

Cryptos Flash-Crashed

Source: [Giza Death Star](#)

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May 30, 2019

As most regular readers here know, I view “most things digital” with a very jaundiced and skeptical eye. I suppose that’s because I’m a techno- and computer-klutz. And for various reasons, I’ve viewed the “automation” of markets by high frequency trading algorithms with an even more jaundiced eye. In my view, as I’ve argued many times, such trading becomes increasingly distanced from genuine human risk-assessment and so on as it completely skews the pricing mechanism, and as we’ve seen, runs the risk of flash crashes, and by the nature of the case, hacking, which when scaled-up could lead to a kind of cyber-financial warfare. Of what value is a pricing mechanism that can wildly fluctuate within mere seconds for someone wanting to invest, rather than speculate? It seems to me that such trading practices prejudice markets unduly in favor of the short term speculator with expertise, or with the money to purchase such expertise, and prejudices them away from long term investors.

A few days ago, I even had a kind of surreal nightmare about it: I dreamed that I was in some sort of weird digital world that resembled Disney’s *Tron* movies, but in this universe, the “warfare” wasn’t between computerized avatars, but between hackers, and the goal was to empty everyone else’s wallet and trade identities. Somehow, crypto-currencies figured into all of this, and I “woke up” in my dream to find that I and everyone I knew had not only had our wallets and accounts cleaned, but that all our digitized records had been “swapped”, leaving us all to figure out who had become whom,

and to try to sort out the resulting confusion. Somehow the British actor Daniel Craig managed to show up in the middle of all of this though his role was not clear; I just assumed he was there as a kind of James Bond character, but I don't know. He was just sort of "there."

I know... it sounds like a bizarre nightmare, and it was. Usually my dreams *are* bizarre. (Don't get me started about my dreams where I and everyone else is a cartoon character living in some Looney Tunes universe... it's funny when you're not participating in it, but when you are *in it*, it's a nightmare).

I mention this bizarre little dream because something must have been in the aether, because K.M. spotted this short article – long on graphs and short on words – and passed it along, and I swear, when I had my bizarre dream, I didn't know anything about this story:

[Cryptos Just Flash-Crashed](#)

Now, the story appeared on the 16th, just a few days ago; it was not only crypto-currencies that "flash crashed," but as the charts and graphs indicate, at the same time the Chinese yuan and US equities also nosedived. The only things missing in the real world version from my weird dream was the scrambling of everyone's "digital footprints" with everyone else's, and the cameo by Daniel Craig. As one can imagine, when K.M. sent along this story, my suspicion meter went into the red zone and conjured all sorts of high octane speculation. A few years ago, when the so-called hacking group "Anonymous" made its brief appearance (only to drop right off the radar), and when the stories of the hacks of various big banks (JP Morgan, Wells Fargo and so on) and the Sony hacks made their rounds, I advanced the idea that someone, it appeared to me, was trying to "map the internet," i.e., to do a kind of cyber-reconnaissance of its nodal points, its weaknesses, and particularly to probe the "choke points":

banks, markets, government agencies and so on.

That idea implied, so I argued, organization and to a certain degree, some financial backing, not to mention the needed expertise. I advanced the idea that Anonymous might simply be a cover for a cyber-warfare department of some major power such as China or Russia, whom we know to have such units. The USA certainly does, as anyone familiar with the whole PROMIS software-Inslaw story knows; *that* story goes all the way back to the 1980s. It's also possible that corporations have such units (just think of Bayer's recent revelation concerning its Mon(ster)santo division. One might even envision some "non-state" or "non-territorial" actor of another kind than nations or corporations.

But in any case, it boils down to Catherine Austin Fitts' observation that such systems have no integrity; cyber-systems simply not secure. Indeed, in the world of the advocates of the crypto-currency "utopia" which was supposed to free us all from the chains of the central banks, I envisioned a scenario where crypto-currencies would be "flash crashed"; it's a quick easy way to get some fast cash. Call it the "Flash Crash Fast Cash" method. And now my high octane speculation has happened apparently (and people ask me, still, why I am so dead set against e-books. For those still inclined to ask that question, I have but two points: (1) think of what digital can do for the old Stalin-era *Soviet Encyclopedia*; it can now alter, delete, or add to texts and photos with an "instantaneous" abandon that would have brought a twinkle to Josef Djugashvili's eye, and (2) do you *really* trust these corporations, especially the one with the largest e-book platform, which is in bed with the Clowns In America, and which named its e-book platform with a name that suggests the good-old fashioned burning of books, updated a bit? But I digress.)

What's extremely odd about this story is the suggestion that the plunge in the yuan and in US equities was somehow tied to

the flash crash of the cryptos-currencies. No evidence or analysis is offered for that, but it's a tantalizing implication, and it conjures yet another high octane speculation along the lines of my dream: if one can hack the algorithms of digital trading or manipulate trades in such a way to flash-crash crypto-currencies, what happens if one ties that activity into other digital trading activity?

While the *Zero Hedge* story does not come right out and say this, I get that sinking feeling that perhaps one is looking at some sort of coordinated operation.

But if so – and it's a big if – then by whom? And for what reason? Time will tell, perhaps, especially if it was some sort of coordinated operation, for if so, then one might conceivably look for similar patterns in the future, say, of a flash crash of cryptos, various currencies, and commodities or futures.

In the meantime, and to this curmudgeon, that “cashless” and “book-less” future isn't looking too good.

See you on the flip side...