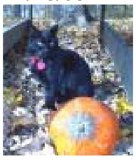
ratcat
(revolutionary)
11/13/05 11:47 PM



The Fed plans monetary inflation [Post 294143190]

Category: News & Opinion (General) **Topic:** Government

Synopsis:

Source: dailykos

Published: November 11, 2005 **Author:** gjohnsit

For Education and Discussion Only. Not for Commercial Use.

The Fed plans monetary inflation
by gjohnsit
Fri Nov 11, 2005 at 02:27:02 PM PDT

The Federal Reserved released a statement yesterday that went almost completely unreported by the news media.

On March 23, 2006, the Board of Governors of the Federal Reserve System will cease publication of the M3 monetary aggregate. The Board will also cease publishing the following components: large-denomination time deposits, repurchase agreements (RPs), and Eurodollars.

For those of you who aren't econo-geeks this probably doesn't mean much to you...but it should. Because the implications of this rather banal statement is enormous and will effect everyone.

First of all it's important to understand that the M3 report is the broadest measure of the supply of money in the economy.

Secondly, it is important to note that the M3 has literally doubled in less than 9 years. In other words, there is twice as many dollars out there than there while the economy has grown far less.

Lastly, it is important to understand what inflation actually is:

A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, caused by an increase in available currency and credit beyond the proportion of available goods and services.

In other words, more currency chasing fewer goods produces price inflation. Price inflation is a symptom of monetary inflation, in the same way that a high temperature in a person is caused by a virus infection. And that doesn't even address the fact that price inflation is under-reported by a staggering degree.

So the Fed isn't going to report that number anymore. So what?

There are two answers for that.

The first answer is to compare that to the federal government reporting only the deficits, but no longer the federal debt. The federal deficit for last year was around $318.6 Billion. But the federal debt went up $553.6 Billion last year.

How can that be? How could the total debt increase more than the deficit? Because the federal government lies. Off-budget items don't get reported in the deficit numbers.

That's why the M3 is important, because it includes items that aren't reported in the M1 and M2.

The second reason why this is important is far more ominous - the Federal Reserve will stop reporting Eurodollars and repurchase agreements.

First of all, Eurodollars are:

Eurodollars are U.S. dollar-denominated deposits at banks outside of the United States. This market evolved in Europe (specifically London), hence the name, but Eurodollars can be held anywhere outside the United States.>

The Eurodollar market is relatively free of regulation, and so banks can operate on narrower margins than their counterparts in the United States. As a result, the Eurodollar market has expanded largely as a way of circumventing regulatory costs.

To give some background, there are more Eurodollars out there than there are dollars in circulation in America. To stop counting Eurodollars is to stop counting an enormous percentage of dollar-denominated assets in the world. Hence, the relationship to the M3 monetary supply again.

At this point it is worth noting that America's trade deficit spiked to a new all-time record the exact same day as this Federal Reserve report. The coincidence can hardly be more obvious, since a huge trade deficit means more American dollars going overseas and becoming Eurodollars.

Secondly, and even more importantly, is the ending of reporting of repurchase agreements. It is important to understand exactly what a RePo is:

Under a repurchase agreement ("RP" or "repo"), the Fed buys government securities from a dealer who agrees to buy them back, typically within one to seven days; a reverse repo is the opposite.

That sounds relatively harmless until you realize that this means the Federal Reserve, an agency that can print money, is messing with the bond market on a daily basis. And when I say "daily basis", I mean on a steadily increasing basis to the point that they have now become a dominant force in the bond market.

To make this development truly scary, you have to remember that the new Federal Reserve chief nominee, Bernanke, had this to say back in 2002:

What has this got to do with monetary policy? Like gold, U.S. dollars have value only to the extent that they are strictly limited in supply. But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent) that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.
[...]
There are at least two ways of bringing down longer-term rates, which are complementary and could be employed separately or in combination. One approach, similar to an action taken in the past couple of years by the Bank of Japan, would be for the Fed to commit to holding the overnight rate at zero for some specified period. Because long-term interest rates represent averages of current and expected future short-term rates, plus a term premium, a commitment to keep short-term rates at zero for some time--if it were credible--would induce a decline in longer-term rates. A more direct method, which I personally prefer, would be for the Fed to begin

announcing explicit ceilings for yields on longer-maturity Treasury debt (say, bonds maturing within the next two years). The Fed could enforce these interest-rate ceilings by committing to make unlimited purchases of securities up to two years from maturity at prices consistent with the targeted yields.
[...]
Yet another option would be for the Fed to use its existing authority to operate in the markets for agency debt (for example, mortgage-backed securities issued by Ginnie Mae, the Government National Mortgage Association).

At this point it is worth emphasizing that our new Fed Reserve chief to-be has mentioned the idea of buying unlimited amounts of securities from the nation's GSE's. By coincidence the Federal Reserve will no longer report the amount of repurchase agreements just as Fannie Mae is sinking into financial trouble and the housing market is topping.

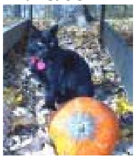
The coincidences here are far too numorous to ignore. What we are looking at is a calculated plan to print helicopter money to bail out our flawed financial institutions and the mess that Greenspan got us into.

Got gold?

[Helicopter Money: Irredeemable Fiat Money]

Reply | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:47 PM



Re: The Fed plans monetary inflation [To: ratcat | Post 294143194, reply to 294143190]
(Score: 2)

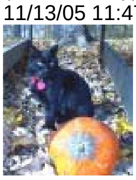
Flag to: boston_liberty, BlackJade, bluegrass, LSJohn, valis, Arimus, Arator, Itisalmosttolate, JRadcliffe, Plummz, mace, Aeryn_Sun, RDavis84, Jassy, shez, Slotjockey68, PaloVerde, SourDove, Mind_Virus

---

"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:47 PM



Re: The Fed plans monetary inflation [To: ratcat | Post 294143195, reply to 294143190]
(Score: 2)

Flag to: BlackVeil, Fletch, REC, AdaC, Earth_AD, Askel5, hamzat, LiberteeBell, Constitutionist, Eric, Ellis_Wyatt, eauclaireliberal, PeteAtomic, Astoria, amalgamy, chance33_98, BikerNina, arden, Mariner

---

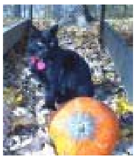
"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:48 PM

Re: The Fed plans monetary inflation [To: ratcat | Post 294143196, reply to 294143190]
(Score: 2)

Flag to: A_Bert, Aurelius, themalcontent, another1, demidog, GiveUpOrDie,



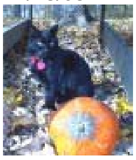
DefenderOfTruth, WholeTruth123, Amsterdamn, Survivor, mingus64, Zoroaster, lightningrod, artbishop, Cobra_Commander, lilmsnoitall, supplanter, Gothika

---

"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:48 PM



Re: The Fed plans monetary inflation [To: ratcat | Post 294143197, reply to 294143190]
(Score: 2)

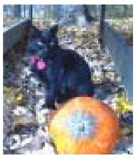
Flag to: fabzilla, thomaspain, sicknote, RidinShotgun, something_stinks, bobbySophistry, djarum, LearnTheTruth, bigfish, mysticalconcepts, maxokist2, EnSabahNur, Jesuit, Uberswank, outofstate, 911isajoke, Pluton

---

"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:48 PM



Re: The Fed plans monetary inflation [To: ratcat | Post 294143198, reply to 294143190]
(Score: 2)

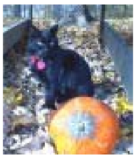
Flag to: BlondGermanNight, lonestranger, spacecommando, SinTex, D_Joyce, whiteaglesoaring, RandFreedom, NWOKiller, Archie, FalseOpposition, MEGAPOSEUR, rusalka, chump, titanicusa, basil, ampikle, ChrisPDX, pokerkidz

---

"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Context   Post Extras:

ratcat
(revolutionary)
11/13/05 11:49 PM



Re: The Fed plans monetary inflation [To: ratcat | Post 294143199, reply to 294143190]
(Score: 2)

Flag to: sushi_girl, NOLAJBS, Smokr, Oceanna, RANDKILLER2005, petewagner33, VictorP, sambooch, NG95825, rearguard, goplus34, rottenjohnh, m_astera, CATO, Destro, oakie69, grapple, JRadcliffe

---

"In republican governments, men are all equal; equal they are also in despotic governments: in the former, because they are everything; in the latter, because they are nothing." -Montesquieu

Reply | Rate Post | Private Reply | Flag | First | Last | Post Extras: