

Central bankers are like 'pyromaniac firefighters' and they are lighting another blaze



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May. 18, 2018, 2:00 AM 1,346

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A US forestry firefighter cools a burning modular home to protect a nearby structure Deerhorn Valley as the Harris Fire continues growing beyond 70,000 acres on Oct 24, 2007. [David McNew/Getty Images](#)

- **Central bankers are like "pyromaniac firefighters" creating crisis after crisis, hedge fund manager and economist Daniel Lacalle told BI.**
 - **The 2008 financial crisis happened because of central bank policies, Lacalle said, adding that the next crisis is already being created and could be worse.**
 - **Central bank policies have been a "lottery" for investors but have pushed the rest of the population further into debt, the economist said.**
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- **Read Daniel Lacalle on Argentina: 'Everything' in Argentina is 20% to 30% overvalued and a crisis is on the way**

Lacalle believes part of the problem is that central bankers are using tools created for simpler economies of the past and unsuitable for complex modern financial markets.

The Spanish economist, who was named among the 20 most influential economists in 2016 by *Richtopia*, has worked with three central bank presidents and said they believe in the policies put forward but don't fully understand how large financial markets are and the full effects of their policies.

He called for stricter technical monetary policy rules that would mean money supply decisions could only be made based on market metrics and not on the discretion of people working for central banks.

'These policies completely obliterate what money is'

Lacalle believes that central banks are currently repeating the same mistake that led to the last crisis, creating the next bubble through the ongoing purchase of government debt (now at around \$20 trillion). This has pushed up the price of bonds, inflated the value of financial assets, and injected excess money into the economy.

"I think central bankers genuinely believe that bubbles created in financial markets are some sort of benign collateral damage

"There is a point where the perception of value from investors starts to crack," said