Twitter Thread by Saturnalia "Ultimate Survivor" Sundown

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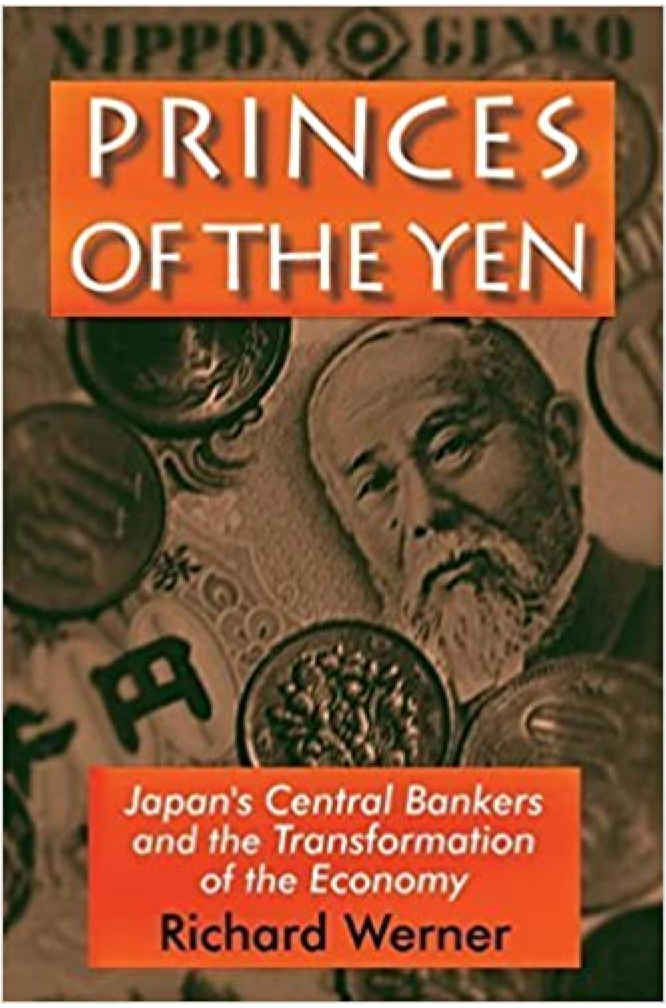
Hello friends, I am back! I have been doing a ton of financial research and am very disturbed by what I have learned.

Please enjoy a long (irresponsibly LONG) story about central banking, manufactured crises, George Soros, and the Great Reset.

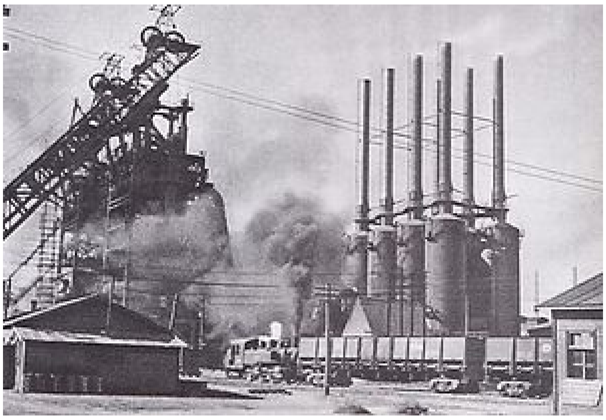
This thred will be much longer and more dry than my usual, pls bear with me. This one's legit important. The first portion will reference works by Dr. Richard Werner, and the latter George Soros.



Note my views are not indicative of those of people quoted. This post does not constitute investment counsel.

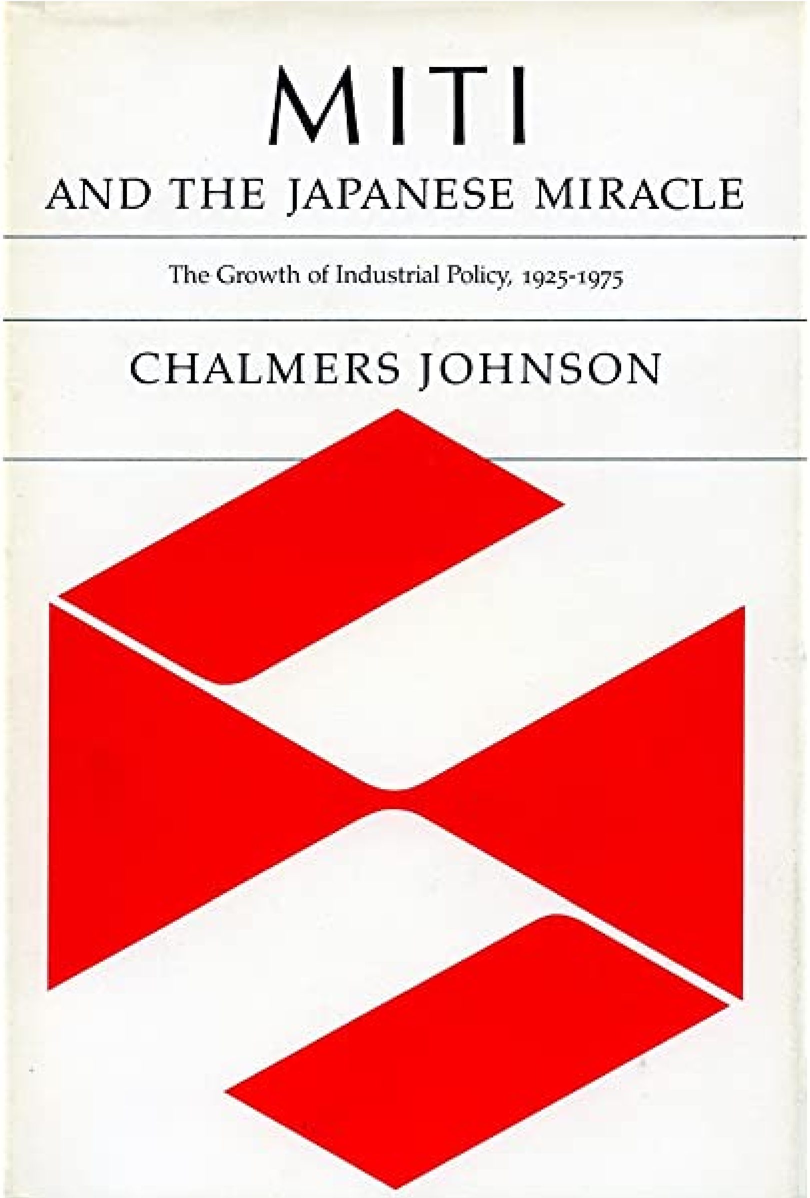
To understand current financial conditions you bare minimum have to go back to WWII. Bretton Woods has just been signed, establishing the IMF and World Bank, and the USD as standard for international settlement.

But we're not talking about US history (yet), we have to look at Japan. Unlike Germany, which had it's economy stripped down and sold off by the victorious Allies, Japan's system remained remarkably intact.



Japan's war economy was remarkably centralized and powerful. The Ministry of Commerce and Industry aggregated separate production ministries, including the powerful Ministry of Munitions. These managed production and manufacturing during the war.

In 1949 this aggregate of ministries was further centralized under the Ministry of International Trade and Industry (MITI). Alongside the ancient Ministry of Finance (MOF), they would play a key role in Japan's "economic miracle", their meteoric rise to global economic power.



Alongside the MITI and MOF there is a third (or perhaps fifth...) column, the Bank of Japan (BOJ). Unlike the previous domestic ministries, the BOJ is an international central bank.

BANK OF JAPAN

So remember this, the MITI manages industry, the MOF regulates domestic [redacted] banking and lending, while the BOJ behaves like a modern central bank, regulating monetary policy.

And as such, it's objectives and behavior can reveal a lot about current central banking. Over the 50 years following WWII the BOJ essentially waged a clandestine power struggle against the domestic Ministries, a battle that culminated in Japan's catastrophic "lost decade".

Back to the MITI and MOF. Throughout the late 1800s and the war Japan's production economy was dominated by Zaibatsu, dynastic familial cartels. These cartels retained their structure from the war effort, with highly regulated top-down control coming from the MITI and MOF.

YASUDA SEGUROS | SUMITOMO | MITSUI & CO., LTD. | MITSUBISHI

As soon as the war ended these groups switched from making military goods to consumer products, deftly coordinated and with extreme efficiency.

These cartels were despised by foreign and central bankers, an illiberal stumbling block in the way of Western objectives, global free market capitalism. The McArthur administration attempted to dissolve them; they sprang back as Keiretsu, nominally shareholder controlled.

Advantages of Keiretsu

- The mutual stockholding among the group members improves their **stability**
- Each group is **supported by a bank**
- Promotes group cohesiveness and helps the members to **participate in large projects**

There was also an attempted purge of the MOF and MITI by the US. They removed key figures, though like the zaibatsu purge it was less than effective. Tellingly, no members of the central BOJ were purged.

The very bureaucrats and managers who had demonstrated excellence in running the fully mobilized war economy, whether in Manchuria or back home, received rapid promotions to even more elevated positions in the postwar system. This is not surprising, since of the economic war planners, hardly any were purged by the United States—forty-two Ministry of Munitions, nine MoF bureaucrats and basically no Bank of Japan officials.[9] And as soon as the U.S. occupation left, practically all the nonmilitary men who had been purged were rehabilitated in order to fill the ranks that their seniority deserved. This includes wartime politicians and most Home Ministry bureaucrats who had been in charge

This war economy (now without the burden of an actual war) swiftly resulted in massive trade surpluses. Raking in the cash from exports, Japan developed a unique financial culture. Individual citizens held huge purchasing power, and retained large % savings.

Additionally, the nation saw immense material growth in both industrial power and infrastructure, with living standards rising to meet first-world status in record time.

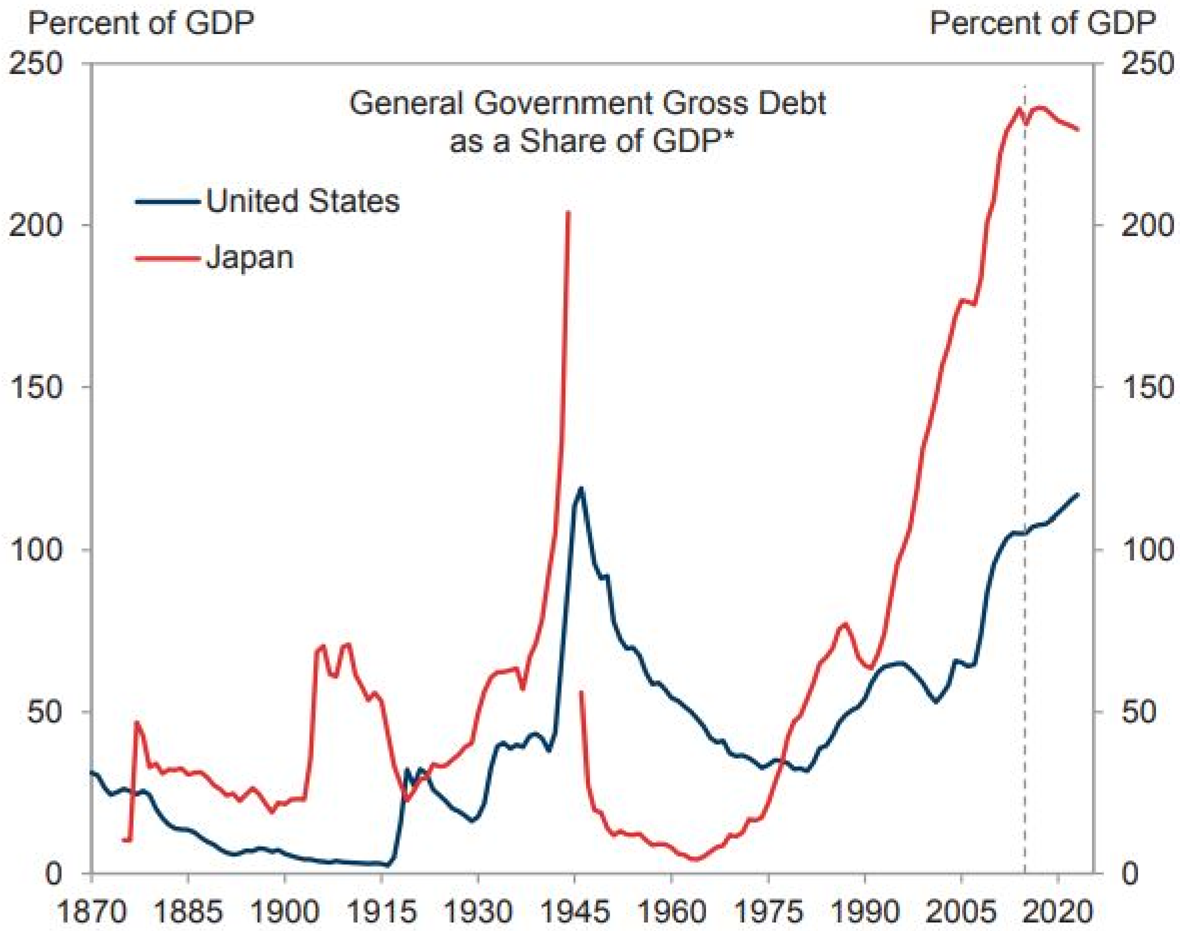
The US, UN, and international central banks were willing to allow this to continue for a while; Japan provided a useful bulwark against Soviet states (who were also attempting a rapid growth model).

While Germany's minister of the war economy, Albert Speer, remained in Spandau Prison as a war criminal, his Japanese wartime colleague became prime minister and, together with his brother, governed Japan for twelve crucial years. During this period, from the late fifties to the early seventies, the wartime bureaucratic elite, still at the control levers, managed to complete the system of the "total economy" that had delivered rapid resource mobilization during the war years. Capable of servicing a far larger market than the restricted domestic economy, it had to expand overseas. The United States, interested in strengthening Japan, allowed this to happen. It was the system of a mobilized war economy that spearheaded Japan's postwar conquest of world markets.

The main reason why the extraordinary nature of Japan's system has remained unknown for so long is the ahistoric and usually counterfactual approach of many current economic theories. History provides the data set for the scientific economist to study. Ignoring history means neglecting the facts.

But, as the decades following the war wore on, their tone changed. Unlike many Western nations, which had been dominated by central bank policy for centuries, Japan began to pose a problem to international markets.

Rather than accumulating national debt, Japan was running a surplus, paying down their own debts while maintaining a soaring equities and land market. Capital began flowing out of Japan, they were making massive acquisitions in foreign nations.



Soros writes about this a lot, he's utterly contemptuous that the Japanese were running a "closed society", with individual profit subordinated to material growth. Given monopoly-cartel conditions, profit (and taking on debt) was of low priority.

Both the United States and Great Britain are open societies: internally, people enjoy a large degree of freedom; externally, the borders are open to the movement of goods, people, capital and ideas to various degrees. Japan is still, to a large extent, a closed society. The features of an open society, such as a democratic form of government, have been imposed by an occupying power after a lost war. But the value system which permeates Japanese society is a closed one: the interests of the individual are subordinated to the interests of the social whole.

As reduction in debt, improved living standards, and individual autonomy are clearly anathema to central bankers, a plan was hatched. The BOJ would blow it up.

> other stakeholders, such as employees. Equally importantly, a free market system often leaves the central bank as the uncontested authority over the economy. Of course, to introduce such deep structural changes, the entire war economy system had to be dismantled. That amounted to a revolution. And revolutions happen only in times of crisis.

In 1962 they exercised their power over monetary policy through what they called Window Guidance. The BOJ would set mandatory targets for how much MOF-controlled commercial banks had to lend. They were obligated to provide ever larger loans, to increasingly dubious creditors.

Banks were brought back into the process through help in restoring their balance sheets and through Bank of Japan "guidance" of their discounting of bills. Restoring banks' balance sheets was easy; it was nothing more than an accounting problem. All Ichimada needed to do was to have the BoJ buy their worthless wartime bonds for good money. In its own currency, a central bank does not have to worry about bad debts. It could just print money and keep the purchased assets on its balance sheet in perpetuity.[23] This made the banks dependent on the goodwill of the central bank, and willing to cooperate with its informal guidance.[24] If the central bank wished, it could extend unlimited funding to them. The Bank of Japan, like the Reichsbank, knew that as long as newly created money was used productively, it would result in an increase in output, not in prices.[25] In the end, Ichimada had reinstated full control over both the quantity of new bank loans and their sectoral allocation in a mechanism that later became known as "window guidance."[26]

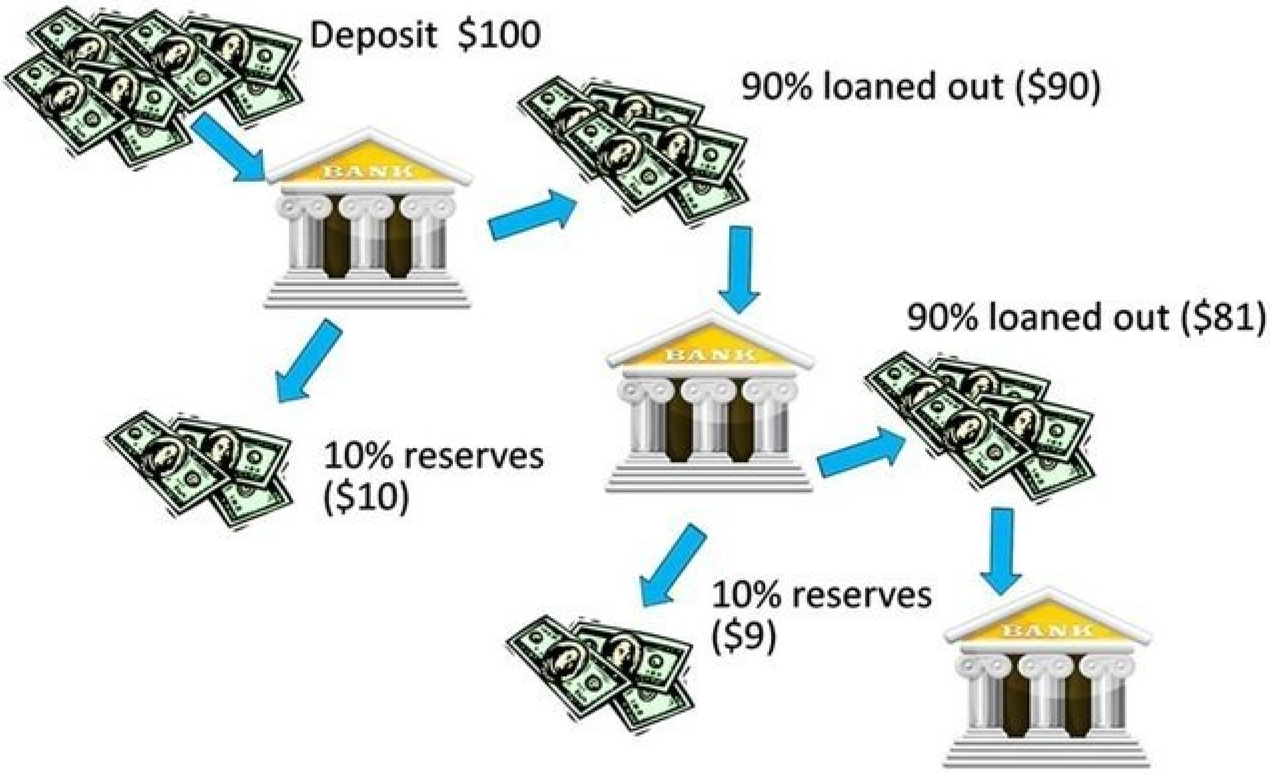
First Victory Against MoF

The credit provision programs were highly successful. But not all credit was due to the central bank. The ESB's activities, including the lending by the Reconstruction Finance Bank, had a lot to do with it. Government deficit spending, as well as the Reconstruction Finance Bank, was funded through the issuance of short-term financing bills or bonds that the central bank had to discount.[27] Demand picked up as a result of the provision of funding by the central bank and banks on the one hand, and the Reconstruction Finance Bank on the other. There was no deflation. To the contrary, it soon turned out that demand was stimulated beyond the still limited capacity of the economy, which suffered from supply bottlenecks and lingering problems with infrastructure destroyed by the U.S. bombing raids. Hence inflation became a problem.

The inflation was an opportunity to damage the reputation of the ESB, MoF,

Now, what does that do? Well, it created a huge asset bubble obviously. But here's where we get wacky. Bear with me hardcore for this.

I'm sure you've heard of fractional reserve lending right? Always popular in libertarian/conspiracy circles, it's how money comes from nothing. Think I remember seeing this in Zeitgeist when I was 12.



Wrong. It's a spurious theory. I literally think it's a counter-conspiracy theory, purposefully inserted into public consciousness. The true one? Credit Creation Theory, widely acknowledged in the early 20th century, now absent from even advanced textbooks.

The key equations of the disaggregated credit theorem are:

(1) $CV = C_R V_R + C_F V_F$

(2) $C_R V_R = P_R Y$

(3) $C_F V_F = P_F Q_F$

(4) $\Delta(P_R Y) = V_R \, \Delta C_R$

(5) $\Delta(P_F Q_F) = V_F \, \Delta C_F$

Equation (1) disaggregates the value of credit transactions (credit stock C times velocity V) into those credit transactions that are part of GDP ('real circulation credit' C_R) and those credit transactions not part of GDP ('financial circulation credit' C_F). Equations (2) and (3) substitute credit C, though disaggregated, into the standard quantity equation, thus obtaining two equations, depending on the use of credit. When these are expressed in growth terms, they become equations (4) and (5). Equation (4) says that nominal GDP growth $\Delta(P_R Y)$ is proportional to credit creation used for GDP transactions. Equation (5) identifies the cause of aggregate asset price movements: credit creation used for non-GDP (i.e. asset) transactions.

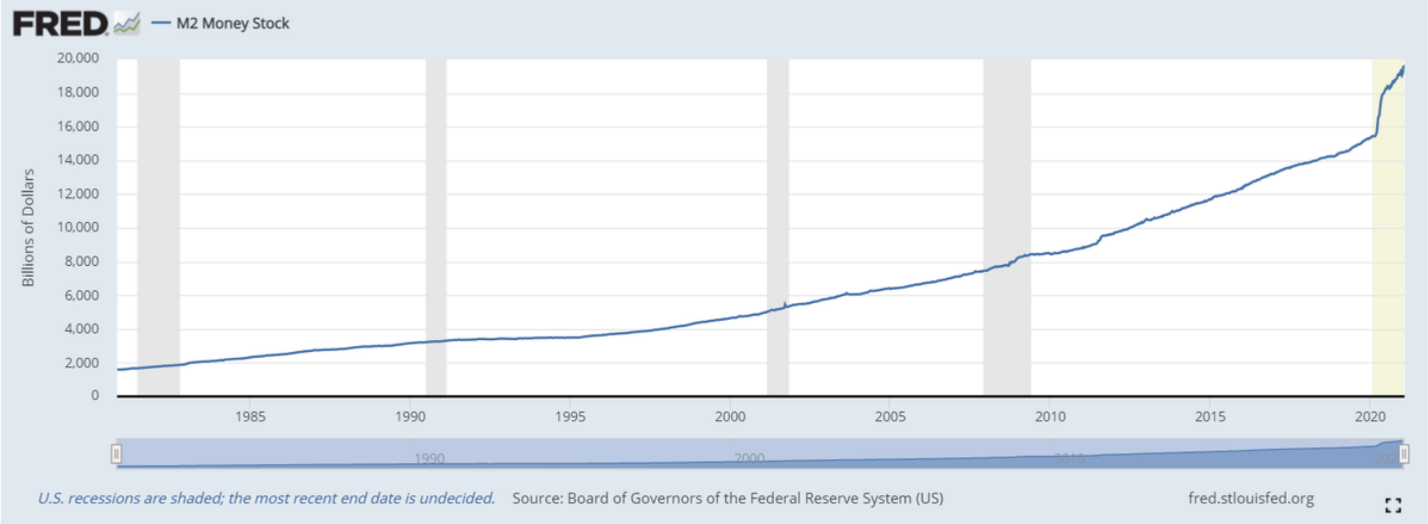
While Fractional Reserve theory posits banks act as intermediaries, multiplying money supply via lending, Credit Creation goes further. While reserve requirements do literally exist, they do not constrain commercial banks from adding to the money supply.

Instead, whenever ANY commercial bank gives out a loan, they directly add to the money supply. The act of adding credit to their balance sheet creates money, right then and there. As such, commercial banks cannot be thought of as mere intermediaries.

Credit creation theory of banking proposes that individual banks can create money, and banks do not solely lend out deposits that have been provided to the bank. Instead, the bank creates bank deposits as a consequence of bank lending. Consequently, the amount of money that a bank can create is not constrained by their deposit taking activities, and the act of bank lending creates new purchasing power that did not previously exist. The repayment of existing debt destroys money, as a consequence of reducing bank loans (asset side of balance sheet) and customer deposits (liability side of the bank balance sheet).

A bank's ability to create new money, which is referred to as 'credit money', is a consequence of a range of factors. Firstly, **non-cash transactions account for more than 95% of all transactions conducted within the economy**, with non-cash transactions being **settled through non-cash transfers within the banking system**. Banks' ability to create credit money arises from combining lending and deposit taking activities. Banks act as the '**accountant of record**' within the **financial system**, which enables banks to create the fiction that the borrower deposited money at the bank. Members of the public are unable to distinguish between money that a bank has created, and money saved at the bank by depositors.

The implications of this are vast. For starters, all money supply estimates (M1-M3) must be thought of as not just inaccurate, but truly false. Any true estimate of a nation's money supply would have to come from outstanding loans provided by commercials.



And yes, I fully realize how insane this sounds. Decades of monetary policy, every econ textbook, every FOMC hike or cut, every boom and bust, it all starts to lose or take on bizarre alternate meanings. Complete reality warp.

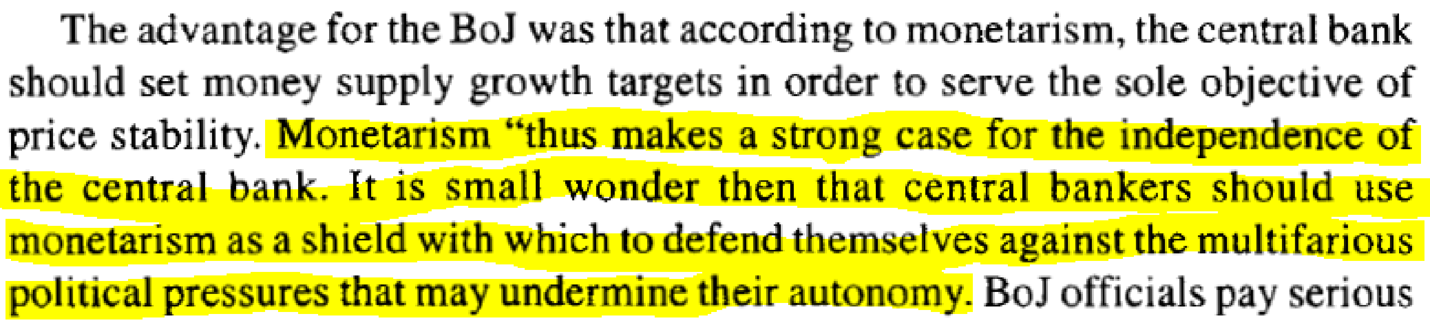
If true, it becomes clear that the application of credit matters much more than most think. Differentiation between credit used for GDP vs non-GDP purchases becomes critical, huge GDP spending becomes possible wholly without inflation.

Most shockingly of all is what this implies about the federal fund rate. While the price of credit is not entirely irrelevant, it becomes tempting to look at rate cuts as a punitive measure, something inflicted on commercials not extended to them…

Lends new meaning to the Greenspan put perhaps. We'll help you out, if you take a long-term blow to your autonomy. Also, you don't get to say no.

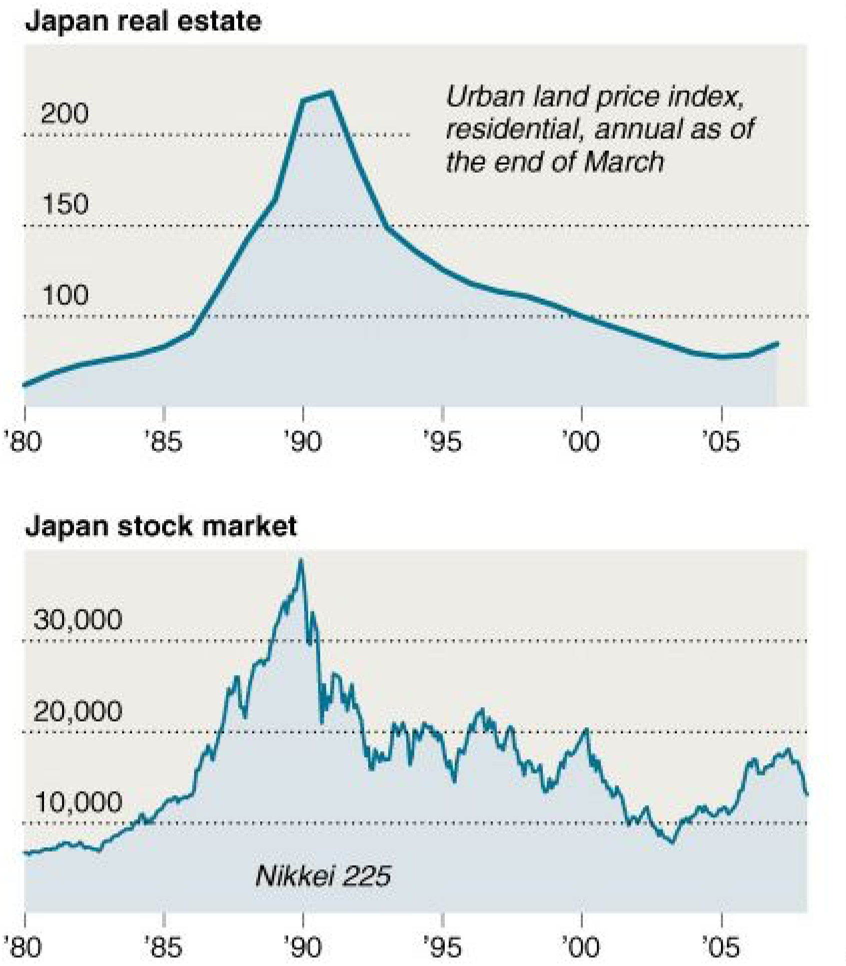
Negative rates then, a death sentence. If you've ever personally interacted with a modern Japanese bank you'll know what it's done to them. Husk institutions, resorting to pedantic measures to stay afloat.
https://t.co/Hjm3ulMNO1

However crazy, this seems directly provable. Let's return to Japan. It's the late 70s-early 80s, and the BOJ (operating with secret knowledge of Credit Creation) has made provision of huge loans mandatory for commercial banks.



The advantage for the BoJ was that according to monetarism, the central bank should set money supply growth targets in order to serve the sole objective of price stability. Monetarism "thus makes a strong case for the independence of the central bank. It is small wonder then that central bankers should use monetarism as a shield with which to defend themselves against the multifarious political pressures that may undermine their autonomy. BoJ officials pay serious

Immediately, the predictable happens. Equities, yields, land prices, everything Japanese skyrockets in value. The BOJ is blowing a bubble of insane proportions, and is working hard to make sure everyone thinks the MOF are the ones doing it.



Sources: Standard & Poor's; Japan Real Estate Institute,

Valuations reach absurdist levels. The land value of the garden outside the Imperial Palace is worth more than all land in California, combined. It's the roaring 80s, anyone who owns any land, or buys any stock at all is a millionaire.

In the 1980s, Japanese capital outflows were not the only phenomenon that puzzled economists. From the mid-1980s onward, land and stock prices appreciated tremendously. Between January 1985 and December 1989, stocks rose 240 percent and land prices 245 percent. In many countries, land prices tend to appreciate in line with GDP growth, thus leaving the ratio of land values to GDP around 1. In the United States it was as low as 0.7 in 1989. But in Japan it had risen to 5.2.[1] By that time, real estate prices had reached unprecedented levels. Using market values, one could calculate that the value of the garden surrounding the Imperial Palace in central Tokyo was worth as much as all the land of the entire state of California. Although Japan is only 1/26th of the size of the United States, its land was valued four times as high. The market value of a single one of Tokyo's twenty-three districts, the central Chiyoda ward, exceeded the value of the whole of Canada.

Capital outflows from Japan increase to impossible levels. Tiny Japanese companies can afford to buy out whole industries in foreign nations. Fear spreads around the western world, the Japanese are going to own everything and everybody.

The money began to reshape the world in Japan's image. Outbidding or swallowing rivals, Japanese money bought financial and real assets all over the world. Japanese factories opened in greenfield sites in Scotland, Wales, and Northern England. Japanese cars were manufactured in the Midwest of the United States. Icons of U.S. business prowess, such as the Rockefeller Center, Columbia Pictures, and even Pebble Beach Golf Course, fell into Japanese hands. Japanese restaurants and hotels sprang up in the world's major cities to cater to Japan's corporate raiders. Hawaiian real estate came to be dominated by Japanese investors. The same happened in parts of California and the most attractive parts of Australia. Asia was stuffed with Japanese factories, turning into Japan's new sweatshop. It seemed that slowly but surely—perhaps not even that slowly—the world was coming to be owned by the Japanese.

This created fear and drew resentment. Labor unions in the United States started to mobilize their members against the Japanese threat. Economists developed strategies for the United States to avoid being completely owned by Japan. Some voices warned that Japan had lost the war but was now winning the peace by economic means.[4] Management gurus urged business leaders all over the world to adopt Japanese-style techniques as the last resort to withstand *le défi Japonais*.

Japanese hedgies and forex traders are killing it, unstoppable. Japanese traders buy 75% of all US Treasuries sold in 1986. They buy half the gold produced in the world.

These remarkable developments could not fail to leave a strong impact on international securities markets. In the 1980s, international bond markets had become unthinkable without the ubiquitous Japanese presence. At their peak in 1986, 77 percent of total net portfolio outflows were directed into bonds, the rest into foreign stocks and shares. Almost 90 percent of investment in foreign securities was in U.S. Treasury bonds.[8] Japanese money mopped up a staggering 75 percent of all Treasury bonds auctioned off in 1986.[9] Portfolio flows peaked in 1986, while foreign direct investment rose steadily in importance. In 1990, at $48 billion, foreign direct investment had taken the lead over portfolio investment and Japan became the world's number one provider of direct investment.[10]

They have so much money it seems (quite literally) impossible. Even accounting for obfuscatory accounting practices and export surpluses, these figures are completely inexplicable. They're creating value from thin air, only explanation is it's cash literally created by credit.

Although the precise figures may never be known, the officially published figures of Japanese foreign investment were already large enough to worry many observers, not least because they seemed to defy economic logic. In the 1970s, Japanese capital flows followed the textbooks: They were roughly equal in size to Japan's trade or current account surplus. Thus money earned from Japanese net exports was merely "recycled" back abroad as foreign investment. Trade movements appeared to be the driving force, to which capital flows adjusted.

In the 1980s, this textbook scenario had disappeared. Now the momentum did not originate in the current account. Long-term capital outflows preceded the current account surplus in timing and by far exceeded it in size. Japan was purchasing far more assets abroad than it could afford due to its exports. To fund its international shopping spree in the 1980s, Japan actually had to borrow foreign currency.[21]

Economists had a hard time explaining this phenomenon. Some thought that the abolition of capital controls must have been responsible. Indeed, legal regulations were eased gradually over the 1980s, with benchmark changes of the foreign exchange law in 1980. However, most large institutional investors stayed well below their legal foreign investment limits in the second half of the 1980s.[22] Moreover, the question remained why investors suddenly chose to invest so much abroad. Another frequently cited explanation was that Japan's capital exports were due to Japan's high national savings. But this ex post facto accounting identity does not tell us anything about *why* Japan's savings were so large.

The BOJ has stoked the economy white-hot, blown the bubble to impossible proportions. Now, step two, popping it (and pinning the blame on the MOF). Remember, while many did not realize what was happening, central bankers all over the world had planned this, for decades.

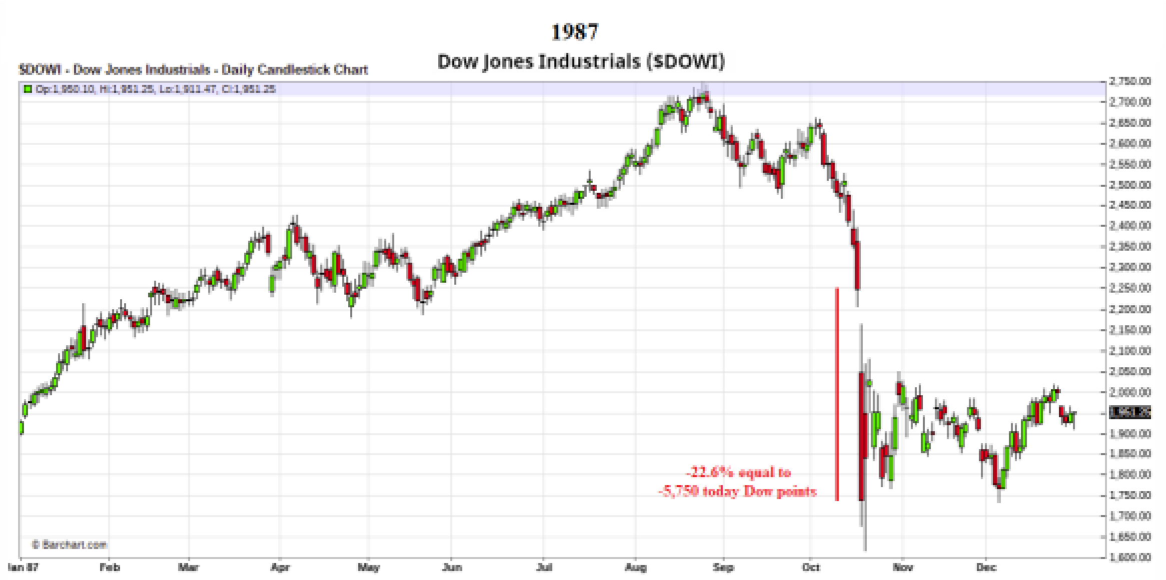
Now, let's change gears. We're in the US, 1987, lets see what Soros has to say. Ah, he seems perfectly aware the BOJ has offloaded responsibility onto commercial banks and the MOF. He finds the idea of Japanese (closed society) dominance disturbing.

At first, the inflation of financial assets allowed the authorities to discharge their obligations toward the commercial banks at a time when the real economy was in deep trouble. Without the land and stock market boom, the commercial banks would have seen many of their loans to industrial companies turn sour, and their earnings would have suffered. Land and stock market speculation allowed them to expand their loan portfolios against seemingly good collateral and also allowed the industrial companies to make up for their earnings shortfall by earnings derived from "zaitech"—that is, financial manipulation. The land boom has also served another purpose: it helped to preserve a high domestic savings rate and a favorable trade balance in spite of the

"We should take steps to determine a viable alternative"?

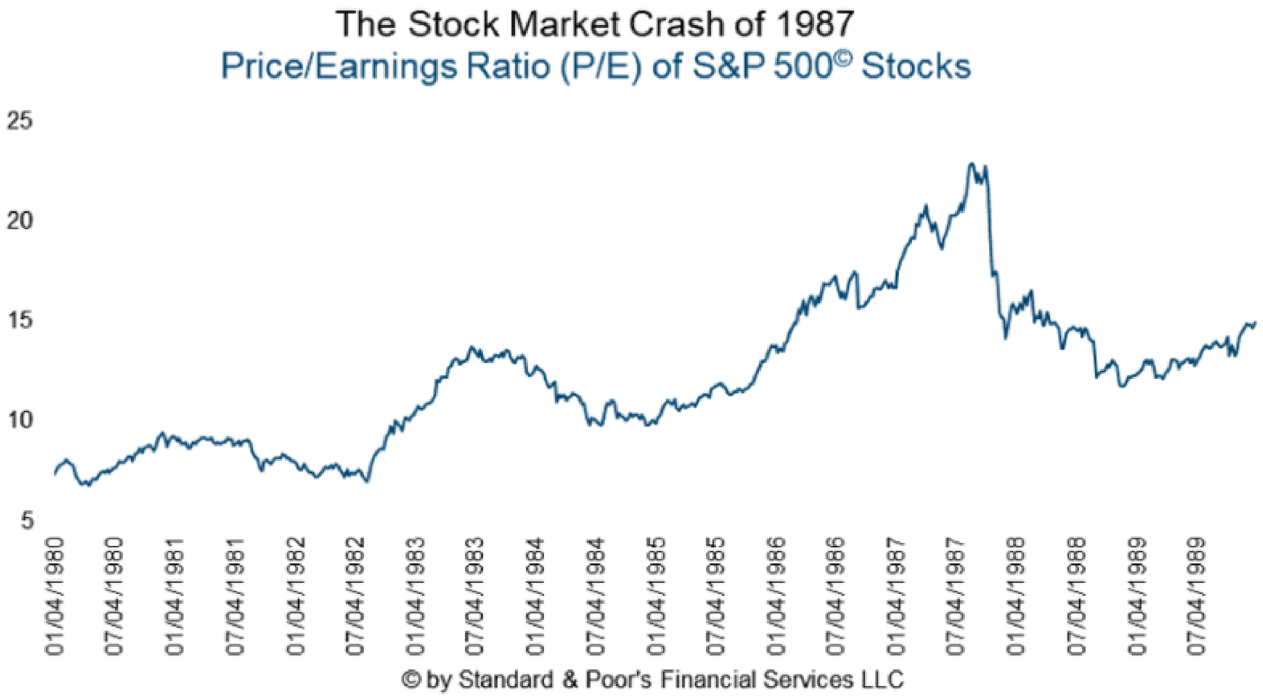
It is ironic that the Japanese should have a better understanding of the reflexive character of the financial markets than the Western world does, and it is regrettable that they should be using it to ensure the success of a closed system. If we don't like what is happening, we should take steps to develop a viable alternative.

Now, the Crash of '87. US equities plunge 22.6%, Black Monday, Vol's grim smile stretching across terminals everywhere, traders abruptly remember fat-tail risk exists.

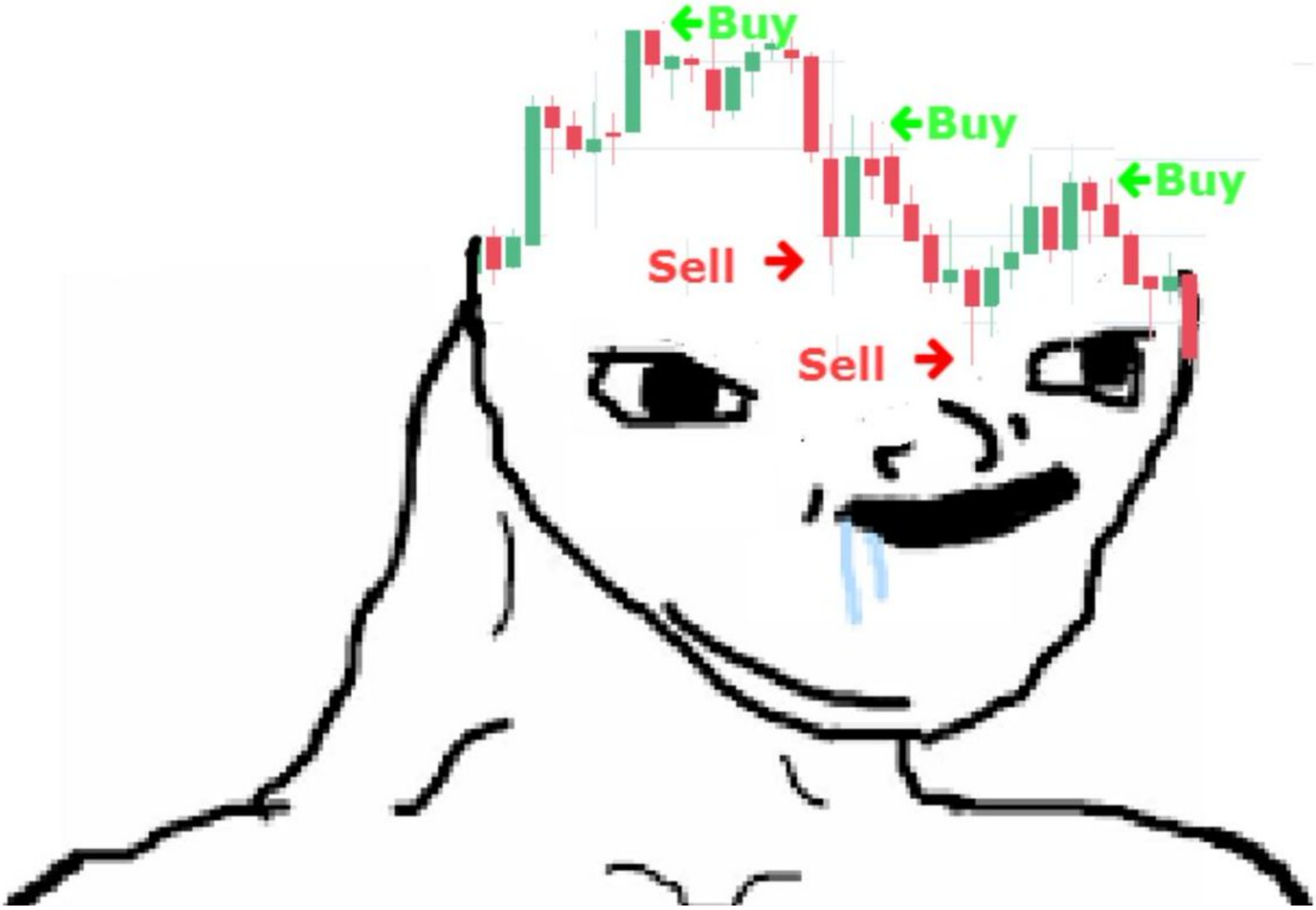


So, what caused it? US equities were running hot, at a (comparatively tame these days) average forward p/e of 18. There was a significant but not crazy bearish surprise on deficit figures (wonder what caused that lol).

Price-Earnings-Ratio (P/E Ratio)



Now, there's a lot of other things people point to, proliferation of crude automated momentum """insurance""" strategies? Personally I love the story about NYSE traders moronically trying to arbitrage index futures against a halted market, getting rekt by their own sell wall.



But in the end I'm not really sure of the cause. Point is, this sends a shockwave through global markets, particularly Australia, HK, New Zealand. Though Japan appeared to weather it well, I strongly believe it caused damage under the hood which wouldn't appear for 2 years.

What's critical for now is that falling US equities were preceded and accompanied by a falling dollar. Greenspan and the US Fed can't raise rates, it'd further screw up equities. Curiously, Soros points to a dip in Japanese bonds as the original catalyst.

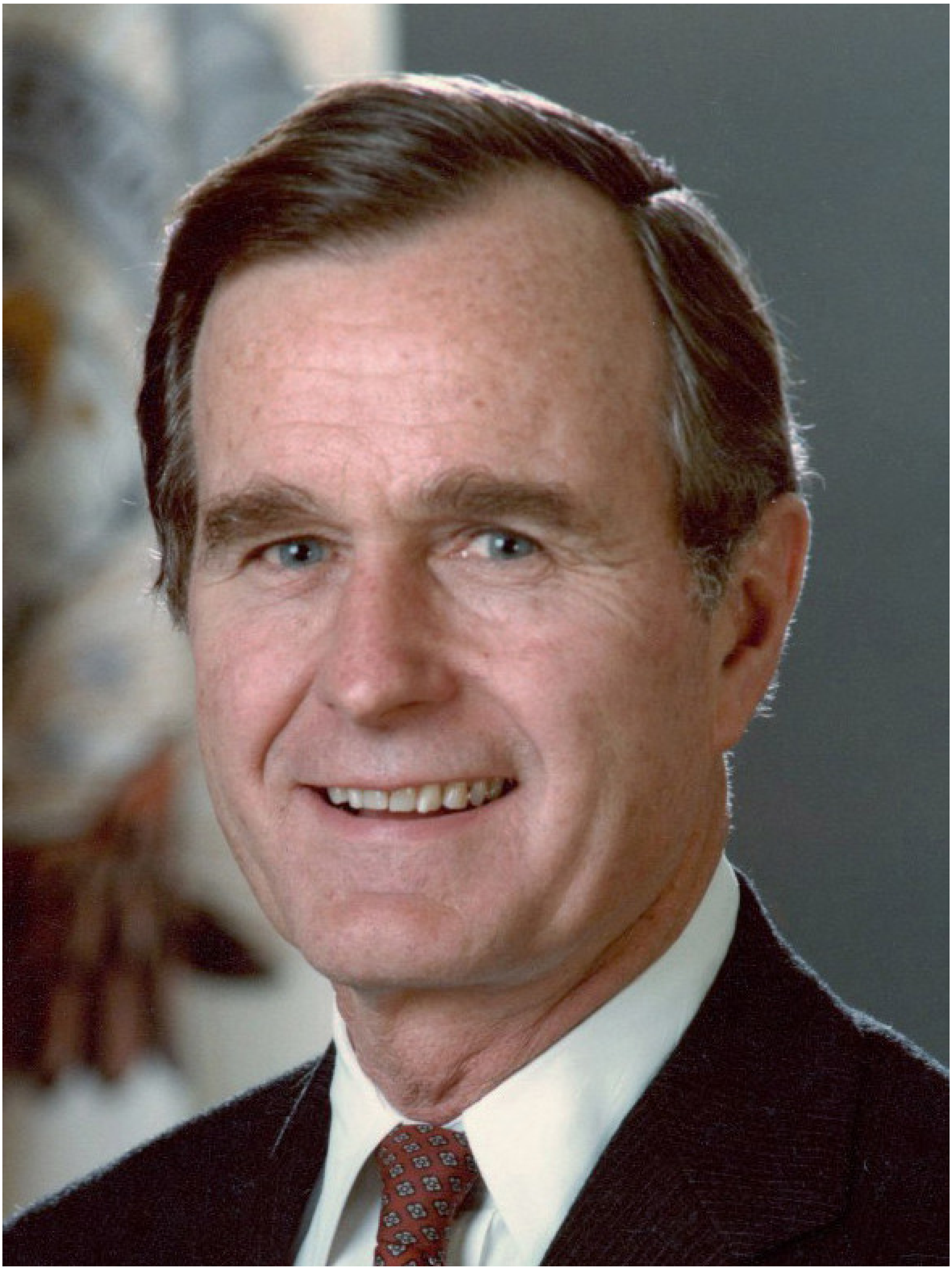
The first crack came when a well-known and widely followed "guru," Robert Prechter, gave a bearish signal before the opening on October 6 and the market responded with a resounding fall of some 90 points. This was a sign of underlying weakness, but similar incidents had occurred in 1986 without catastrophic consequences. The situation deteriorated when the dollar also started to weaken. On Tuesday, October 13, Alan Greenspan, Chairman of the Federal Reserve, announced that the trade balance showed signs of a "profound structural improvement." The figures published on Wednesday, October 14, were all the more disappointing. The dollar came under severe selling pressure. The principle of unsterilized intervention would have required a rise in interest rates which would have been all the larger because of the rises that had occurred in Japan and Germany. The U.S. authorities were unwilling to undertake such a tightening, and by Thursday, as the stock market continued to decline, Treasury Secretary James Baker was reported to be pressing the Germans to lower their interest rates lest the dollar be allowed to fall. The stock

Greenspan famously gives only a short statement, the US Fed "affirmed today it's readiness to serve as a source of liquidity". No promises of anything, no direct intervention, no nothing.

And then, miraculously, the markets recover (kinda). Black 'n Blue Tuesday was still a little rough, but would you look at that, buys in the overnight futures, gap up on open, everything levels out over the coming year.

A short time later the Reagan administration forms by executive order the Working Group on Financial Markets, aka the Plunge Protection Team. Greenspan, Treasury Secretary Brady, SEC Chairman Ruder, Commodities Chairwoman Gramm.

What these guys do has never been exactly clear. They support the market. Now, in 1987 the election was coming up. Poppy Bush really wanted to win, and the worst crash since the great depression sure would look bad...



Now this I'll never be able to prove, but read this statement from Fed board member Heller. They could support the market by buying index futures in an open market operation? I'm not saying they did it, I have no evidence, but wowee that'd be a secret to take to the grave.

Did the guys on Wall Street do this on their own to be patriotic — and risk their own dough — or did they act with some encouragement and financial guarantee from the Federal Reserve?

The safeguard is understood to be a part of the President's Working Group on Financial Markets — colloquially called the Plunge Protection Team — created by executive order on March 18, 1988, under President Ronald Reagan.

I'll remind you that a guy named Robert Heller, just after he had left the Fed board, recommended just such stock-market manipulation back in 1989.

"Instead of flooding the entire economy with liquidity, and thereby increasing the danger of inflation, the Fed could support the stock market directly by buying market averages in the futures market, thereby stabilizing the market as a whole," Heller wrote soon after exiting the Fed.

I'm sure you remember Christmas Eve 2018, when Mnuchin made the call. Not saying it happened then either, just weird.

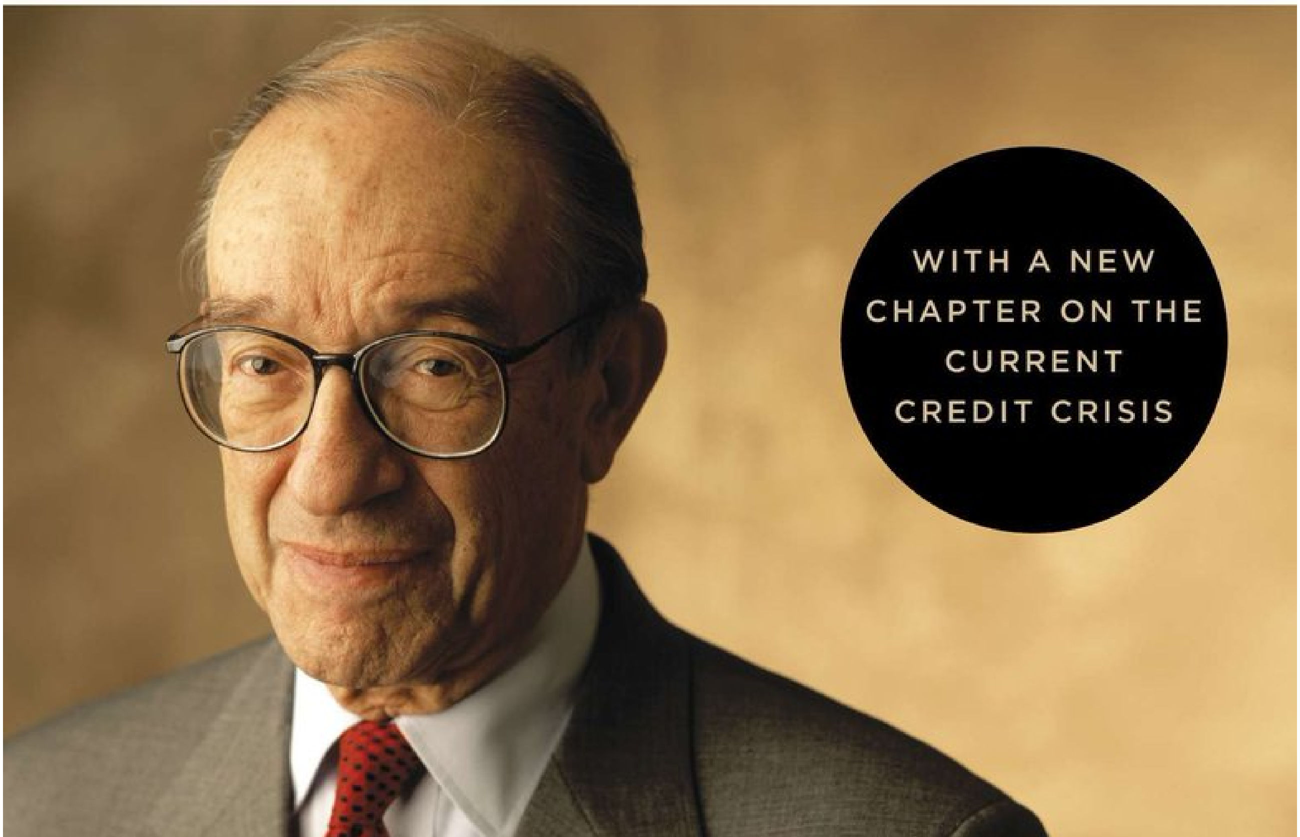
As a semi-related aside, Greenspan's memoir may be the worst book I've ever read. Creepily, it's written at a third-grade level. This guy expects me to believe he wanted to hike rates because some shoe factory in Missouri was booming?

No.1 New York Times Bestseller

ALAN GREENSPAN

THE AGE OF TURBULENCE

ADVENTURES IN A NEW WORLD

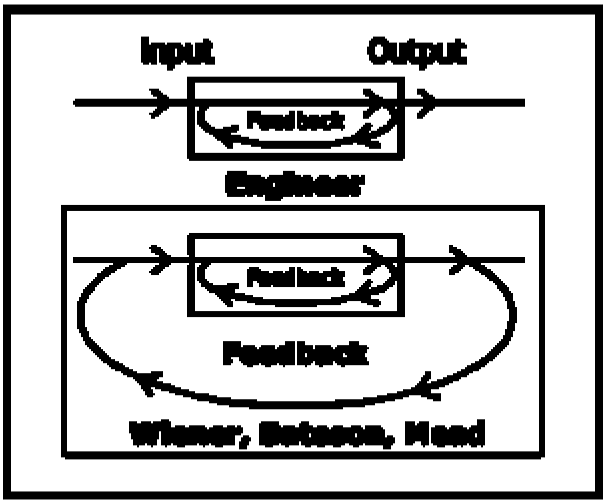


Interesting that seems to imply that high employment and growth are NOT fed priorities though...

Anyway, back to Japan. It's 1989, the BOJ decides it's time to deliver the coup de grace to the overextended MOF and their commercial banks. They hike interest rates, knowing full well current asset prices will react horribly.

The bubble pops, and the commercial's books are now loaded with outstanding debt, debt that cannot be paid by abruptly unprofitable creditors. Their response, though natural, only exacerbates the problem.

See, they become unwilling to make loans to unprofitable enterprises. Less loans, less cash, lower asset prices, less profit, less loans. It's a vicious cycle, one that central bankers (and Soros, being more of a cyberneticist than a trader) are acutely aware of.



The BOJ responds with what on the outside looks benevolent, cutting rates. But despite massive and continuing rate cuts, asset prices don't improve, rather, they fall further. See, as we learned before, traditional monetary measures like this are not the source of money supply.

This also serves to deliver a second blow to commercials, with rates slashed to zero (eventually becoming negative), they're now unprofitable enterprises themselves. They get huge bailouts, they're termed "zombie banks".

These bailouts though, like the rate cuts, appear conciliatory towards them. Wrong! The commercials are put in inescapable debt to the central bank, and slowly begin to collapse, consolidating into just 4 institutions all under the guidance of the BOJ.

The BOJ has achieved a total monopoly on the power of credit creation, an insane roll-up of power. What's more, they can use credit creation however they wish, after all central bank balance sheets are hardly impacted by bad debt.

So, as the 90s wear on, businesses fail, Japan's suicide rate, unemployment reaches astonishing proportions, the average citizen's purchasing power is desolated, the BOJ does... nothing. They took all this power, they could end the nightmare at any time, yet they choose not to.

An economic recovery could have been engineered at any time during the 1990s by increased central bank credit creation. Japan could have had high growth throughout the 1990s if the Bank of Japan had wished it to happen.

And with that, the war-economy system, and it's impediment to central bank control, disappears. Japan no longer runs a surplus, it now accrues national debt, like all other first world nations. It's government is now beholden to the IMF, and the Bank for International Settlements

BOJ Governer Mieno is essentially promoted, he becomes a board member at the BIS. Job well done, destroyed the most exemplary economy in the world.

But the story doesn't end there, not even close. Let's take a closer look at what George Soros specifically was doing. We have to look at Thailand, Malaysia, Singapore, and South Korea. All three of these nations had (to varying degrees) attempted to emulate Japan's success.

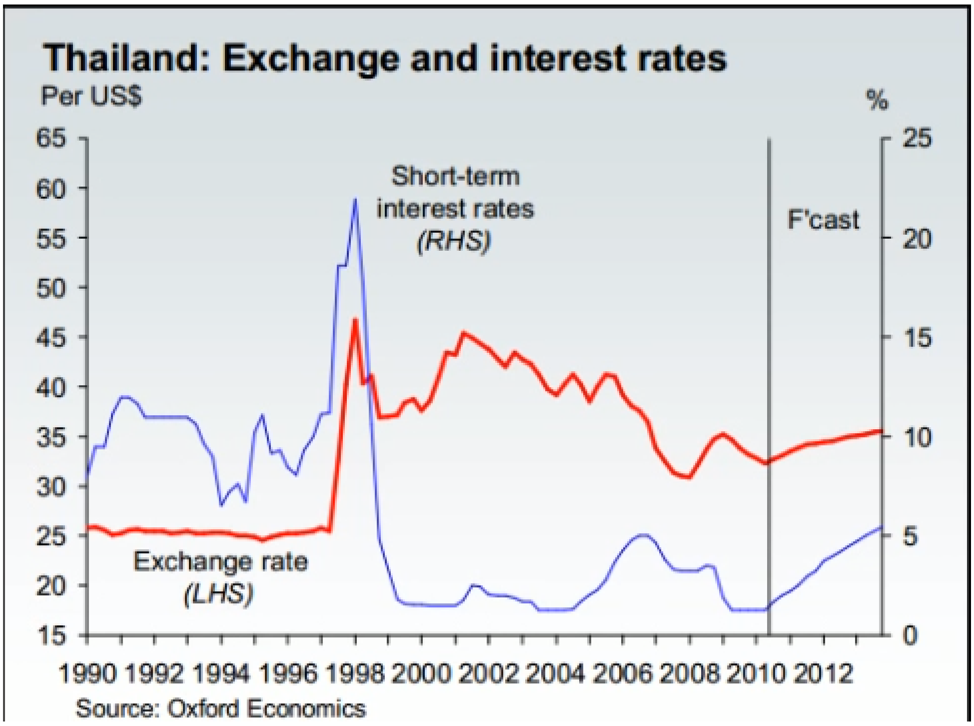
Moreover, the Asian model as such was an extremely successful economic development strategy and was widely admired in business circles. The Asian model produced dramatic increases in living standards, averaging 5.5 percent annual per capita income growth over an extended period—faster growth than was achieved in any economy over the same period at any time in recorded history. Therefore even as the crisis unfolded, Asian leaders like Lee Kwan Yu of Singapore, Suharto of Indonesia, and Mahathir of Malaysia proudly proclaimed their belief that Asian values were superior to Western values. They went so far as to challenge the UN's Universal Declaration of Human Rights. Lee Kwan Yu considered Western democracies decadent, Mahathir resented the tradition of colonialism, and Suharto extolled the virtues of nepotism. The Association of Southeast Asian Nations (ASEAN) admitted Myanmar (Burma) as a member in June 1997—a direct challenge to Western democracies, which found Myanmar's repressive regime politically and humanely unacceptable. (My public condemnation of ASEAN's move may have prompted Mahathir's attack against me.)

The "Emerging Market" boom was in full swing. It seemed like anyone could make money trading in SE Asia. Perhaps most famous is Nick Leeson, the rogue trader who's imbecilic delta one trading bankrupted Barings, charter bank in the City of London.

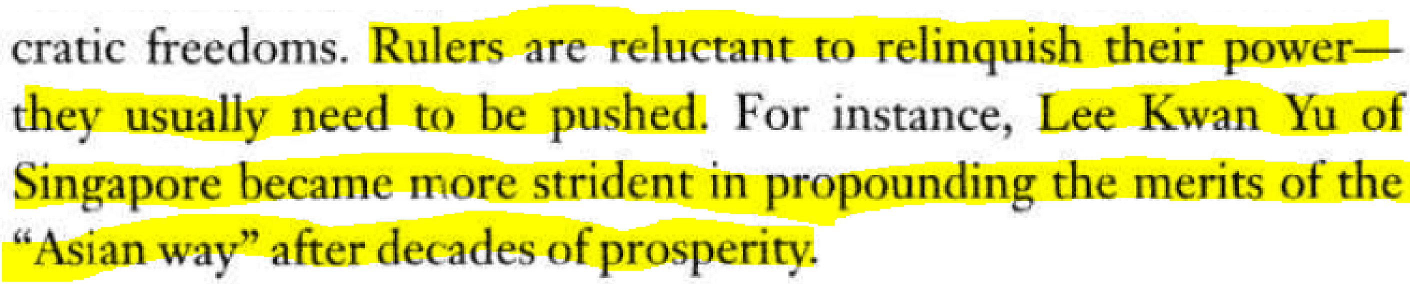
This is again, something I cannot prove, but given the theme of planned demolition of commercial banks, the inconsistencies in his story make me raise my eyebrows. Here's a truly paranoid take from Miles Mathis lol

Before we move on, I wish to go back to Barings Bank for a moment. We are told it collapsed in 1995 due to the actions of one derivatives trader named Nick Leeson (above), who lost over a billion dollars. There is no chance the given story is true. Here are your clues. One, we are told that Leeson was hired by Coutts Bank in 1985. But since he was born in 1967, he would have been 18, with no university degree. Two, we are told that Leeson was appointed general manager of the futures market of SIMEX for Barings Bank in 1992, despite having been denied a broker's license in the UK due to fraud on his application. We are told Barings knew this but didn't disclose the fact to authorities in Singapore. Right. Plus, he was only 25 in 1992. What major bank would hire a 25-year-old with no degree to be chief trader and general manager? Three, almost all his losses were posted on an error account, to hide the transactions from his bosses. Right. That wouldn't hide the losses from anyone, it would just make them *more* noticeable. Four, the number of this error account was 88888. Right. Seems like a short account number to me. Also a bit obvious as numerology, knowing what we now know. And why would they make this account number a prominent part of the story? Is that really important: to know the number of this error account? We are told he used the number 8 because it was lucky in Chinese numerology, rhyming with "prosper". But he wouldn't have been responsible for choosing the number of the error account, the computer would. Five, we are told Barings allowed Leeson to hold two jobs at once, being both chief trader and settler of the same trades. This means we are supposed to believe he was hired as his own overseer. Banks don't do this, because it would be begging for just this sort of fraud. It isn't done. Singapore auditors confirmed all this when their report was released. They stated that Barings *knew* or should have known about the error account and the lack of supervision. Six, Leeson was allegedly released very early from prison in 1999 for colon cancer, which was supposed to

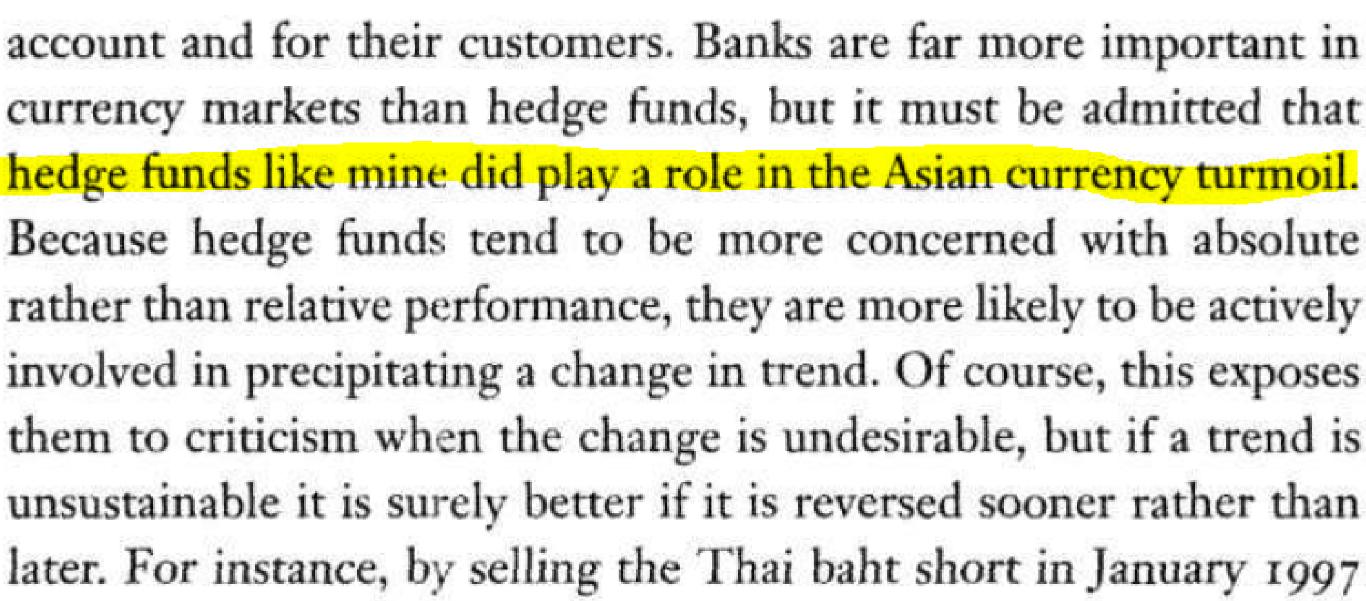
But anyway, a disturbingly similar story plays out in SE Asia. SEA banks borrow against the US Dollar, free to operate at a profit because their own central banks have established a currency peg to the USD.



But, they're getting too profitable! Standards of living are rising! Autocratic rulers like LKY are in charge, it's a Closed Society! Something must be done!


cratic freedoms. Rulers are reluctant to relinquish their power—they usually need to be pushed. For instance, Lee Kwan Yu of Singapore became more strident in propounding the merits of the "Asian way" after decades of prosperity.

Soros' Quantum Fund, likely alongside his accomplice Joe Lewis' Tavistock Group (no relation to the Tavistock Institute, haha..) take a massive short position on the Thai Bhat and Malay Ringgit.


account and for their customers. Banks are far more important in currency markets than hedge funds, but it must be admitted that hedge funds like mine did play a role in the Asian currency turmoil. Because hedge funds tend to be more concerned with absolute rather than relative performance, they are more likely to be actively involved in precipitating a change in trend. Of course, this exposes them to criticism when the change is undesirable, but if a trend is unsustainable it is surely better if it is reversed sooner rather than later. For instance, by selling the Thai baht short in January 1997

Now, Soros isn't a central banker himself obviously, but his goals seem remarkably in line with theirs. In fact, he criticizes the IMF repeatedly for not being effective ENOUGH. Possible then, that he serves as sort of executioner for them, secondary to personal profit?

Unable to hold through the onslaught, the currency peg snaps. SEA banks now face massive exposure to their own rapidly depreciating currency. All the loans they offered are now bad debt which they cannot hope to get paid back.

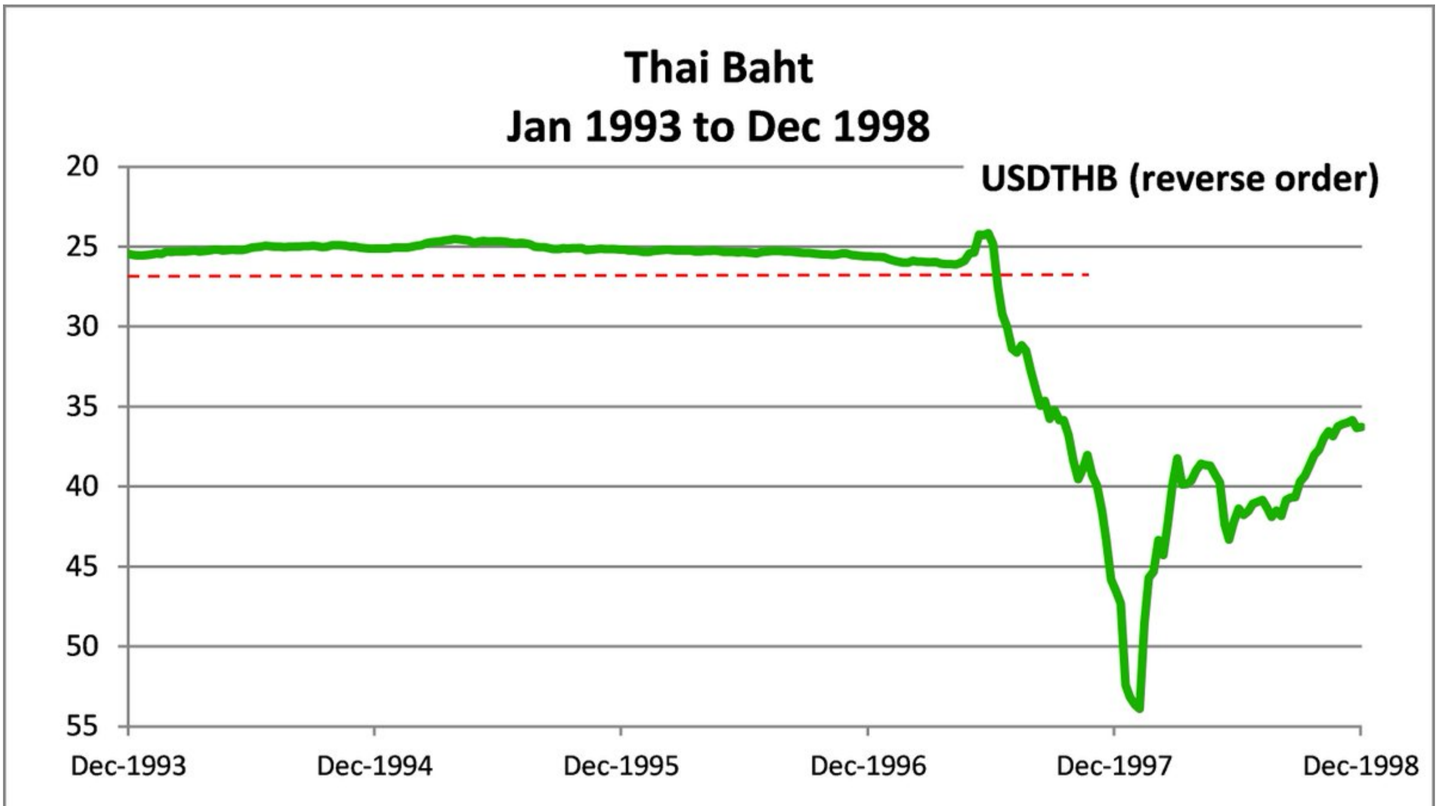


Chart 9.

Malay Prime Minister Mahathir says some not-so-nice stuff about Soros' ethnicity. The IMF steps in, offering to provide liquidity and stabilize the situation, as long as their geopolitical objectives will be acceded to.

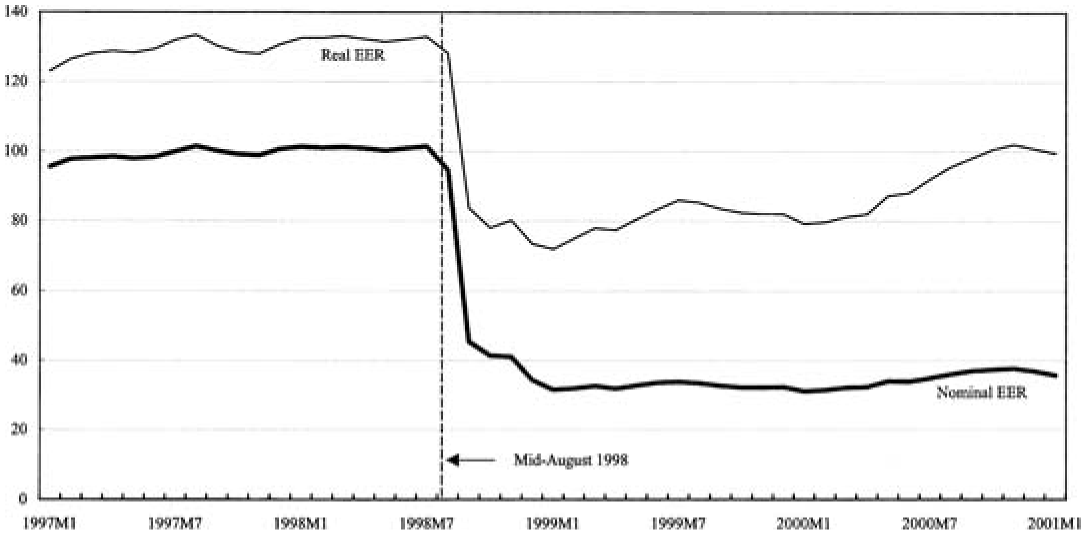
In shakeup, virulently anti-Semitic Malaysian PM submits resignation

Mahathir Mohamad, who has defended calling Jews 'hook-nosed' and said they 'rule the world by proxy,' steps down amid political turmoil in Kuala Lumpur

Societies: Opened. But again, it doesn't end here. The consequences leapfrog around the world, and here's where I go fully paranoid. Soros had to have been aware that Russia and Ukraine had huge exposure to SEA credit and commodities demand.

What if the true attack was not against SEA nations, but halfway around the world in Russia? Soros was acutely ware of the geopolitical problems a newly capitalist Closed Society could pose.

The shockwaves of the SEA crisis hit Russia hard, they were forced to default on their domestic debt, it devalued the Ruble, Russia (and it's oligarchs) were forced to take an IMF package which included "social reforms".



The consequences of this extend to extremely recent times. Oligarchs attempt to evacuate capital to Cyprus, they get hit again in 2013 during the Cypriot banking crisis.

During this crisis Soros was personally involved in constructing the package. And apparently Mitch McConnell, who has his phone number?

I talked to Treasury Secretary Rubin and stressed the urgency of the situation. He was fully aware but his concern was not shared by the other G7 governments, which were largely beyond reach on holidays. I was contacted by Senator Mitch McConnell and I urged him to call Rubin to assure him of Republican support in what would be a very risky operation. Late in the day I was approached on behalf of Kiriyenko. He is still looking for a $500 million bridge loan but that is no longer realistic. I offered to fly to Moscow to discuss the larger issues if it would help.

Many banks were not bailed out, left to go under. More centralization of power, less individual institutions capable of creating credit.

Let's look at what Soros has to say about Putin (who's rolling up of oligarchs cleaned up this mess). If Putin succeeds (he pretty much did, this was written in '98), Soros profits directly.

Putin will try to reestablish a strong state, and he may well succeed. In many ways, that would be a desirable development. As the Russian experience taught us, a weak state can be a threat to liberty. An authority that can enforce the rules is indispensable for the functioning of a market economy. By accomplishing the transition from robber capitalism to legitimate capitalism, Putin may well preside over Russian economic recovery; my investments in Russia—including Svyazinvest—might finally pay off.

But, look at that. If he fails, Soros and central banks gain ideological power. That's the way this works, they set up a win-win situation, capturing capital on the way up, and accruing power on the way down.

But Putin's state is unlikely to be built upon the principles of

*See Richard Rhodes, *Why They Kill: The Discoveries of a Maverick Criminologist* (New York: Knopf, 1999).

open society; it is more likely to be based on the demoralization, humiliation, and frustration that the Russian people experienced after the collapse of the Soviet system. Putin will seek to reestablish the authority of the state at home and the glory of Russia abroad. Russia is not lost; on the contrary, it may revive under Putin. But the West has lost Russia as a friend and ally and as an adherent to the principles of open society. One thing is crystal-clear: The prospect we face in Russia could have been avoided if the open societies of the West had been more firmly committed to the principle of open society themselves.

The Russia crisis had the added benefit of blowing up LTCM (rip Scholes and Merton ;_;), which led to Salomon Brothers being rolled into Citi. It's not like it isn't happening in the US.

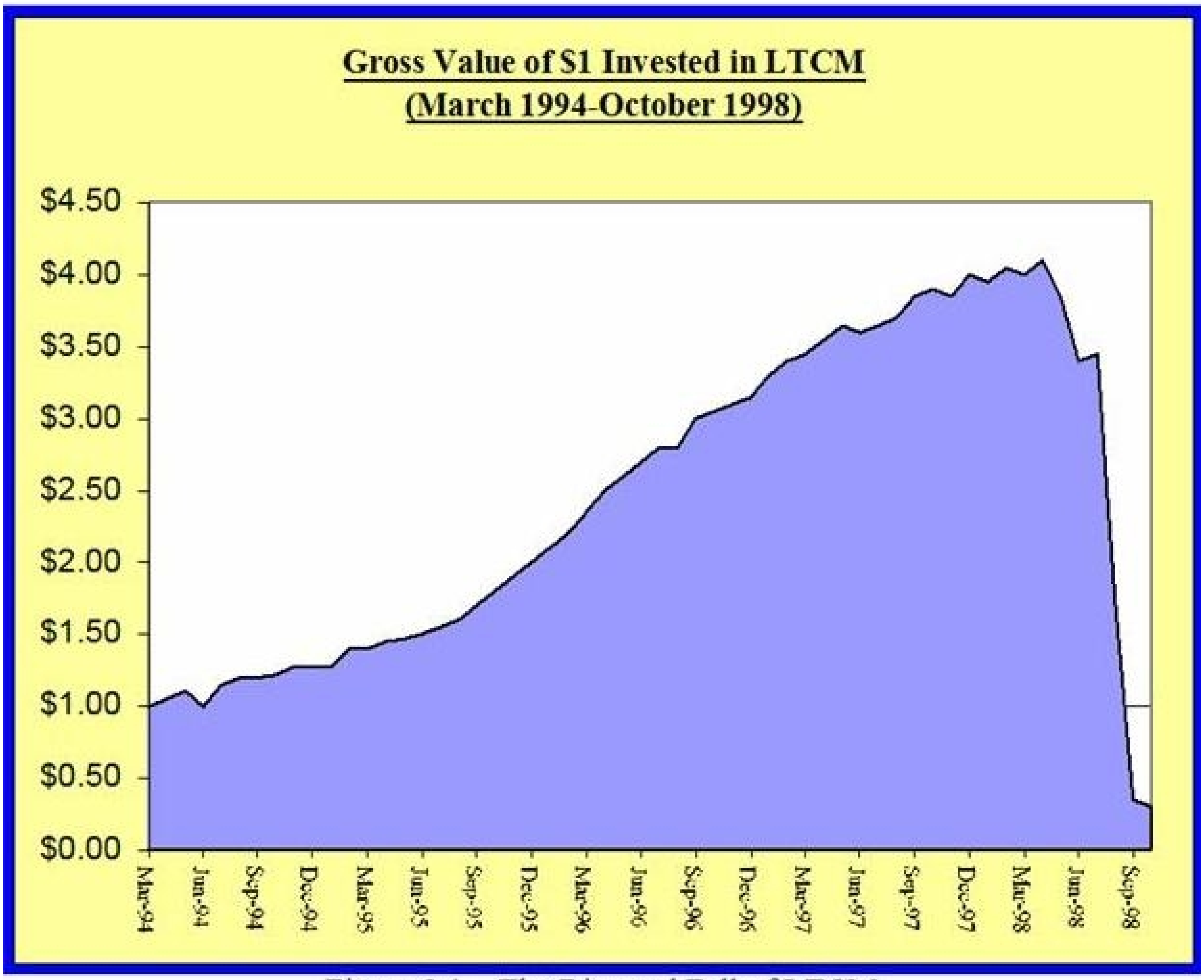
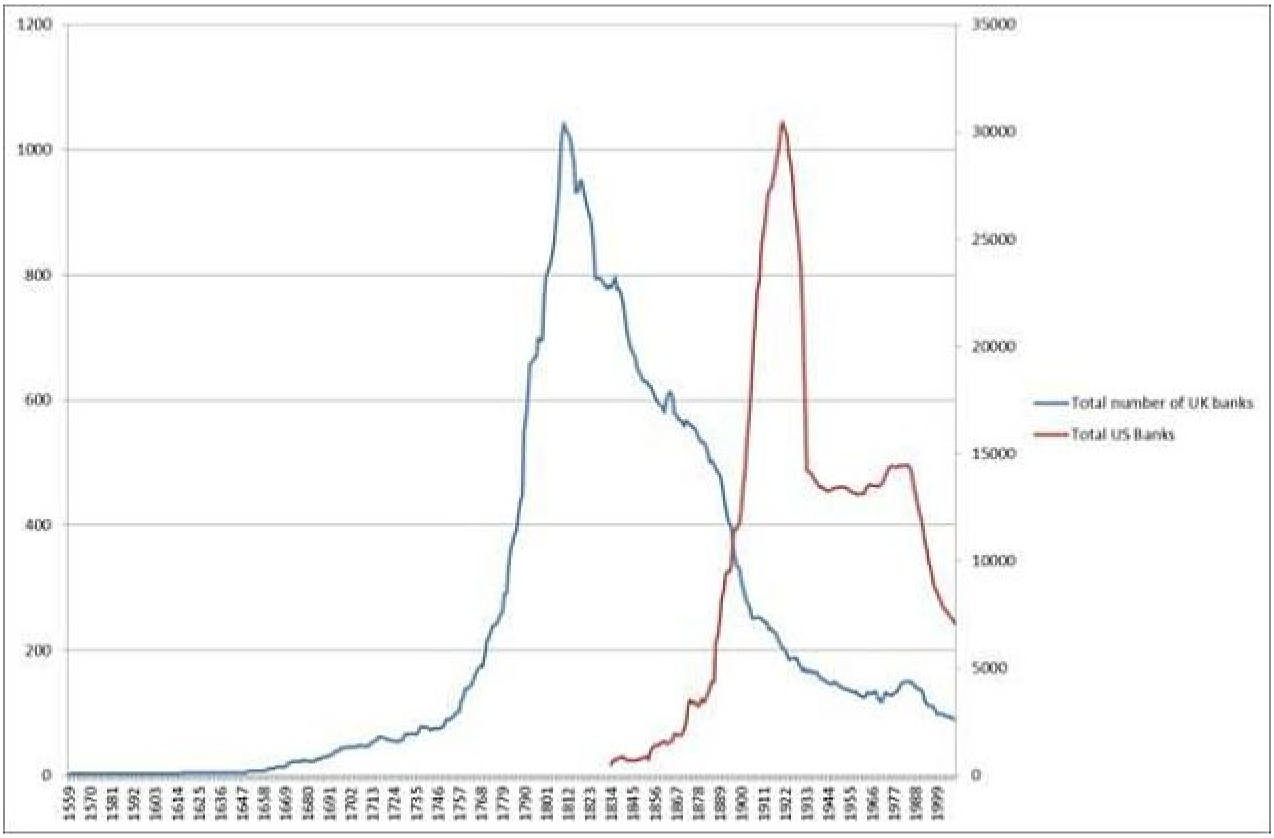


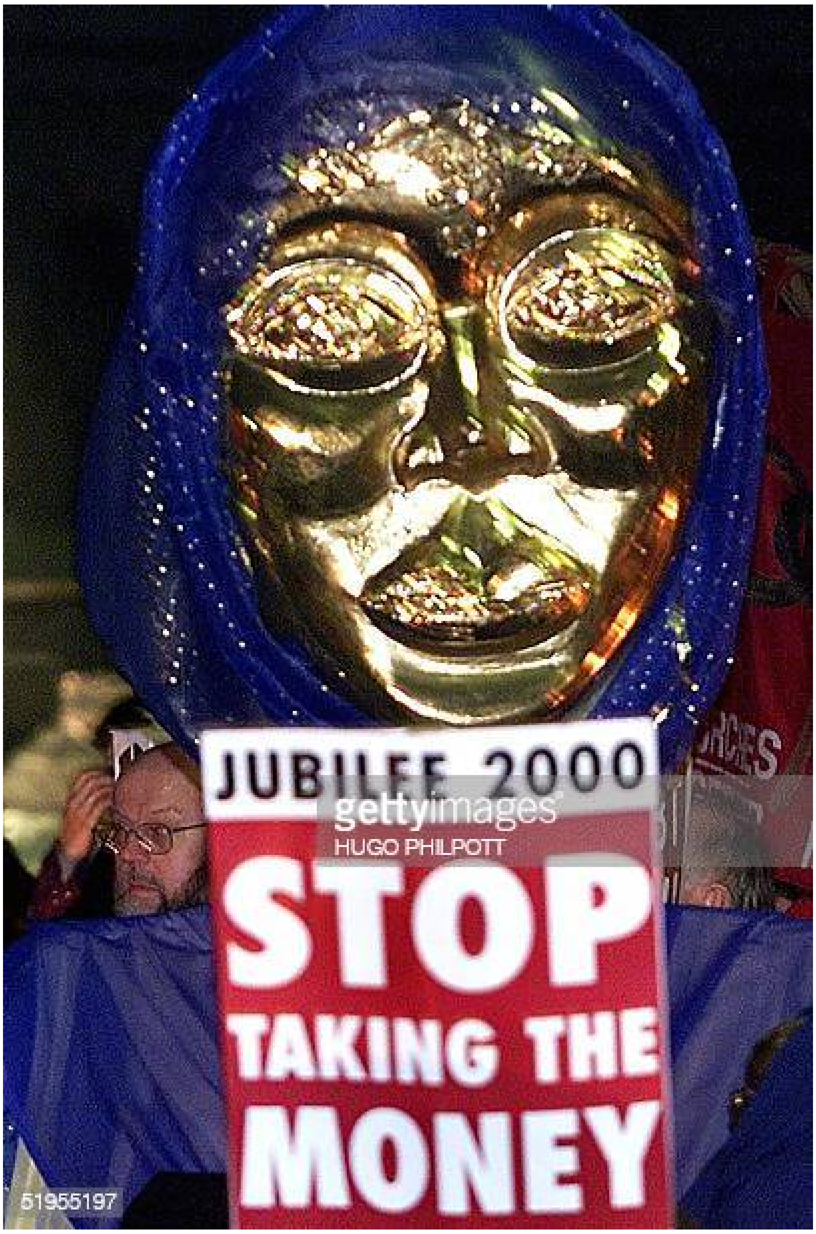
Figure 3.1 – The Rise and Fall of LTCM
(from Lowenstein 2001)

Alright, last part, I promise. I think it's important to realize this hasn't ended, it's an uninterrupted chain, an endless power grab by central banks intent on eliminating the autonomy of individual institutions to impinge on the money supply.



All crashes and crises should be assumed to further these ends. Dotcom bubble (big thred on that one day), 2008 to clean up the scraps, Corona, this is leading somewhere. No commercials, all Fed.

And Soros spells it out unambiguously. Back in the late 90's he was an advocate of a bunch of weird NGO stuff like Jubilee 2000 and the Meltzer Commission, that didn't really seem to go anywhere. Horrible spooky aesthetic to Jubilee 2000 btw



But look at this, as early at 1997 he knew what he wanted. Abolishment of national currencies, created and distributed by a new central bank, a world central bank. Full-spectrum centralized control of money supply.

We desperately need an international currency system that is not based on the dollar. Yet the yen is not yet ready to serve as the international reserve currency—partly because the Japanese financial markets are not sufficiently open, and partly because the rest of the world is not ready to accept Japanese hegemony. The ideal solution would be a genuine international currency, issued and controlled by a genuine international bank. International lending for balance-of-payments purposes would then be designated in the international currency, and the value of the currency would be tied to gold or to a basket of commodities, ensuring that debts would have to be repaid in full. Only when the dollar loses its privileged status will the United States cease to flood the world with dollars. The sooner we make the transition, the better the chances of arresting the economic decline of the United States.

He lamented there being "no architectural solution AT PRESENT". Well, there's an architecture now. Ever since Corona rekt the markets last year there's been growing talk of a Central Bank Digital Currency from the Fed.

At present the power and responsibility for the global financial system lies mainly with the United States. U.S. financial authorities are aware of that and try to live up to it, but their primary responsibility is for the economy of the United States. If domestic and international considerations come into conflict, there can be no doubt which will prevail. The position of the Federal Reserve is analogous to the position of the Bundesbank within the ERM in 1992, and we all know that the ERM broke down. The conflict between domestic and international considerations was less clear-cut during the 1997–1999 crisis; nevertheless it is obvious that the United States fared better than the rest of the world.

I have no solution for this problem. All I can do is draw attention to it. It would be helpful if the American electorate and Congress became more aware of the precariousness of the current arrangements, but the resilience of markets militates against any structural reforms. I have proposed three small steps, but even they are unacceptable. I believe that the instability of the international financial system has no architectural solution at present; it is more a challenge for day-to-day management. This management can be successful only if public officials reject the fundamentalist assumption that free markets left to themselves will automatically move toward equilibrium and produce socially acceptable results.

https://t.co/GwznM7IBEk

Speech

August 13, 2020

An Update on Digital Currencies

Governor Lael Brainard

At the Federal Reserve Board and Federal Reserve Bank of San Francisco's Innovation Office Hours, San Francisco, California (via webcast)

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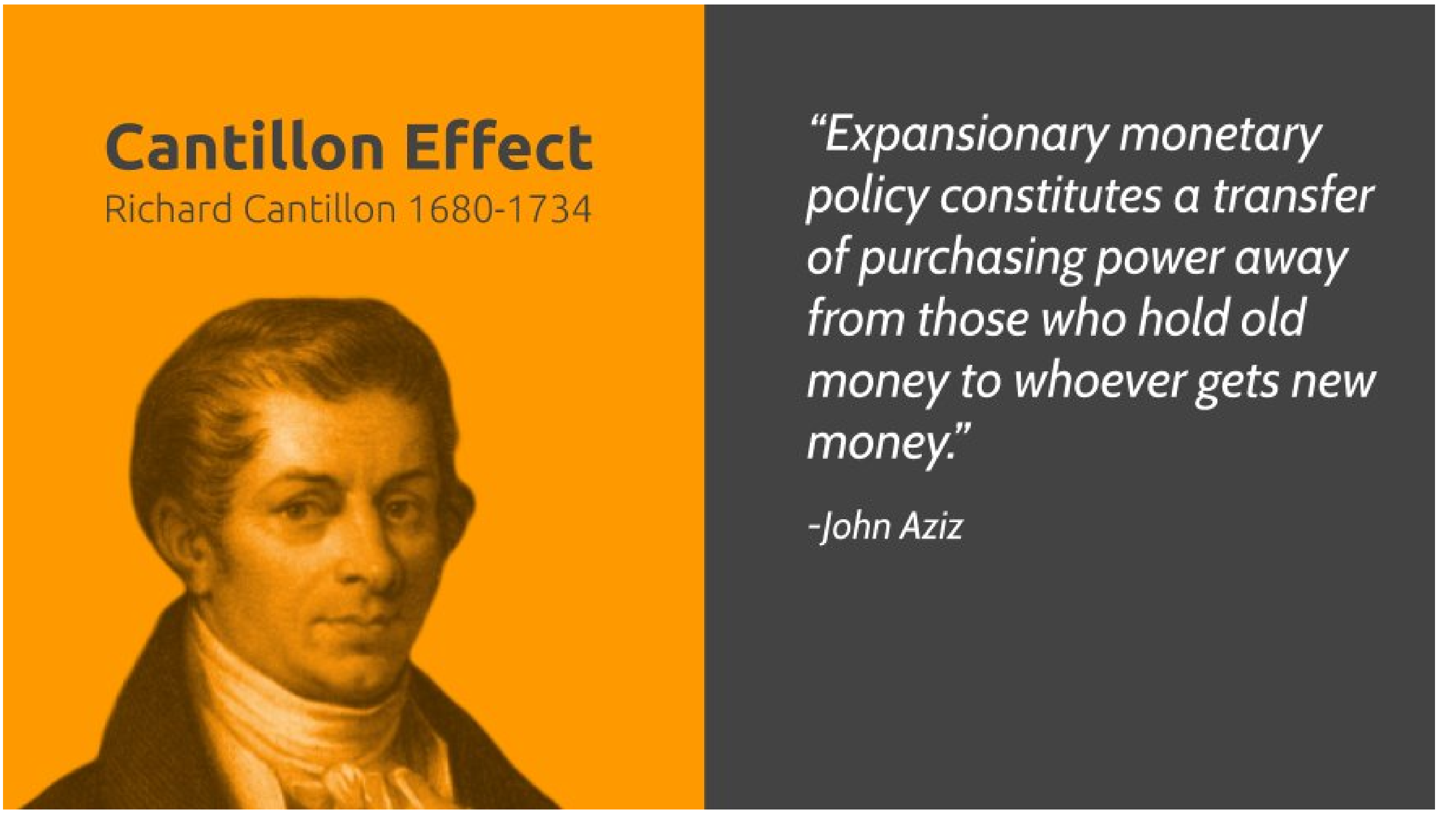
Look, Klaus Schwab himself mentions this as an objective in his The Great Reset book. He also explicitly says he sees the Japanification of the US in the cards, though anomalously, he doesn't see inflation...

> For quite some time, some analysts and policy-makers have been considering a possible and progressive end to the dominance of the dollar. They now think that the pandemic might be the catalyst that proves them right. Their argument is twofold and relates to both sides of the trust issue.

And the conditions to implement it are almost perfect. I think it goes without saying (sorry GME boys) that the most interesting trade in the last year has been the DXY.

Now, not to be an alarmist, but I could see this developing into an intractable balance-of-payments issue. Falling dollar, rising yields, what happens when the equity market falls alongside? Yellen's gonna try n defend the dollar, but secular inflation looms large in my mind.

What does unlimited QE turn into, massive treasury purchases? UBI proffering a falling dollar, an unemployed populace being victimized by fed policy? Yield curve ““Control””? Threatening rumors of a gold-backed digital Yuan can’t have escaped notice.



This would be the power grab to (quite literally) end all power grabs. Introduce negative rates, let the banks go under or consolidate them into controlled enterprises; gone forever would be the opportunity to re-introduce authentic growth.

Well, I'm a little worried. Thanks 4 reading this self-indulgent diatribe, stay safe out there