Roots of Stock Market Manipulation

Fantasy Free Economics, James Quillian

Posted on June 14, 2020 by Fantasy Free Economics

Prior to the mid 1980s, the financial markets were mostly pristine free market entities. Technology had not yet developed to the point where simultaneous bids could be placed for every stock in an index. Wealth was not so severely concentrated that a small number of equity owners could cooperate with one another for the purpose of moving their assets values higher independently of economics and earnings.

Following the passage of the Full Employment Act of 1978, the Reagan Administration immediately implemented supply side Keynesian stimulus initiatives. In 1987, after the crash, government began tampering with financial markets. This was the birth of a new paradigm that has been increasingly employed by every administration that has followed.

Keynesian theory was flawed even before the Keynes general theory was published. The key ingredient is the presence of a completely unbiased, non political person to implement stimulus policy. While Modern Monetary Theory has nothing in common with fiscal based Keynesian Theory, it is often discussed as if it is Keynesian based. Any successful use of Modern Monetary also requires the presence of a straw man. Without 100% objectivity neither theory has even a remote chance of accomplishing its stated goals.

Since there is no such thing as a straw man anywhere in the universe, there is no chance any type of central planning can produce a positive outcome that is a net benefit to society as a whole.

What it does does do is make it possible for economically powerful people and institutions to make money without working. What stimulus works out to be is enormous lobbying efforts focused on convincing government to increase spending in ways that support the most powerful financial interests in the world.

Rigging stock market started with opportunities created with the Full Employment Act of 1978, also called the Humphrey Hawkins Act. With stimulus, there is no net benefit to society. Those who benefit do so because they have the power to determine where and how government spends.

Chances are, that in the 1980s, no one had plans to control the stock market independently of profits and economics. Based on the advantages contained in the Full Employment Act of 1978, the process of using political power to gain economic advantages began growing as years passed. As time moved forward, new and improved ways to influence stock prices evolved. There is more to this than just easy money from the Federal Reserve. In the articles that follow, I will explain how the market is managed but it all starts with the opportunity. Stock market manipulation began in the Reagan Administration with the initial implementation of the Full Employment Act of 1978. The practice has grown to the point where it is now all pervasive.

The fact is that governments don’t make economic decisions. Governments make political decisions only.