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Global Monetary Viewpoint

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EXECUTIVE SUMMARY: Fed Chief Powell is hinting at tolerance of somewhat higher inflation in 2020, as justified by inflation undershooting its target, previously.

Reported inflation may well rise early next year and beyond until further growth cycle slowdown sets in, and recessionary forces strengthen. Before that, any growth cycle upturn would mean heightened menace of higher inflation.

The Fed has no credible monetary control mechanism for holding the inflation threat at bay – only long propaganda statements and a powerful econometric model. Blunt and effective interest rate rises would just not be feasible in the present political environment.

Inertia in inflation expectations around 2% p.a. could suddenly dissipate in the present monetary regime dysfunction.

The menace of high US inflation: despite monetary regime dysfunction, Milton Friedman's diagnosis still holds

The Emperor's new clothes show continues to run and run, both in the lead theatre of the Federal Reserve (the latest was the Chief Powell Press Event December 11) and the subsidiary theatres in Frankfurt, Tokyo, Beijing and London.

Lost from the proceedings, almost totally, is Milton Friedman's pronouncement 45 years ago, that inflation is always and every time a monetary phenomenon.

The central bankers do not attempt to explain the inner-workings of the monetary control mechanism, by which they will achieve their inflation target. This remains strangely secret or unknown.

Question: do we the wider audience of the central bankers' show become the applauding courtiers of the naked emperor?

Monetary base control extinct since 2008

Present monetary system dysfunction

Natural rhythm and US inflation threat

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