

# On Market Predictions in the Current Chaotic Environment

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Global Research, August 28, 2007

28 August 2007

Region: [USA](#)

Theme: [Global Economy](#)

No one can predict how deep the decline in Western economies that is underway will go, because there is so little transparent information. Within the U.S., the government is hiding the severity of the crisis in order to prevent a collapse of consumer confidence.

Realize that the problem does not lie on the side of production. Global industry has the capacity to produce a huge quantity of goods and services. There is even a glut in some sectors, such as automobiles, textiles, IT, and other consumer products.

Rather the problem, as with the Great Depression, is that purchasing power at the consumer level is lacking. In the U.S., purchasing power, as measured by M1, is already in a recession-level decline. The causes are the high level of consumer debt, high cumulative levels of taxation on the dwindling middle class, and the tragic erosion of wages and salaries from job outsourcing.

In the absence of purchasing power, the Federal Reserve has chosen the strategy of trying to outrun collapse by creating inflation. This is the meaning of the bail-outs that are going on. It's an attempt to devalue debt at the macro level. It's a hidden tax on everyone but the super-rich. Everyone else is poorer today than they were yesterday.

How long this can go on is unpredictable. It's another bubble following on the housing and asset bubbles that are already bursting on a daily basis before our eyes.

I don't see any responsible analyst who foresees any better outcome than a recession that would see the DJIA at a level of 8000-8500 within a few months. Again, maybe the Fed's printing presses can hold this level of decline at bay for a while longer, but I doubt it.

There are major players in the markets who see an even steeper decline coming even sooner. Some say as soon as a month.

There is also a real chance of an eventual depression-level contraction. How much of a chance, I don't know. This conceivably could lead to a total collapse of consumer markets, economic paralysis, and widespread homelessness and starvation. Yes, even in the U.S. Agribusiness, bio-fuel conversion, seedless mega-farming, the disappearance of family farming, and the recent disastrous weather conditions place everyone at risk.

At some point, the federal government, at a minimum, has to step in with New Deal-type relief measures. Whether the Bush administration has that capability is doubtful. Look at New Orleans. They may even try to cover everything up by starting a war against Iran. Are

they that crazy? Who can say?

There are also rumors going around that there are plans to allow the markets to be crashed by a terrorist event so as to divert blame. I have gotten no reliable confirmation of these rumors, though there are parties placing what people in the markets are calling “bin Laden”-type bets similar to, but bigger than, the “puts” that were placed before the original 9/11.

These types of bets have been placed in the U.S., European, and Japanese markets that assume a stock market crash of fifty percent within the next five weeks. A report was just carried, I’m told, on CNBC.

Some have said the culprit may be China, but it makes no sense for the Chinese to crash the markets while holding U.S. dollars. Others say it is hedge funds at work to try to drive down the markets in a self-fulfilling prophecy.

But a fifty percent market decline? That’s just not conceivable. Even the hedge funds do not have that much power. The federal plunge protection team—known as the “men in black” by floor traders—would never allow them to do something so disastrous. This has caused some to speculate that the “men in black” are parties to the bets.

These remarks probably give some indication of the chaos going on right now in the U.S. and world economies. The only real solution is a new world financial system based on the concept of credit as a public utility. This is what should be implemented to replace the present system of institutionalized usury.

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