America's Real Plan for Inflation -- and for You

by

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By final exam time everyone paying attention in Economics 1 understood why inflation happens. Those choosing other careers stopped thinking about the details. Those who became professional economists didn't but are heavily motivated not to utter unpleasant truths. Hence the hand-wringing, the hysterics, the rampaging ignorance in the headlines and in talking head "expert" analyses. The truths:

* Everyone knows that inflation sooner or later, greater or lesser, must result from a rising imbalance between financial claims and real deliverables of goods and services.

* Claims lacking economic substance will be brought into balance by nominal (inflation) or real (default) extinction. Slowly or suddenly, or one after another.

* Very many small people, and some big people, absolutely must be ruined. They won't be happy.

* No one volunteers for ruin, and political arrangements forbid most everywhere an organized rebalancing of claims and deliverables. So those intent on staying in office must, to calm the victims as ruin nears, organize the "it's terrible, who could have imagined" performance we now see.

* Man has free will so limitless "degrees of freedom" exist. No one can know how or how fast ruination will come. The U.S. Fed's constantly wrong projections are the stuff of jokes. All forecasts are useless because the structure is one of unstable criticality in which any snowflake can bring an avalanche.

This program "works" by intentionally** grinding down those at the bottom (definitionally powerless to resist) to transfer their purchasing power upward. But those in power still must sacrifice a few financial asset owners despite their being the most precious constituents of the powerful. Every player understands the life boat shortage so it's *sauve qui peut*.

Rising inflation is not a surprise and not unwelcome. It is the well-understood, intentional and planned solution to the excess of financial claims empty of economic substance created to keep those in office in their seats. Their public hand-wringing is only performative.

During November of last year the chairman of the educational foundation on whose executive committee I sat asked during a finance meeting with our Swiss bank advisor "Is Jerome Powell telling us the truth [about inflation]?" He replied "I just talked to an old friend about this, who recently retired as a long-time board member of the Federal Reserve Bank of _______. He said 'No. If he told the truth, there'd be panic. He'd be fired immediately.' " And now we see it.

Key financial values, presently standard deviations off in most countries, must revert toward their means. When they do, enormous notional wealth based on promises empty of productive economic substance will be extinguished. Life as we've known it for decades will end.

Some of the "smart money" knows this. In its January 2021 report *Long Term Capital Markets Assumptions* JP Morgan warned of a coming decade of "shocking . . . negative real return[s]" for both stocks and bonds. Their now emerging positive correlation upends generations of basic investment doctrine. Morgan's "imperative" (their exact word, elaborated in 130 pages rather than in a single short sentence): as much as possible flee financial assets while you can.

Ever since 1971 serious thinkers have planned for the inevitable, whether slow or chaotic. Special Drawing Rights may mitigate or postpone a cataclysm arising from the threat to international banks of the slow ruin scenario now hitting highly indebted countries. For the quick and chaotic scenario, American planners in 1977 promulgated the International Emergency Economic Powers Act, allowing the United States to confiscate the assets of any foreign person, organization or state, so repudiating America's international financial obligations and forcing the burden of a cataclysm onto foreigners. Using pre-IEEPA mechanisms the United States has twice done this, in 1934 and 1971, and this reset (note the periodicity) is actually overdue. Shifting the pain to foreigners is America's canonical solution; in Treasury Secretary John Connally's succinct declaration of this durable American strategy: "It's our currency but it's your problem."

Big things have been carefully planned for lots of victims. Anyone in power in almost any country would have planned the same way, including you. We just don't know the victims' names. It's now time for everyone to ask whether he has acted to save himself, his family, his business, his institution. Otherwise he is still on the victim list.

** This intent of inflation is tautologically true if one accepts that enacting legislation to transfer its burden demands political power--known true by experience and common sense. Nevertheless most economists deny the goal to grind down the poor, claiming "that's too cynical" or denying anyone is "seriously trying to use inflation in an organized way to extract income."

To understand why balking economists cannot act upon or often even cognize the obvious one must call upon the science of human behavior.

First, the level of conscious awareness: some cognize this truth but tell themselves (correctly) "Complicity in the program of promiscuous money creation to grind down the poor and uplift the rich is a regrettable necessity to keep my job." This is common behavior at all levels of government right up to the highest. Pages 22-26 of

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document such a high level incident in American foreign relations in which I myself participated.

Second, as we know from Sigmund Freud's epiphany, most human behavior results from mental movements unavailable to consciousness. Economists denying plain truth most commonly employ denial, devaluation and rationalization, among the wide array of primary and secondary defense mechanisms we humans use to avert mental discomfort. See chapters 5 and 6 of *Psychoanalytic Diagnosis* by Nancy McWilliams PhD, a standard reference in the field.

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