

Up, Up, and – Oops

by **Bob Wallace**

It's a shame more people don't understand what inflation really is. It's even more of a shame that most economists don't understand it either, because of all people *they* are supposed to be the ones who do know. The only academics who have a solid grasp of what it is and the enormity of its dangers are those in the Austrian Economics school.

I was taught in college by mainstream neo-Keynesian goofuses that inflation is "rising prices." Supposedly the two reasons were "cost-push" and "demand-pull." Out of the four classes I took one professor briefly mentioned the truth – that inflation is caused by "an increase in the money supply." One sentence out of four classes. He never said one word (probably because he didn't know) about the Federal Reserve Bank's unconstitutionality, about its illegal money and credit expansion, or how its inflationary schemes cause the horrendous boom/bust cycle in our economy. He never even bothered to explain how inflation causes rising prices (because more "money" chasing the goods bids prices up). And *that* I'm sure he did know.

Neither he nor any of my other professors told us that government-caused inflation is what has brought down civilization after civilization throughout history. The best-known example of this collapse is Rome, which was followed by the 500 years of the Dark Ages. Mostly what my "teachers" did is draw irrelevant, indeed useless, graphs and algebraic equations on the blackboard.

None of them said *one word* about how the inflation-caused false boom in the economy leads millions of people to invest their hard-earned money in the hopes of making a quick, easy buck. Inflation, which is the theft of the value of our money, seduces people into being imprudent, sometimes even into being foolishly proud because of how smart they think they are. How many of the Seven Deadly Sins are in that preceding sentence?

During the '90s, Alan Greenspan, who is a perfect example of why pillories should again be erected in public squares, pumped hundreds of billions of worthless dollars into the economy. This money went into the dotcoms and the stock market, causing both to skyrocket. Millions of people saw those 30%-per-year profits and shoveled their money in. They were being imprudent, even though they didn't know it. But how can *anything* give you 30% profits, year after year? Some people smirked about how smart they were. They're not smirking now.

I put a little bit of money into the stock market. I knew it was going to bust sooner or later. I just didn't know when. I pulled my money out a year before everything blew. Others, who knew what was going to happen, also sold their stocks. The naive snapped them up, thinking the market would just keep going up and up. The ones at the end of the buying line were the suckers.

The above is not how a good economy works. It's not supposed to be a gamble where those who get in early win almost everything and those at the end lose almost everything. If it hadn't been for massive government-engineered inflation all those CEOs would not have been able to cash in their stocks and walk away with billions while the workers ended up unemployed or with collapsed portfolios. The "money" would not have existed for these criminals to do this.

It wasn't the free market that allowed them to walk away with all that money. It was the government. And now the government pretends the problem wasn't its fault and instead is trying to falsely blame it on the "excesses of capitalism." Maybe we should just all adopt more socialism and be like Cuba or North Korea.

For the first 140 years America had stable prices because we were on the gold-and-silver standard – a standard that evolved the world over because of thousands of years of experience. The government couldn't inflate because everyone would trade their paper dollars for precious metals. Since the creation of the Federal Reserve Bank in 1913 the dollar has lost 95% of its value. That's why my grandfather paid a nickel to go to the movies and I pay five dollars (are movies today 100 times better?).

Richard Nixon took the country completely off of the gold standard in 1971. It only took until 1984 for government-created inflation to really start to roar. There was nothing left to stop the government from cranking up the printing presses. A lot of dim-bulb academic economists

even thought it was a good thing. Hey, they babbled, it creates jobs, right? Not a word about how these jobs always disappear in the bust, or how inflation always causes a long-term decline in wages. And since 1984, the dollar has lost 45% of its value. Not a word about that, either.

It used to be, until about 30 years ago (the same time the US went completely off of the gold standard), that an American could graduate high school and almost immediately get a high-paying job. These jobs are now gone because of inflation, deficits, taxes and regulations. You can't just thank Alan Greenspan alone for our current problems. You can thank *everyone* in the government. And who voted them in?

Usually workers in those days had enough money buy a house and car, pay their bills, save a decent amount and still have plenty to spend. It was fairly easy to be wise and prudent because the money was honest. This is why many people who are retiring now have oodles of money and are traveling the country in their RVs. These days, unless the government quickly changes its ways (hah!) I think a lot of people who are supposed to retire in the next 20 years...won't.

Right now, Greenspan, desperate to get us out of the economic doldrums we are in (that he mostly caused!), is again foolishly – or is it insanely? – pumping billions of inflated dollars into the economy. The money is going into two places – the housing market, and weapons manufacturers. The first will go bust, I suspect within a few years. The second is indicative of the war economy dragging nearly everyone down, because of the administration's decade-long coming Adventures in Bringing Democracy to Barbarians.

Yet, all of these problems can be fixed in a year. All the government has to do is go on the gold standard (which will stop inflation), cut taxes massively (like 90%), close down much of the federal government (like 90%), and get rid of all the bureaucracy, red tape and regulations (like 90%). And many people will rapidly go from being foolish to being prudent again. They'll have to. In many ways, it's just that simple.

Of course, we all know I'm just dreaming. For now, at least. But let's see what the future brings.

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