

# Taking Liberties with Price Stability

By [The Mogambo Guru](#)

04/23/09 Tampa Bay, Florida Paul Volcker, the legendary former chairman of the Federal Reserve who heroically defeated a raging inflation, against powerful political opposition, which was the result of massive government spending in the '60s and '70s on wars and increased entitlement spending, and who is now mysteriously part of the ridiculous Obama team of economic nitwits occupying in the White House, has finally said something!

After all these months of sheer economic idiocy flooding from the White House, Congress, the Federal Reserve and everywhere you turn, Paul Volcker has finally said something!

And, even more deliciously, he said it to Fed Vice-chairman Donald Kohn, one of the arrogant, lowlife mental defectives whose egregious monetary actions got us into the mess we are in, at some dorky “question-and-answer session at a conference” in Nashville, Tennessee.

As the Wall Street Journal reports, “the former Fed chairman grilled Mr. Kohn over the Fed’s effort to convey that it considers a 2% inflation rate to be appropriate for the U.S. economy in the long term” and he, “questions how the Fed can talk about both 2% inflation and price stability.”

Mr. Volcker actually said, “I don’t get it”, which is a Big Fat Lie (BFL), because he understands it perfectly, but he is just so polite and so politic that he finds it hard to say, as I would have so succinctly put it, “How in the hell can you talk about purposely creating at least 2% inflation in prices and then talk about the Fed’s duty to pursue price stability at the same freaking time, which gives rise to the expression ‘talking out of both sides of your mouth at the same time’, and also gives rise to an occasion for me to call you a lying halfwit economic ignoramus who thinks that everybody else is so stupid that you can say such utter preposterous crap like this to me and think I am going to swallow it!”

I mean, the idea for the damned Federal Reserve in the First Freaking Place (FFP) was to make sure that inflation did NOT get above zero! The Federal Reserve was given extraordinary, probably un-Constitutional powers over all the money and banks of the United States, to provide them with a “flexible” money supply and with the awesome power of a fiat currency to do it with, on the condition that they “promote price stability”, which means zero inflation in prices! Zero!

I mean, how freaking simple can it freaking be?

And not only does “price stability” mean Zero Freaking Inflation (ZFI) in prices, it has ALWAYS meant zero inflation in prices, and yet, now, astonishingly, here is an obviously complete failure, the Federal Reserve Vice-chairman, presiding as he does over a busted economy of his own making, telling us that, as Mr. Volcker explains, “people in a generation are going to be losing half their purchasing power” thanks to 2% inflation! Gaaahhh!

Now, having a currency that is losing half its purchasing power may not mean anything – absolutely nothing! – to an incompetent government and autonomous agencies staffed with obviously incompetent people who all can, and will, double their own salaries at their whim. “Prices rise? Give yourself more money!”

It means a bit more, however, to people who have private-sector jobs, as wages will only slowly increase to match the gradual doubling in prices as wage increases trail inflation with a lag, which means that workers will suffer financially the entire time.

And even after wage and benefit adjustments, and even after some theoretical cessation of inflation in prices, private-sector workers will never really catch up, and will therefore almost certainly suffer permanent net-wealth impairment.

And a currency that loses half its purchasing power means a lot to those on fixed incomes, like retirees living on annuities or fixed retirement benefits, and who will never, ever see an increase in their incomes from those sources, but who must still pay the doubled prices, and then higher and higher prices from there, if they live that long.

But a currency “losing half its purchasing power in a generation” means the most to those people who do not have jobs at all, and those who cannot have jobs, and therefore they have no income at all, but who still must pay all the doubled prices!

And although Mr. Kohn does not use the word “sacrifice”, or the phrase “The Federal Reserve is going to make it possible for the government to steal you blind”, or admit that “The people of the United States and the world are going to be consumed in the fires of inflationary hell so that the Federal Reserve can continue to create misery and failure, while having fun playing around with their completely idiotic neo-Keynesian econometric stupidities, an absurdity that has completely captivated the dunderheads in the major universities of the dumbed-down USA, like Princeton, which has such low academic standards that Ben Bernanke, the bozo that is now the chairman of the Federal Reserve, was the head of their economics department! Hahaha!”

So while Mr. Kohn is careful not to say any of these things, he does say that acting so insanely as to deliberately try and cause the horror of (at least) continual 2% inflation in prices gives the Federal Reserve “a little more room...to react to an adverse shock to the economy.” Hahahaha!

Excuse my laughter, but this laughable pipsqueak says that everyone must suffer a falling standard of living over, at least, the next generation, so that the Fed can create so much money, flooding the world with money to loan and literally buying up old loans, that they can pound interest rates down, down, down lower than the rate of inflation, which the WSJ notes, is “the usual remedy for recession”! Hahahaha!

And if inflation in prices is “the usual remedy for recession”, then it certainly is!

And while the inflation in consumer prices is not (yet) raging out of control and there are not yet food riots in the streets, the JOC-ECRI Industrial Price Index just shot up to 72.63 from 69.75.

And as for what to do about it, I can only tell you that there has never been anything better than gold, which, now that I think about it, says it all!

Whee! This investing stuff is easy!