

# Will the Federal Reserve Crash Global Financial Markets As a Means to Implementing Their “Great Reset”?

By [F. William Engdahl](#)

Global Research, January 12, 2022

Region: [USA](#)

Theme: [Global Economy](#)

First published on December 16, 2021

*It's looking increasingly likely that the US Federal Reserve and the globalist powers that be will use the dramatic rising of inflation as their excuse to bring down the US financial markets and with it, crash the greatest financial bubble in history.*

*The enormous inflation rise since the malicious political lockdowns and the trillions of dollars in emergency spending by both Trump and Biden, coupled with the continuation of the Fed's unprecedented near-zero interest rate policies and asset purchases of billions in bonds to keep the bubble inflated a bit longer- have set the stage for an imminent market collapse. Unlike what we are told, it is deliberate and managed.*

**Supply chain disruptions from Asia to normal truck transport across North America are feeding the worst inflation in four decades in the USA.** The stage is set for the central banks to bring down the debt-bloated system and prepare their Great Reset of the world financial system. However this is not an issue of inflation as some mysterious or “temporary” process.

The context is key. **The decision to crash the financial system is being prepared amid the far-reaching global pandemic measures that have devastated the world economy since early 2020. It is coming as the NATO powers, led by the Biden Administration, are tipping the world into a potential World War by miscalculation.** They are pouring arms and advisers into Ukraine provoking a response by Russia.

They are escalating pressures on China over Taiwan, and waging proxy wars against China in Ethiopia and Horn of Africa and countless other locations.

**The looming collapse of the dollar system**, which will bring down most of the world with it owing to debt ties, will come as **the major industrial nations go fully into economic self-destruction via their so-called Green New Deal in the EU, and USA and beyond.**

**The ludicrous Zero Carbon policies to phase out coal, oil, gas and even nuclear have already brought the EU electric grid to the brink** of major power blackouts this winter as dependency on unreliable wind and solar make up a major part of the grid. On December 31, the “green” new German government oversees the forced closing of three nuclear power plants that generate the electricity equivalent of the entire country of

Denmark. Wind and solar can in no way fill the gaps. In the USA Biden's misnamed Build Back Better policies have driven fuel costs to record highs. To raise interest rates in this conjuncture will devastate the entire world, which seems to be precisely the plan.

### **The Fake US Inflation Data**

Ever since the early 1970s when President Nixon asked his pal, Arthur Burns, then head of the Federal Reserve, to find a way to get rid of politically damaging consumer inflation monthly data that reflected soaring oil prices along with grain, the Fed has used what they called "core inflation" which means consumer price rises MINUS energy and food. At the time energy made up a significant 11% of inflation data. Food had a weight of 25%. Presto by 1975 a 400% OPEC rise in oil prices and a 300% global grain price rise owing to harvest failures in the Soviet region, "core inflation" fell significantly. This, despite the fact that American consumers had to pay far more for [gasoline and bread](#). Very few real people can live without energy or food. Core inflation is a scam.

By 1975 the Burns Fed had eliminated major costs of housing and other factors leaving a Consumer Price Index that was a mere 35% of the original basket of commodities measured. By then real everyday inflation was out of control. In the real world, USA gasoline today is 58 percent more expensive than in 2020 and over the last 12 months, food prices have gone up by more than 6 percent on average. Today the US Consumer Price Index does not include the cost buying and financing houses, and also not of property taxes or home maintenance and improvement. These factors have been soaring across America in the past year. Now all that is lacking is a statement by the Fed that inflation is more alarming than they thought and required aggressive rate hikes to "squeeze inflation out of the system," a common central bank myth made dogma under Paul Volcker in the 1970s.

### **The Bloated US Stock Market**

Wall Street markets, today with stocks at historic bloated highs, aided by near zero Fed rates and \$120 billion of monthly purchases by the Fed of bonds as well, are at a point where a policy reverse by the Fed, expected now in early 2022, could begin a panic exit from stocks to "get out while the getting is good." That in turn will likely trigger panic selling and a snowballing market collapse that will make the recent China Evergrande real estate and stock collapse look like nothing at all.

Since the global financial crisis of September 2008, the Federal Reserve and other major central banks such as the ECB in the EU and Bank of Japan have pursued unprecedented zero interest rates and often "quantitative easing" purchases of bonds to bail out the major financial institutions and Wall Street and EU banks. It had little to do with the health of the real economy. It was about the largest bailout in history of brain dead banks and financial funds. The predictable result of the Fed and other central banks' unprecedented policies has been the artificial inflation of the greatest speculative bubble in stocks in history.

As President, Donald Trump constantly pointed to new record rises in the S&P 500 stocks as proof of the booming economy, even though as a savvy businessman he knew it was a lie. It was rising because of the Fed zero interest rate policy. Companies were borrowing at low rates not to expand plant and equipment investment so much as to buy back their own stocks from the market. That had the effect of boosting stocks in companies from Microsoft to Dell to Amazon, Pfizer, Tesla and hundreds of others. It was a manipulation that corporate executives, owning millions of their own company shares as options, loved. They made

billions in some cases, while creating no real value in the economy or the economy.

How big is today's US stock market bubble? In October 2008 just after the Lehman crisis, US stocks were listed at a total of \$13 trillion capitalization. Today it is over \$50 trillion, an increase of almost 400% and more than double the total US GDP. Apple Corp. alone is \$3 trillion.

Yet with massive labor shortages, lockdowns across America and huge disruptions to trade supply chains especially from China, the economy is sinking and Biden's phony "infrastructure" bill will do little to rebuild the vital economic infrastructure of highways, rains, water treatment plants and electric grids. For millions of Americans after the 2008 housing collapse, buying stocks has been their best hope for retirement income. A stock crash in 2022 is being prepared by the Fed, only this time it will be used to usher in a real Great Depression worse than the 1930's as tens of millions of ordinary Americans see their life savings wiped out.

### **Stock Buyback Game**

Over the past four quarters, S&P 500 companies bought back \$742 billion of their own shares. Q4 of 2021 will likely see a record increase in that number as companies rush to pump their shares ahead of a reported Biden tax on corporate stock buybacks. Since the beginning of 2012, the S&P 500 companies have bought back nearly \$5.68 trillion of their own shares. This is no small beer. The dynamic is so insane that amid a Microsoft decision last month to buy back ever more shares, Microsoft CEO Satya Nadella dumped over 50% of his Microsoft stock in one day. But the stock barely budged because Microsoft itself was busy buying back shares. That indicates the level of unreality in today's US market. The insiders know it's about to crash. Tesla's Elon Musk just sold \$10 billion of his stock, allegedly to pay taxes.

Making the stock market even more vulnerable to a panic selloff once it is clear the Fed will raise interest rates, there is nearly \$1 trillion in margin debt as of data from October, debt for those buying stocks on borrowed money from their brokers. Once a major market selloff begins, likely early in 2022, brokers will demand repayment of their margin debt, so-called margin calls. That in turn will accelerate the forced selling to raise the cash calls.

### **Taper?**

There is much discussion about when the Fed will reduce its buying of US Treasury securities as well as government-linked home mortgage bonds. That buying has been huge. Since the start of the covid pandemic hysteria in February 2020, total Federal Reserve holdings of such securities have more than doubled from \$3.8 trillion to \$8 trillion as of end of October 2021. That has kept home mortgage rates artificially low and fueled panic home buying as citizens realize the low rates are about to end. That the Fed calls "taper", reducing the monthly buying of bonds to zero at the same time it raises key interest rates, a double whammy. This is huge, and blood will flow from Wall Street beginning 2022 when the Fed taper picks up momentum early in 2022 combined with raising rates.

Already in November the Fed began reducing its monthly market supporting buying. "In light of the substantial further progress the economy has made toward the Committee's goals of maximum employment and price stability," the FOMC declared in its recent minutes. It announced that it is decreasing the amount of Treasury and Mortgage backed

securities purchases in November and December.

Since the Vietnam War era under President Lyndon Johnson, the US Government has manipulated employment data as well as inflation numbers to give a far better picture than exists. Private economist John Williams of Shadow Government Statistics, estimates that actual USA unemployment far from the reported 4.2% for November, is actually over 24.8%. As Williams further notes, "The Inflation Surge Reflects Extreme Money Supply Creation, Extreme Federal Deficit Spending and Federal Debt Expansion, Pandemic Disruptions and Supply Shortages; It Does Not Reflect an Overheating Economy." Federal Budget Deficits are running a record \$3 trillion a year with no end in sight.

Raising rates at this precarious juncture will bring down the fragile US and global financial system, paving the way for a crisis where citizens might beg for emergency relief in the form of digital money and a Great Reset. It is worth noting that every major US stock market crash since October 1929 including 2007-8, has been a result of deliberate Fed actions, disguised under the claims of "containing inflation."

**This time the damage could be epochal.** In September the Washington-based Institute of International Finance estimated that global debt levels, which include government, household and corporate and bank debt, rose \$4.8 trillion to \$296 trillion at the end of June, \$36 trillion above pre-pandemic levels. Fully \$92 trillion of that is owed by emerging markets such as Turkey, China, India and Pakistan.

**Rising interest rates will trigger default crises across the globe as borrowers are unable to repay.** This has been deliberately created by central banks, led by the Fed, since their 2008 crisis by pushing interest rates to zero or even negative.

*F. William Engdahl is strategic risk consultant and lecturer, he holds a degree in politics from Princeton University and is a best-selling author on oil and geopolitics.*

*He is a Research Associate of the Centre for Research on Globalization (CRG)*

The original source of this article is Global Research  
Copyright © [F. William Engdahl](#), Global Research, 2022

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [F. William Engdahl](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)  
[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the

copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)