

[A Monetary Policy that Encourages Malinvestment](#)

By [The Mogambo Guru](#)

03/17/11 Tampa, Florida – Thorsten Polleit, of the Frankfurt School of Finance & Management, penned an article in *The Free Market* newsletter of the Ludwig von Mises Institute titled “The Many Names for Money Creation.”

It starts off almost humorous, reading more like an interesting, mood-lightening sidebar to a banner article titled “We’re Freaking Doomed (WFD)!” as he notes that the dire economic conditions are such that “euphemisms have risen to great prominence. This holds true in particular for [monetary policy](#) experts, who are at great pains to advertise a variety of policy measures as being in the interest of the greater good, because they are supposed to ‘fight’ the credit crisis.”

He then illustrates how the term “unconventional monetary policy” is meant to convey the happy virtues of “courageous and innovative”, as opposed to the bad old “conventional” monetary policy, which is now “outdated.”

In a similar vein, he notes that “Aggressive monetary policy” is meant to signify “bold and daring action for the greater good,” and [“quantitative easing”](#) is just a confusing term used to make it difficult for people to see “what such a monetary policy really is – namely, a policy of increasing the money supply (out of thin air), which, in turn, is equal to a monetary policy of inflation.”

A policy of inflation! Yikes! What was in that article “We’re Freaking Doomed (WFD)!”?

From the perspective of the Austrian school of economics (the only true economic theory!), this is not going to be the ordinary kind of inflation, either, but the really nasty, evil kind, where “monetary policy pushes the market rate of interest below the natural rate of interest (the societal time-preference rate), thereby necessarily causing malinvestment rather than ushering in an economic recovery.”

In other words, the Fed and the government are making it worse.

And if you want to know about malinvestment, then ask my boss, who never tires of telling me that I am the only employee, alone, apparently in the whole freaking history of employees, that has a consistent negative value to the company, meaning that the bottom-line of the company would be immediately improved if I was, to coin a rhyme, removed.

So I asked her, “What’s with that ‘improved if I was removed’ stuff?” to which she asked, “What are you talking about? You are the one that said that in the previous paragraph, you moron!” to

which I asked, “What?” and then she asked, “What?” and then we just looked at each other, confused as hell.

There was an awkward silence, as I struggled as if I was in some weird parallel universe, since her point was that she is, only now, realizing that I am, as an employee, a huge mal-investment, but I can’t be fired since I am too old and too savvy not to sue the hell out of all of them for my termination, even though their case is air-tight and I should have been fired long ago.

And, as I never cease saying, some other, much worse mal-investments, such as the stock market bubbles, and the bond market bubbles, and the derivatives bubbles, and the debt bubbles, and the housing bubbles, and the bubbles in the sheer, staggering size of governments, were NOT my fault, but are all the fault of the Federal Reserve creating the money that made it all possible

Now, as if playing right into my hands, Mr. Polleit writes, “Sooner or later the dependence of the people on government handouts reaches, and then surpasses, a critical level,” which I assume we have reached.

The worse news is that he figures that “People will then view a monetary policy of ever-greater increases in the money supply as being more favorable than government defaulting on its debt, which would wipe out any hope of receiving benefits from government in the future.”

The terrifying point of all of this is when he writes, ominously, “In other words, a policy of inflation, even hyperinflation, will be seen as the policy of lesser evil.” Hyperinflation! Gaaahhh!

Hyperinflation! Immediately, I go into We’re Freaking Doomed (WFD) mode, which usually involves a lot of hyperventilating and a feeling of panic until I realize that all I have to do is buy gold and silver to keep what is going to happen to everyone else from happening to me, and make a lot of dollars in the process, which always makes me feel better, leading to euphoria, as in, “Whee! This investing stuff is easy!”