The US Federal Reserve: A Rich History of Financial Folly

By The Mogambo Guru

04/05/11 Tampa, Florida – Ehow.com relates a piece of history in that "Since the creation of the Federal Reserve in 1913, the money supply had increased 240 percent from 1913 to 1920, because of a relaxed gold standard, and prices had risen by an identical amount."

Gaahhh! Prices rising 240%! In seven years, the money supply increased 240%, meaning it more than doubled, as did prices! No wonder they had a recession!

Parenthetically, it is surprisingly hard to Google-search that 1913-1920 period of time to find anyone saying, "We're Freaking Doomed (WFD)!"

However, this is not a critique of the powers of a Google search nor, alternatively, the apparent stupidity of the people back then who did not realize how important it was to buy gold and silver when the Federal Reserve was doubling the freaking money supply.

Instead, the important point is the "prices had risen by an identical amount", in that it is inflation that is The Thing To Be Feared (THTBF) and here is what appears to be a handy gauge to estimate how bad the price inflation is going to be!

Given that the money supply has tripled since 2003, and is rising at a faster rate thanks to the Federal Reserve's insane-yet-new QE2 program that lets the federal government pump $100 billion per month into the economy through its many, many programs and many, many beneficiaries.

The worse news is that prices do not tend to come back down, and the evidence shows that "These higher prices and the expanded money supply remained even as the economy recovered from the early 1920s depression."

Fortunately, things got dramatically better, thanks to Federal Reserve goosing, and thus were born the Roaring Twenties, where everybody was named Zelda and the beautiful people were roaring around in big cars with running boards, making tons of money in the stock market and having fun until, as current Federal Reserve Chairman Ben Bernanke believes, the Federal Reserve caused the "market crash in 1929 and the Great Depression that followed," all because "in the two years leading up to the crash, the bank steadily raised interest rates, tightening the money supply, which triggered the crash on Wall Street."

Crash! Well, raising interest rates and tightening credit to stop an expansion of the money supply will do it almost every time! The whole point is, and which the clueless Ben Bernanke of the Federal Reserve misses completely, is that there is NO way to tighten credit, shrink the money supply and raise interest rates without harming the economy, so it is important that you not loosen credit and drive down interest rates in the First Freaking Place (FFP) so that they won't need to be tightened and raised later!

And here is another interesting fact, in the sense of perhaps quantifying things to estimate how bad things will get, is that after the crash on Wall Street, "The money supply dropped 30 percent from 1928 to 1931."

If you can't see where I am going with this, then you are as clueless as my children, whose remarks I condense to "Are you ever going to stop insulting the Federal Reserve, neo-Keynesian econometric crap, Congress, the Supreme Court, or the moron voters who elected the weenies, who appointed the weenies, who did this to us, or ever stop yelling at us to get jobs to buy gold and silver to capitalize on their colossal folly of allowing such irresponsible increases in money created by the Federal Reserve that it will, because it must, destroy us with inflation in prices?"

I say, with an exquisite brilliant explosion of brevity of wit about which I could go on and on, mesmerizing you in exacting detail for hours on end, "No!"

I mean, why quit something that is so easy? Whee!