regulation are complex and have made markets substantially less efficient. These include:

- **Diminished liquidity across markets**
- **Devastated the effectiveness of global banking systems in allocating capital**
- **Transferred risk from highly experienced banks to unprepared fund managers**
- **Spawned a host of failing lending vectors including crowd lending**
- **Caused a proliferation of wasteful, essentially bureaucratic roles and excessive reporting across banking**
- **Stifled financial innovation**
- **Decreased the access to capital for new and small businesses**

It is now necessary to have a degree in financial regulation before bankers even consider picking up the Financial Times each morning. Hamstringing the whole financial sector in red tape and regulation has been one of our most successful policies in making markets less efficient.

Austerity

Politicians have played their part. We managed to persuade global leaders to massively magnify the negative market effects triggered by QE and Over-Regulation by simultaneously enforcing Austerity.

It's remarkable how policy makers did not seem to notice the contradiction between bailing out failed banks as central banks created billions via QE to drive growth, while they cut back spending on the real economy through "prudent" fiscal policy. It's little wonder the money all flowed into financial assets.

The result of 12 years of Austerity have been dramatic – essentially the once upwards evolution of society has split into a very small stream of increasingly uber-wealthy, and an ocean of less well-off who have seen their futures move into reverse gear:

- **Destabilised society, driving rising poverty, homelessness, depression and reducing life expectancies**
- **Stressed and decaying infrastructure ensuring long-term crisis,**
- **Strained social welfare networks, non-fit for purpose health and education services.**
- **Weakened confidence in political systems and solutions**
- **Failure to address employment needs in terms of changing global economy and innovate in terms of new tech (AI, 3D, Robotics)**

As incomes fell, welfare crashed, and inequality became increasingly apparent, we then entered a new exciting stage in our project:

Populism & Political Instability

Populism has been a tremendous success. Across the Western Economies we've seen an explosion in unsatisfied populations, rising dissent and the rejection of discredited political leadership. The Gilet Jaunes in France, Brexit in the UK and Trump in the US are all good examples. Some countries have swung to the left, others to the right, others want to split and fracture – we are pretty much indifferent, if they are divisive and loud.

Local populist leaders have fuelled resentment over immigration, trade and wealth to garner support, further chipping away confidence. Free Trade was blamed, and protectionist policies enforced. These movements are founded in non-deliverable outcomes – which we of course encourage, secure in the knowledge they are unlikely to achieve much in the long-run beyond further destabilising sentiment.

In the short-term, the tensions they create feed into the project:

- **Totalitarism**
- **Distrust of Democracy**
- **Fractured Nation States**
- **Increased Discrimination: Racism, Bigotry, Sexism,**

- **Trade Wars and Protectionism**
- **The end of Free Trade and Economic Liberalism**
- **Exchange rate distrust**
- **Increased Global Conflict Threat**
- **Breakdown in International Cooperation**

Don’t hesitate to ask if you have any questions.

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