



Stock Market Propped?

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I've often worried that a stock market crash would devastate the local economy since much of it is connected to the stock market - real estate, consumer spending on clothes, restaurants, etc. The negative consequences of a stock market crash for NY local and state level finances are well known.

The last two weeks of relative stock market stability in the wake of the enormous economic loss from Katrina have really suprised me. I had already been re-arranging my portfolio and I thought that Katrina might wreck the stock market during my orderly transition to Gold, Rail, Energy and Alternative Energy stocks.

Now in a [new report](#), I learn that the government may have been manipulating the stock market for years, propping it up artificially, creating a manufactured bubble that only deep insiders are aware of.

The new report is titled "Move Over, Adam Smith: The Visible Hand of Uncle Sam," and has been published by Sprott Asset Management of Toronto. It was written by the firm's president, John P. Embry, and his assistant, Andrew Hepburn, and concludes that the U.S. government has intervened to support the stock market so many times that "what apparently started as a stopgap measure may have morphed into a serious moral hazard situation, with market manipulation an endemic feature of the U.S. stock market."

The new report relies largely on reports of news organizations and the essays and research papers of economics academics that, as might be expected, have not been well-publicized in the United States. But some of these reports have been circulated by the Gold Anti-Trust Action Committee over the years.

Something to think about in terms of how the economy has been propped up during a period of rising energy prices and how tenuous the current economic situation is already. There is a limit to how much a market can be propped up over the long term.



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