

Deafblind

“Most economists, it seems, believe strongly in their own superior intelligence and take themselves far too seriously. In his open letter of 22 July 2001 to Joseph Stiglitz, Kenneth Rogoff identified this problem. ‘One of my favourite stories from that era is a lunch with you and our former colleague Carl Shapiro, at which the two of you started discussing whether Paul Volcker merited your vote for a tenured appointment at Princeton. At one point, you turned to me and said, “Ken, you used to work for Volcker at the Fed. Tell me, is he really smart ?” I responded something to the effect of, “Well, he was arguably the greatest Federal Reserve Chairman of the twentieth century.”

To which you replied, “But is he smart like us ?””

- Satyajit Das.

Few things have the capacity to trigger an intense emotional response more effectively than [this video](#) of a 29-year-old deaf person hearing for the first time. For the able bodied, trying to imagine the life of someone missing one or more of the core senses feels pretty much impossible. In the UK, the [Oily Cart](#) theatre company specialise in providing entertainment for young people with profound disabilities. Their current show, an adaptation of Samuel Taylor Coleridge’s *Kubla Khan*, endeavours to create a theatrical spectacle for children who are both deaf **and** blind – which at first seems like an insurmountable challenge. But if you cannot engage with two senses, make the most of appeals to the rest. So for the participants in *Kubla Khan*, the seating revolves; the smell of incense wafts across the stage; the audience dip their hands into water, into which the stage crew blow bubbles through straws to conjure up a swirling River Alph. There are times when human ingenuity can be inspiring.

At other times, not so much. Not all bubble blowing is fun. The world’s financial media are currently prostrating themselves in front of central bankers at Jackson Hole. This grim spectacle is easily as unedifying as Davos, a pointless exercise best described as a bunch of billionaires telling a bunch of millionaires what the middle class feels. The glad-handing and high-fiveing at Jackson Hole somehow manages to be worse. Imagine a group of dinosaurs conducting victory laps around a swamp just as the asteroid arrives.

10 years ago, the global financial system suffered a cardiac arrest. Having successfully poisoned the well of global credit after a property bubble caused by central banks’ response to the bursting of the previous bubble, major financial firms then went on a buyers’ strike and refused to trade with each other. A second tier investment bank got thrown under the bus. Things [escalated quickly](#). The definitive account of the crisis is related by Andrew Ross Sorkin in *Too Big To Fail*. Jamie Dimon, CEO of JP Morgan, arranged a teleconference call with his management team at just past 7 a.m. on Saturday 13 September 2008. (Lehman Brothers

would file for Chapter 11 bankruptcy protection shortly after midnight on Sunday 14th.) Here is what he said:

You are about to experience the most unbelievable week in America ever, and we have to prepare for the absolutely worst case. Here's the drill. We need to prepare right now for Lehman Brothers filing. And for Merrill Lynch filing. And for AIG filing. And for Morgan Stanley filing. And potentially for Goldman Sachs filing.

Sorkin adds, somewhat redundantly, "There was a collective gasp on the phone."

But this is how it could have gone down – virtually an extinction level event for Wall Street.

This clearly is not how it actually went down. After the chaotic failure of Lehman Brothers, the US Treasury and the Federal Reserve snapped into action and started burning taxpayer dollars instead, and throwing them onto the burning pyre of Wall Street.

Five years after the failure of Lehman Brothers, the Dallas Federal Reserve estimated that the full cost of the financial crisis was as much as \$14 trillion – almost a full year of US GDP.

That reckoning **understates** the cumulative cost of what is now almost 10 years of Quantitative Easing and Zero Interest Rates. Having monumentally failed to learn from the experience of Japan's lost two decades, the central banks of the developed world decided that to save the western economy they would have to destroy it.

If you wanted to perpetuate a depression, the best way would be to enact precisely the sort of capital destructive policies that our central bankers have deployed since 2008. From *America's Great Depression* by Murray Rothbard:

Mr. Hoover met the challenge of the Great Depression by acting quickly and decisively, indeed almost continuously throughout his term of office, putting into effect "the greatest program of offence and defence" against depression ever attempted in America. Bravely he used every modern economic "tool," every device of progressive and "enlightened" economics, every facet of government planning, to combat the depression. For the first time, laissez-faire was boldly thrown overboard and every governmental weapon thrown into the breach. America had awakened, and was now ready to use the State to the hilt, unhampered by the supposed shibboleths of laissez-faire. President Hoover was a bold and audacious leader in this awakening. By every "progressive" tenet of our day, he should have ended his term a conquering hero; instead he left America in utter and complete ruin – a ruin unprecedented in length and intensity.

What was the trouble ? Economic theory demonstrates that only governmental inflation can generate a boom-and-bust cycle, and that the depression will be prolonged and aggravated by inflationist and other interventionary measures. In contrast to the myth of laissez-faire, we have shown [here] how government intervention generated the unsound boom of the 1920s, and how Hoover's new departure aggravated the Great Depression by massive measures of interference. The guilt for the Great Depression must, at long last, be lifted from the shoulders of the free-market economy, and placed properly where it belongs: at the doors of

politicians, bureaucrats, and the mass of “enlightened” economists. ***And in any other depression, past or future, the story will be the same.*** [Emphasis ours.]

QE and ZIRP have been a bonanza for the asset rich. For the asset poor they have been a disaster. Whenever Mark Carney and Andrew Haldane lecture about wealth inequality, they should start by looking in the mirror. QE and ZIRP have also destroyed the pricing mechanism, drowning out the supply and demand signals of a functioning free market.

Given that we have to play the hand we’re dealt, our conclusion is not to play in a fundamentally uninvestible credit market, or to shelter in the illusory ‘safe haven’ of cash that can easily be printed to destruction. It is rather to seek businesses run by principled, shareholder-friendly managers who are superb asset allocators, and even then only to buy them when their shares can be purchased at no great premium to those businesses’ inherent value, and ideally at a discount representing a margin of safety. There are virtually no such opportunities in the Anglo-Saxon markets, but Asia is still a fountain gushing value.

Those with the misfortune to be born bereft of sight and hearing deserve our sympathy and support. Those running central banks who appear both blind and deaf to any criticism of their asinine monetary policies are only worthy of contempt, and defenestration. There are none so blind as those who will not see. That includes illiterate and innumerate financial media cheerfully egging them on from the sidelines.

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