

Excerpts from John Tamny's book, *Who Needs the Fed?* will explain why I suggested this author to Ralph. I encourage any of you interested in the details to download, challenge and discuss his ideas before he talks with us in July. As I understand him, economic improvements would replace many existing companies and jobs kept alive by politics and the Federal Reserve. The poor in America became much more wealthy up to and including the 1920s boom that would have continued without the Great Depression and recent Recession enabled by the Fed. Enormous rewards for those who keep bringing down the cost of living are likely to be reinvested to hire and go on improving the lives of those who are replaced. Most taxes and government services hamper this process.

John Tamny - Who Needs the Fed? - 2016 . . .

1.1 Page xii . . .

The Fed steers resources away from wherever the market would otherwise have sent them. . .

Page 2

. . . any central bank [is] in no way controlling the cost of accessing dollars. If it were . . . plentiful credit would be as simple as printing money, and lots of it . . . We borrow "money," but we're really borrowing resource . . . and "interest rate" is a price like any other. . . . the rate of interest [is] a price meant to bring savers together with borrowers. . .

Page 3

. . . Achieving economic growth and prosperity is as simple as removing . . . excessive taxes, burdensome regulations, tariffs . . . and money deprived of its sole purpose as a measure of value. . . When we define "credit" as the real resources produced by individuals who constitute the economy . . . the more production there will be; soaring credit on offer is the natural result. . . neither governments or central banks can expand the credit available in the economy. . .

Page 4

. . . Government can spend only what it extracts from the real economy first . . . Neither governments nor the fed can create credit to make it easy to attain [only] redistribute ownership of the economy's resources and distort who will have access to those resources in the first place . . . they shrink the availability of credit in much the same way as government artificially lowering the price of apartments and cars . . . abundant credit is the certain result of a free economy . . . the path of expanded access to the economy's rewards is a simple one. . .

Page 5

. . . Assessing credit . . . amount a accessing resources. . . the Fed is . . . superfluous [and] very much a barrier to prosperity . . .

1.2 Page 10

. . . there's always and everywhere a buyer and a seller. . .

Page 11

. . . In a free market prices are regulation par excellence. . .

Page 12

. . . the best way to predict how the poor and middle class will live in the future is to observe how the rich live in the present. . .

Page 25

. . . "recessions" . . . whereby credit becomes difficult to attain, are actually quite healthy. . .

Page 26

. . . Credit is the resources created in the actual economy. . . "recessions" shrink out ability to senselessly waste those resources. . . learn from our errors . . . because failure is a great teacher. . . to the extent that wasteful economic activity continues to attain funding . . . good, prudent, and artistic variety must get by with less funding. Failure that is propped up is also perpetuated. . . it deprives the productive of the credit they need to fulfill actual market wants. Everyone loses . . .

29 . . . billions of credit coursing around Silicon Valley in pursuit of innovation, one big score can paper over a lot of investment mistakes . . . Wealth . . . is freedom. . . major entrepreneurial advances don't emerge from defensive investing. . .

Page 31

. . . the fed funds rate up or down twenty-five basis points is of little consequence. . . .
most companies that attract capital still implode. . .

Page 37

. . .new sources of credit constantly innovate around the Federal Reserve . . . "high-yield
bands" . . . "junk bonds" . . .

Page 39

. . . banks are increasingly irrelevant to our economic health. . .

Page 40

. . . the Fed's power over credit is not remotely absolute. . .

Page 49

. . . Bernanke . . . defines inflation not . . . as a decline in the value of the currency, but
as the result of too much economic growth. . . The economy never boomed while he ran
the U.S. Central bank. . .

Page 44

. . . The rush into housing, in many ways, exemplified credit destruction. . .

Page 46

. . . The Fed presumes to meddle with a price that almost as a rule is going to be
different for everyone. . . .

Page 47

. . . Credit is what individuals increase in the real economy . . . buildings, desks, computer, tractors airplanes, and most of all labor. . . There are no entrepreneurs without capital . . . rates of interest logically can never be zero in the free marketplace. . .

Page 48

. . .entrepreneurs regularly exchange big portions of their business concepts with venture capitalists and company employees to that they can attain the access to the resources necessary to give life to their ideas. Credit is never costless, because it represents access to real economic resources. . . profitable trading activity signals to markets where credits will be destroyed . . . supply-side economies is a tautology . . . Production is greater when the barriers erected to it by government are reduced . . . immense prosperity . . . will be ours if we reduce or completely remove the tax, regulatory, trade, and monetary barriers to production . . . to consume we must produce first. . .

Page 49

. . . Income taxes are a penalty placed on production; regulations are rules that invariably don't work and force producers to waste the time and resources they could otherwise devote to production tariffs on trade shrink the division of labor that amplifies production by fostering individual work specialization; unstable money renders investment in the advances that boost production less likely. . . supply-side-policies are pro credit creation . . . Credit is abundant in the United states because Americans are very productive . . . the amount of credit in the United States should increase exponentially if . . . governmental barriers to production disappeared. . . governments can raise tax revenues by reducing the tax rate. . .

Page 50

. . . Reagan's economic policies . . . as the national debt rose by \$2 trillion, national wealth rose by \$8 trillion. . . the Laffer curve worked . . . Federal tax collections arose from \$500 billion in 1980 to \$1 trillion in 1990. . . governments have no resources. They can spend only what they've taxed or borrowed . . . all spending by the the federal movement is deficit spending. . .

Page 51

. . . supply-siders (and . . . all economists, politicians and pundits) should focus on reducing the tax burden, they should also emphasize reducing the amount of revenues taken in by the federal government. . . raising tax revenues allow the barriers to productivity . . . to grow. . . surging tax revenues empower Congress to spend with abandon the wealth that citizen have created. . . bigger federal government . . . impacts the power and wealth of existing and former politicians. . . surging tax revenues empower Congress to spend with abandon the wealth that citizens have created. . . a bigger federal government is how it impacts the power and wealth of existing and former politicians. . . They want to influence where all the wealth that is taxed and borrowed by Congress is ultimately spent. . .

Page 52

. . . the Clintons are rich for having been lucky enough to make a profession of politics in the richest , most innovative country on earth. . . men and women enter politics in the United States to get rich. . .

Page 53

. . . a political leviathan . . . is being enriched on the backs of the American people. . . unseen [are] all the cancer cures, transportation innovations, and software advances that aren't being invested in . . . supply-siders [are] imposing massive new taxes on the American people. . . Medicare . . . budget . . . its first year was \$3 billion . . . \$110 billion by 1990 . . . \$511 billion in 2014 . . . expected to increase to \$1 trillion by 2020. . . capitalism is about turning scarcity into abundance. Capitalists grow rich by virtue of turning obscure luxuries enjoyed solely by the rich into low-cost common goods enjoyed by the nonrich. . .

Page 54

. . . the ballpoint pen in 1945 . . . \$12.50 . . . box of sixty [today] \$5.89. . .

Page 55

. . . the fiscal focus should always and everywhere be on reducing the tax burden . . . so much that revenues actually decline. . . government can't be a good investor or allocator of the competency's abundant credit. . . Government is a barrier to productions and its waste enriches the political class . . . that would otherwise fund huge economic advances. . .

Page 56

. . . when the automobile industry was in its infancy . . . more than two thousand car companies . . . 1 percent of them survived. . . the car . . . expanded the range of places where individuals could work . . .

Page 57

. . . greatly expanded the markets that entrepreneurs could sell to. . . there was no computer bubble. . . Failures force a positive evolution of the computer industry . . . computers allowed businesses to produce even more with less . . . a transformative economic advance. . . all manner of unsuccessful ideas received funding . . . "Crises may be growth spasms." . . during the Internet boom . . . massive amounts of saving and investing gifted the marketplace with voluminous information . . .

Page 58

. . . We're better off because there was an Internet boom marked by stupendous failure. . . "bubbles" are better described as "credit surges." . . a massive amount of experimentation. . . increasingly within reach of someone with a vision . . . credit surge that produced numerous resources that are accessible to entrepreneurs. . . there were no government initiatives hatched to bail out the myriad failed companies . . . resources controlled by the failures were released to entrepreneurs and businesses . . . to better deploy them. . . Those who are misusing or under-utilizing resources deprive others of usage . . . Failure is a feature of capitalism, not a bug. . . politicians are bad investors. Irrespective of party . . . are "conservative" . . . because of the outcry that would result from truly exotic leaps with taxpayer funds. . . a "new known." . . A great investor is never going to toil as a politician. . .

Page 59

. . . profit investors are fully capable of funding Solyndra-like debacles. . . An economy grows based on information, good and bad, reaching investors and entrepreneurs. . . Businesses in the private sector don't have a unlimited line of credit with which to continue committing the same capital destroying errors. . .

Page 60

. . . When politicians respond, they have an unlimited source of funds . . . They can continue to support that which doesn't work. . . Since the federal governments' "War on Poverty" began in 1960s, more than \$16 trillion has been spent . . . the United States conquered poverty back in the nineteenth century. . . its population would not have grown so substantially since the nineteenth century, nor would foreigners be clamoring to live in the United States to this day. . . all government programs develop constituencies. . . yet trillions continue to be spent on it. . .

Page 61

. . . The free market provides . . . today's poor with luxuries that formerly only the elite could enjoy . . . [the TVA] continues to operate on the taxpayer's dime. . . The Export-Import Bank [is] little more than a fund for corporate welfare." . . This monument to corny capitalism. . . ideas hatched are exceedingly difficult to sunset. . .

Page 62

. . . Berkshire Hathaway's Warren Buffett must eventually sunset his bad ideas, while a Senator Buffett would face no such constraints. . . what would be taken away form him is the ability to fix the corporations he invests in. . . job loss in the modern economy is normal . . . simply a consequence of an economic engine that constantly requires more high order talents. . . [public] bad ideas are never allowed to die. . .

Page 63

. . . For investors to be successful, there must be losers. . .

Page 65

. . . you could easily spend your life making a toaster. . .

Page 66

. . . a world of individuals working alone would be utterly bereft of credit . . . There would simply be nothing for anyone to borrow. . . forms of green energy realistically had their heyday in the thirteenth century . . .

Page 67

. . . while there are many credentialed scientists who claim that the failure to curb global consumption of fossil fuels will a worldwide environmental catastrophe that will put coastal cities under water, market sign alas indicate that that this narrative is false. Scientists are doubtless smart, but markets are quite a bit smarter . . . prices in the marketplace represent . . . the combined views of the future by market participants. . . land, buildings, houses, and companies with coastal addresses would be in freefall . . .

Page 68

. . . for money to best serve its "sole use". . . as a facilitator of exchange - its value must be stable . . . a ruler . . .

Page 69

. . . Reagan . . . was arguably the most economical astute individual to ever reside in the White House. . .

Page 70

. . . OPEC formed in the 1960s but had no impact on the per barrel price. . . the dollar was depreciating against oil . . . gold . . . foreign currencies and . . . nearly everything else. . .

Page 71

. . . Reagan and Bill Clinton were strong-dollar presidents . . . WE didn't suffer "oil shocks" in the 2000s; we suffered the weak-dollar policies of president Bush, and during his first term of president Barack Obama. . .

Page 73

. . . entrepreneurs generally grow rich . . . because individuals figured out ways to mass market formerly obscure items through relentless price cutting. . . investment follows success. . . the fracking boom meant that oil and gas companies took on lots of debt. . . money illusion make the industry a magnet for credit. . .

Page 74

. . . "In order that one industry might grow or come into existence, a hundred other industries would have to shrink" . . . we can't do everything.¹ . . . What is unknown is the exponentially greater output from U.S. Industry . . . would have occurred had a weak dollar not sucked enormous resources into fixing what wasn't a problem. Production matters, because it is the source of credit. . . lousy monetary policy fosters the production of resources that are unnecessary or already being provided . . . advanced countries . . . can pursue even higher value modes of production that will gift the economy with exponentially more credit. . . Our weak-dollar rush into oil extraction was an economy sapping pursuit. . .

Page 75

. . . a credit destroyer of the 1970s variety as already limited resources migrated toward the production of that which was already plentiful and away from the credit-boosting economic advances that mark actual economic progress. . .

Page 76

. . . Governments do not create roads . . . with a road making skill that those of us who toil in the private sector lack. . . governments build roads with resources (credit) produced in and taxed away from the private sector. . . the U.S.S.R. was largely bereft

¹ That doesn't sound right at all. I think he is arguing against that.

of credit. With the people having no incentive to produce, why would there be an incentive to seek credit? . . savers are conferring a major benefit on society: There are no entrepreneurs without savings . . . providing entrepreneurs with the resource to advance society economically. . . people in the the former Soviet Union . . . simply had nothing to buy . . . there was limited wealth for politicians to tax away in order to build rods. . .

Page 78

. . . few people had cars . . . the backward and bankrupt state of the Keynesian school of economics. . . Governments once again can spend only what they have taken from the private economy . . . investors . . . have an incentives to fix what's wrong with what they've committed capital to. . . economic resources are then redirected to better concepts. . . Government rewards failure. That's why Medicare costs hundreds of times more today than it did in 1965. . . sugar is subsidized to the tune of \$1.9 billion annually . . .

Page 79

. . . there's nothing forcing government to shut down what doesn't work . . . government spending is the opposite of stimulation . . .

Page 80

. . . the United States . . . would have better and exponentially more plentiful roads . . .

Page 81

. . . ubiquitous and cheap [without] rush hour traffic congestion. . . economically free societies almost as a rule have credit in abundance. . .

Page 82

. . . neither governments nor central banks can create credit. . .

Page 85

. . . the best way to understand how we'll all live in the future is by observing how the rich live today. . . self-flying jets . . .

Page 87

. . . credit is plentiful where production is plentiful, and it's nonexistent where there's no incentive to produce. . . Well run banks have widespread access to credit . . .

Page 88

. . . the Keynesian view that savings are economically harmful since savers allegedly aren't consumers. . . saving never subtracts from demand . . . why the political act of wealth redistribution is so destructive to credit creation and real economic growth. . . money saved in the private economy is money lent. . . politicians use our wealth to perpetuate what is wasteful . . . while private credit sources must lend with an eye on being repaid. . . lousy private lenders, like misguided businesses, are eventually shut down. . . banks . . . "borrow money in order to lend it." . . Murry Rothbard . . . "Fractional reserve banks. . . create money out of thin air . . . \$1 million don't multiply into \$10 million if it changes hands enough times someone can borrow only if someone else is willing to cease using money in the near term. . .

Page 90

. . . Money doesn't multiply by being lent. . .

Page 91

. . . severely devalued money serves no economic purpose. . .

Page 92

. . . Mises . . . "What is usually called plentifulness of money and scarcity of money is really plentifulness of capital and scarcity of capital. . . Money flows to production. . . to correlate what is a mirage - the "money multiplier"- with inflation is flawed. . . money

secures consumption and capital items. . . Its weakness and instability in modern times is a horrid truth that has deprived money of its singular function as measure meant to facilitate exchange. But this instability can't be blamed on the banking system. . .

Page 93

. . . Government spending is a tax . . . by virtue of politicians allocating resources over the free marketplace. . . Keynesians . . . view that its stimulative. [But] should be viewed as deficit spending. . . The burden left to our grandchildren [is] a much less evolved economy [fewer] cancer cures. Transportation innovations . . . economy sapping waste. . .

Page 94

. . . government spending goes on forever without regard to its effect. . . they've become another leg of an increasingly sturdy Keynesian chair. . . Ron Paul . . . suggests that Say's Law - whereby production is the source of demand - is a myth. . . that governments can create credit and demand . . .

Page 95

. . . All governments can do is shrink economic resources by virtue of trying to manage their allocation. . . Government spending represents the opposite of a boom, so must government allocation of credit. . . There can never be a scenario where the economy produces "excess" resources. . . the cause of the Roaring Twenties boom, is that in isolation, the Fed was "right." This isn't to say that credit created in the real economy sat ideal thanks to the Fed. . . the U.S. Federal Reserve of the 1920s simply did not follow the cardinal rule of the gold standard - - - to expand credit conditions when gold flowed in, and contract them when gold flowed out. . . The availability of credit in an economy is a function of production. . . The United States experienced abundant credit conditions in the 1920s precisely because its people were acting in productive fashion, not because the Fed was magically able to create resources for them to access out of thin air. . .

Page 96

. . . the Communist Party of China has a "sea of credit" to create only insofar as China's booming private sector has created it . . . Whether it is by the government or the Fed,

any attempt to boost credit amounts to its shrinkage, thanks to its mis-allocation, not its expansion. And it's anti economic growth, not the source of booms, as some Austrians think. . .

Page 97

. . . despite frequent quarterly losses, Amazon can claim a market capitalization of \$296 billion. . . Engaged in constant experimentation. . . "The value of a business today is the sum of all the money it will make in the future.". .

Page 98

. . . banks never simply run out of money. Lack of investor patience is what causes them to file for **bankrupt**, or to be swallowed by competitors. . . Banks shouldn't face any reserve requirements because well-run banks don't need them. . . the bank . . . can . . . borrow . . . in the near term to honor all customer withdrawals. . . businesses borrow from financial entities to finance daily operations . . .

Page 99

. . . banks are not receiving deposits for free. They're paying for them . . . their profits will be shrunk by the regulation itself. . . regulations reduce the quality of talent that migrates to banking. . . some of the world's brightest minds are taking their talents to Silicon Valley. . . the frequency of failures in Silicon Valley also means the sky is the limit in terms of potential wealth gains. . . "Government Motors" is the sad reality . . . banks have been failing for centuries, and this is healthy . . .

Page 100

. . . it is best to expose the average as quickly as possible so that the more talented can acquire what is being underutilized. . .

Page 101

. . . deposit insurance . . . itself is the problem. . . The "moral hazard" is we! . . For banks with a reputation for sound lending practices, the cost of insuring one's account would be **rather. Small**. . . insurance on deposits would reflect the marketplace itself . . .

Page 102

. . . most banks in 2008 were fully healthy . . .

Page 103

. . . investment banks . . . at least historically attracted bright finance minds. Why, then , would regulations be written . . . The Glass-Steagall argument doesn't stand up to the most basic scrutiny. . . banks . . . don't implode from lack of cash. Instead [of] poor judgment. . . The desire among regulators and politicians to erase failure is logically one of the biggest barriers to overall banking health. . . . The best industries are routinely marked by failure . . .

Page 106

. . . The Federal Reserve was created to prop up the biggest banks . . . that were increasingly being made irreverent by nontraditional forms of finance. . . that free markets were leaving behind. . . there is simply no way that bank failures caused the Depression. Finance had long before evolved away from traditional banks. . . 80% of borrowing among businesses took place outside of the banking system. . . in the fall of 2008, there was no evidence of a decline in business and consumer loans. . . businesses outside of the traditional banking system receive a marketing signal their their entrance into fiance will be rewarded. . . Uber institutes "surge pricing? . .

Page 107

. . . Sam's Club was doing much the same . . . H&R Block . . . Quicken . . . Harley-Davidson . . . all have lending arms . . . new forms of credit continue to sprout up in the marketplace all the times. . . "credit circle." . . . Lending Club . . . a rate of interest commensurate with their credit history .. . does all the work of rating the borrowers . . .

Page 108

. . . USAA . . . an insurance company has morphed into full-service financial services company. . . Bank of Internet . . . E-Loan . . . My E-Bank . . . Virtual Bank. . . Wal-Mart . . .

Page 109

. . . credit is everywhere . . . commercial banks should have invented the credit card . . . Kodak . . . the first instant camera. . . General Electric . . . electron computers . . . companies with vast stores of expertise and information capital proved dull students of opportunity. . .

Page 110

. . . banks must be much more careful than the typical investor . . . Kickstarter is a website where the creative go to find investors for their projects. . . credit is everywhere. . . in 2008, 80 percent of borrowing took place outside of the traditional banking system. . . As of 2014, 85 percent . . .

Page 111

. . . since 2010, only one new banks has opened in the United States. . . Three decades prior to . . . 2008 . . . one hundred new banks opened per year. . . we should be horrified by their continued existence as wards of the state. . .

Page 112

. . . in a largely free society we'll continue to create credit. . . savings . . . never lay idle. . . capitalism is all about entrepreneurs fulfilling unmet needs. . .

113 . . . housing is . . . not investment [but] consumption . . . anti-credit creation. . . "what is saved on consumers' goods is spent on capital goods." . . the housing boom fingers the Federal Reserve as the cause. . .

Page 114

. . . in Silicon Valley, those who need credit acquire it by trading equity stakes in their concepts with venture capitalists and salary-deprived employees. . . housing couldn't be . . . even the one-hundredths choice for those seeking positive returns on their credit. . .

Page 115

. . . Congress never "fires" or ceased funding its [wards] . . . It can't create credit as much as it can re-allocate it toward parts of the economy that it deems worthy. . . there's no market to discipline its failures. . . the creation of money is in no way the creation of credit. . . the Fed could drop trillions dollars from the sky and no new credit would be created. . . Real economic resources would remain the same and likely shrink, because the dollar would be robbed of its singular purpose as a measure . . . Uber must please its drivers in order to satisfy its customers. . .

Page 116

. . . what really drives housing vitality. . . the value of the dollar . . .

Page 117

. . . when investors put capital to work, they are buying future dollar income streams. . . When money is losing value, investment flows into hard assets that are least vulnerable to the devaluation. . . dollar devaluation is a strong signal that the wealth and production (new credit) that doesn't yet exist will not receive funding. . . it is a sign of linkage of credit as consumption wins out over investment. . .

Page 118

. . . Oil, housing, and hard assets soared, while the stock market representing the funding of future wealth creation flattened. . .

Page 119

. . . war and good money haven't historically correlated . . . "Effective warfare under really serious conditions is practically impossible without inflation." . . A house . . . may yield a revenue to its proprietor . . . it cannot yield any to the public . . . consumption is wealth . . . economic growth is a function of directing credit into enriching ideas that don't yet exist. . .

Page 120

. . . the hybrid bank/investment banks . . . were the healthiest in 2008 . . . Fannie, Freddie, and the mortgage interest deduction . . . should be abolished . . . the last thing government should do is subsidize consumption of any market good, particularly one that renders us less mobile. . .

Page 121

. . . When money is strong, investors don't worry as much about having their investments eroded by inflation . . .

Page 122

. . . an economy consuming so much of its credit rather than investing it was eventually going to implode . . . it is too bad the failed **bands** weren't allowed to go bankrupt. . . Keynesian mythology about "liquidity traps". . . ask us to believe that absent the Fed, credit created in the real economy would have sat idle. . . the horrid rush into housing signaled a massive credit contraction as consumption prevailed over true investment. . .

Page 124

. . . Investors of all stripes have missed out on owning a portion of innovative companies. . . Being a publicly traded firm is a great way for a CEO to attain valuable feedback about how he or she is doing. . .

Page 125

. . . The pay and bonuses on Wall Street are high precisely because those who toil in finance possess a skill at finding finance that most lack. . . subsequent failures signaled a healthy market economy starving the companies that didn't make sense . . . For a company to expand and frequently create the jobs that come with that expansion, there must be savers first. Bank and investment banks are paid handsomely for bringing the two together. . .

Page 126

. . . investors buying companies on the proverbial deathbed and nursing them back to health. [How] Romney . . . earned his wealth . . . Airbnb is helping home and apartment owners to capitalize their houses . . . Wall Street's main function is to match buyers with sellers. Stock market bulls can't express their optimism unless there's a more skeptical bear willing to sell to the bull. . .

Page 127

. . . John Paulson . . . was able to buy insurance on mortgages that he expected to go south only insofar as mortgage bulls were willing to sell insurance to him. [His] billions were a signal to the marketplace that further allocation of credit to housing sector was a really bad idea. . . a jaundiced view of Wall Street, banks, and the high pay is the bailouts of companies that market forces were trying to put out of business. . . a disaster because of the sad economic implications of savings failed businesses but also because of what they've meant for the financial sector since. . . tragic for the economy for the simple reason that for the government to prop up what the markets don't want, it must punish the companies that markets do want. Failed businesses don't vanish so much as release their assets to stewards of credit with a stated objective to manage them more wisely. Successful companies in 2008 lost out because they were unable to buy depressed assets (inclining some of the talented individuals inside the banks) on the cheap. Also, the money the federal government used to prop up failed financial institutions had to come **from** somewhere. What is unknown are the good companies that lost out on credit. . . in government bad ideas live forever. That's exactly why government should never act as an investor or a savior. . . laggards are given a lifelong lifeline. . . Silicon Valley . . . thrives precisely because most of its star-ups fail. Failure in the driver of perfection. . . Wall Street and the banks . . . freedom to fail would make both even healthier. . .

Page 128

. . . Given Japan's quick revival from utter destruction, can anyone any longer take Bernanke's alarm in 2008? . . . that the U.S. Economy couldn't have easily absorbed the failure in banks such as Citigroup . . . No one would have died, no buildings would have been destroyed . . . recessions . . . are the free market's way of fixing the economy. . . when . . . allowed to run their course free of intervention, there's a subsequent economic boom. . . starving bad businesses of credit so the good ones can receive it in abundance. . .

Page 129

. . . the markets were in the process of depriving the housing market of credit and shuttering the financial institutions that were too exposed to housing . . . Wall Street and the banking sector have ironically suffered the government's needless intervention the most . . . with banks being told to cease "being inventive and creative," . . . Robert H. Smith . . . in *The Changed Face of Banking*. . . "If we submitted a plan to the regulators . . . it would most likely take two or three years to receive **there** approval . . . the bigger the market driven failure the better simply because poorly run companies of substantial size are wasteful consumers of a lot more credit than smaller ones . . .

Page 130

. . . the largest banks and investment banks are increasingly not focusing their always limited resources on crafting innovative new forms of finance . . . Instead . . . currying favor with the federal government. . . serving political masters . . . who view business as social concepts as opposed to enterprises serving the shareholders who make their work possible . . . the health of the U.S. financial sector . . . seek a permanent separation from Washington. . . Government is the opposite of innovation, of credit creation, and of market discipline. . . unseen is how much more prosperous it would be. . .

135 . . . Baltimore's tragic descent into poverty . . . run down houses that, in better times, were occupied by the city's once-vibrant middle class. . .

Page 136

. . . Friedman was the modern father of monetarism, a theory of money that says the central bank should closely regulate its supply. . . inflation is always and everywhere a monetary phenomenon. . . too much money, as opposed to a decline in the value of money. [But] as Mises explained, "What is usually called plentifulness of money and scarcity of money is really bountifulness of capital and **and** scarcity of capital." Money is an effect of productive economic activity. . .

Page 137

. . . money merely facilitates exchange . . . Mises: "Commerce will create for itself other media . . . China's monetary authorities chose essentially to import U.S. Monetary policy. . . the dollar, its value from 1982 to 2000 "was crudely stable vs. gold around \$350/oz.". . Arthur Laffer, money supply is "demand determined.". . China . . . let production dictate supply. . .

Page 138

. . . Money supply is an effect of prosperity, not a cause. . . . Shanghai is a booming metropolis . . . a magnet for money, which logically migrates toward production. . . central banks and governments couldn't possibly plan where production is going to take place. . . Ultimately Friedman himself admitted . . . "The use of quantity money as a target has not been a success. . . disciples of Friedman . . . have not. They call themselves "market monetarists," . .

Page 139

. . . central planning as an economic policy died in murderous disgrace throughout much of the world in the late 1980s. . .

Page 140

. . . Baltimore [is] not a safe place to lend or invest money. . . local loans likely wouldn't be worth much. . . Money migrates to production: its arrival does not stimulate production. . . government spending . . . merely increased government demand at the expense of reduced demand among those who produced the wealth. . . another variant of Keynesianism that similarly, and incorrectly, assume that demand is the source of growth. . . demand is the results to growth . . . Adam Smith . . . "money cannot long remain in a country in which the value of annual produce diminishes," . .

Page 141

. . . modern Austrians have added a third leg to the Keynesian chair with their non-Austrian assertion that boom times are a function of government creating excess credit. . . Money misdirected to Baltimore wouldn't last there long. . . supply-siders . . . their

celebration of the revenues that tax cuts often shower on governments amount to tax cuts' addition as the fourth and final leg of the Keynesian chair. . . when government receives abundant revenues to spend, the massive tax that is government grows by leaps and bounds forever . . . tax cuts will truly work best if they're paired with substantial shrinkage in the size of government no matter the level of revenues. . . the monetarist[s] promote the falsehood that excessively tight money from the Fed . . . caused money supply to contract in the 1930s, led to the Great Depression. . . they get things backward. . . "The lending rate between banks of high credit quality was consistently low, indicating that borrowing was easy and cheap for solvent banks." . .

Page 142

. . . "The Federal Reserve did exactly what it was designed to do during that period." . . . Hoover, followed by . . . Roosevelt, mistakenly tried to intervene in what was healthy. Recessions, while painful, . . . signal an economy cleansing itself of bad businesses, malinvestments, labor mismatches . . . individuals do best when they're forced to fix their mistakes. Intervention in the process of the economy fixing itself was the first major blunder. . . Hoover signed an increase of the top tax rate from 25 to 62 percent . . . Roosevelt . . . to 83 percent. Roth approved major increases in government spending . . . a tax . . . regulations that made hiring quite expensive, thus pricing eager labor out of the market . . . taxed foreign goods . . . subsidized the weakest U.S. economic sectors at the expense of the most productive. Roosevelt devalued the dollar from 1/20th of an ounce of gold to 1/35th, which made investment . . . in existing and future companies quite perilous. . . taxed companies . . . on any earning they retained with an eye on future expansion. . . economic growth is as simple as reducing the tax, regulatory, trade, and monetary barriers . . . in the 1930s, every one of these barriers increased . . . The decline in money supply in the 1930s was an effect of horrid policy. . .

Page 143

. . . The monetarist analysis is backward. . . money supplied to Baltimore . . . would follow production to wherever it might exist. . . the "market value of . . . Apple, Google, Facebook, Amazon, Oracle, Intel, and Microsoft - totals \$2.3 trillion, more than the entire stock markets of Germany or Australia. Five . . . are based in Silicon Valley . . .

Page 144

. . . money is an effect of production, so its supply can't be planned. . . there's the solutions that many supply-siders frequently offer. . . to redefine the value of the dollar in terms of a commodity known for stability, like gold, and let the market price of gold regulate how many dollars the economy requires. . . such a system wouldn't require the Fed . . . an even better solution would be for Congress . . . to simply define the dollar. . . let's say at 1/100th of an ounce of gold . . . only to leave the creations of actual money to the private sector. . . "commerce will create for itself other media or circulation, such as bills . . . competing private currencies. . . retailers accept all kinds of credit cards, and if private money were legalized so would they accept certain brands of a "dollar". . . Future private currencies will focus on stability of value over supply . . .

Page 145

. . . Perfect money is that which is unchanging in value. Market actors produce all manner of other necessary goods. Why not empower them to compete on money too? .
.

146 . . . In the fall of 2014, the price of oils . . . had fallen to \$54 by December. . . . below the break-even price of \$60-\$70 per barrel. . . . credit for oil-exploration companies become more expensive. . .

Page 147

. . . Recessions are sign of economic health . . . not situations to avoid . . . bad ideas are starved of credit so that good ones can absorb underutilized economic resources. Recessions ar a wondrous sign of looming economic revival. No serious economist politician, or civilian would ever want government to fights a recessions short of aggressively reducing the huge economic burden that is government. . . Congress can only spend what it's extracted from the economy first. When Congress . . . spends a lot less, the real economy can allocate what Congress doesn't consume to all manner of market-disciplined economic ideas. . .

Page 148

. . . credit is precious; it represents real resource [which] never lay idle. Someone somewhere is always borrowing or seeking investment in order to access resources with a eye on growth. . . a Fed that could eternally prop up what the markets do not

desire should provide a huge barrier to growth. Thankfully, the Fed is not the source of all credit. If so, there would be no economy in the United States. . .

Page 149

. . . if all we did was spend, we'd still be living in caves. . . thanks to savings . . . the economy has abundant resources . . . the savings that led to these advances have logically made us exponentially more productive such that our spending power has been greatly amplified. . . the Fed has credit to allocate only insofar as it extracts it from the real economy. . . the Fed can't borrow trillions from banks without removing trillions worth of credit from the private economy. . .

Page 150

. . . Banks cannot pay for deposits without lending them out, They would be bankrupt if they did. . . non-economic ideas are going to experience rapidly rising borrowing costs. . . What the Fed giveth, it first taketh from the Private markets. Single logic says that QE didn't make borrowing easier. . . a believer in . . . QE would have to think that the economy is enhanced when the federal government creates programs that last forever and continuously cost the taxpayer more money no matter their efficacy or economic benefits. . .

Page 151

. . . the Fed's imposition of artificially **law** interest rates . . . would have to have been one of the few instances in global economic history of price controls actually leading to abundance over scarcity . One **investors** purchase of shares is another investor's sale. . .

Page 152

. . . members of the Fed. . . act as though there are buyers without sellers, let alone that there are borrowers without savers . . . the bulls and the bears. . . Each has an equal responsibility for the determination of prices. . . markets . . . price in the future. . . wouldn't investors have long before rushed out of the very markets that this easing allegedly cause them to rush into? . . QE from the Bank of Japan . . . the Nikkei 225 is

still half of what it was in the late 1980s. . . China . . . markets started to buckle in August 2015. . .

Page 153

. . . recessions [are] essential because they're an economy's way of cleansing all the bad stuff . . . credit-destroyers get to continue destroying credit at the expense of new and better ideas that fuel booms. Stock **markers** are no different. . . the Fed is powerfully robbing us of exponentially greater prosperity by virtue of allegedly giving us mildly good times. . . economies are individuals, so are stock markets simply collections of companies. . .

Page 154

. . . if people can disprove this chapter's argument that QE did not create an economic or stock market boom, that in fact it "achieved" both, then they've made my argument for me about the importance of abolishing the Fed. . . a recession left alone is the surest signal for a coming economic boom, so is a bear market left untouched a sign of roaring bull in the offing . . . it seems more realistic to point to the gridlock that has prevailed in Washington since early 2012. . . a strong dollar in the 1980s and 1990s coincide with booming equities. . . the value of the dollar has soared against gold since August 2011. . . Yellen continue the QE program for a time, she shut it down in 2014. . . It's highly unlikely that the cause of the bull market was the Federal Reserve's extraction and reallocation of resources toward government spending and housing consumption. Those who believe otherwise must conclude, by their own illogic, then the end of the twentieth century when decentralized markets ably expose central planning as fatally flawed, was all a mirage. . .

Page 155

. . . Individuals grow rich in a capitalist society by virtue of tuning obscure and expensive luxuries solely enjoyed by the rich - from the car to the computer to the cell phone - into inexpensive goods for all income classes to enjoy. . . The only barrier . . . is government. . .

Page 156

. . . The Fed's theory about economic growth being the source of inflation came from the late economist A.W. Phillips. . . if the very investment that leads to job creation becomes too abundant, the economy somehow suffers inflation related to too much people working. . . demand for workers outstrips supply, and the result is higher inflation. . . economic growth is a sign of advancing economic conditions that lower prices, not increases them. . . the FED . . .

Page 157

. . . by fiddling with the rate at which banks borrow from one another. . . banks are but one source of lending . . . around 15 percent . . . the cost of credit varies across the economy . . . When it "eases" or "tightens" credit, it at best, distorts where economic resources migrate. Thankfully, it doesn't distort the flow of resources too much. . . if the fed were the source of resources access . . . the U.S. economy would resemble Haiti's. . . money out of thin air doesn't increased the amount of credit available. . .

Page 158

. . . Most "dollars" . . . are outside the United States. . . the . . . dollar supply held in institutions well outside the U.S. Banking system "would grow faster to **meet** demand and make up the difference." . . .

Page 159

. . . If low rates from central banks were the source of market tallies, then Japan's stock market would have soared over the last twenty-five years. . . market intervention . . . is a barrier to productivity, not a driver of it. The Fed . . . can influence the directions of some of the recourse . . . the broad view inside the Fed is that too many people working and prospering will cause the economy to "overheat." . . The Fed's **polity** - assuming a booming economy - is to put people out of work. . .

Page 160

. . . Economic growth, no matter **how** robust, is never the soured for broad pricing pressure. . . economic growth, almost be definitive, is evidence of falling prices. . . Fed

presumptions that the United States is an island with no access to non-U.S. labor and production capacity. That's why the Fed thinks growth causes pricing pressure; basically, we'll run out of labor and production capacity. . . economic growth is evidence of price-shrinking advances in productivity. . . the car, cell phone, computer, and Internet are among the biggest job destroyers in world history. . .

Page 161

. . . the abundant growth they incorrectly fear as the source of inflation is in fact its cure. . . the only true inflation is a decline in the value of the currency, in our case the decline in the value of the dollar . . . the U/S. Treasury's responsibility. . . the Fed itself constitutes a barrier to the lower prices that we the people would all treasure. . . Mises was right: No nations need ever worry about the proper supply of money. If the dollar disappears tomorrow, dollar substitutes will quickly fill the breach. . . an essential lubricant that the productive utilize to exchange wealth and credit. . .

Page 163

. . . Apple can borrow at some to the lowest interest rates in the world, thanks to its vast array of amazing products desired by the citizens of the world. The U.S. Treasury can borrow (sadly) at the world's lowest rates simply because its debts are backed by the most economically productive people or earth. . .

Page 164

. . . Absent the Fed, all manner of cash-rich companies and individuals would eagerly lend to solvent banks, simply because they could get a good return for doing so. . . if it's going to be allowed to operate in order to save the banks that don't get credit, that's another reason to shut it down. Those who think the banking system is important should wholeheartedly agree with this. . . such "zombie banks" weakens the banking system overall. . . No economic sectors and no economy can truly thrive if some participants - particularly the biggest ones - are protected class. . . a request for a loan from the Fed's "Discount Window" is an admission of failure. . .

Page 165

. . . the Fed is now a lender of last resort only for banks that cannot secure private funding. Therefore, this function of the Fed must be shut down with the banking system and overall economy in mind. . . the Fed is required to balance unemployment with inflation. . . To the fed, inflation is caused by prosperity . . . Yet prosperity is the enemy of rising prices, while money supply is a function of production. As for employment rates, unless people feel the Fed can fine-tune the infinite decisions that cause investors to invest, and business owners to hire, the notion of the central bank tinkering with job creation ought to horrify them. . . the interest rate is meant to float to whatever rate maximizes the possibility that those who have access to credit (savers) will transact with those who need access to economic resources (borrowers). . . Neither the Fed nor any movement body could ever have a clue about what the proper price of credit is. . . . with credit we're talking about the cost of accessing all the economy's resources. Allowing our central bank to meddle in that is not the stuff of a serious nation. . . the Fed . . .

Page 166

. . . lowers the cost of accessing credit at the time when the desire for it is highest. . . the Fed acts as though the savers who make credit possible don't exist. . . the Fed's zero-interest rate regime of modern times is an admission from the central bank that it has failed miserably. . . No serious economist would ever attempt to set the price for a market good at zero. . . the real markets for credit happily move on without the Fed . . . to reflect the truth that all individuals and businesses are different. . . In borrowing trillions from America's banks while backed with America's credit, the Fed helped deprive the U.S. Economy of a massive rebound that would have taken place absent the central bank and federal government presuming to allocate so many trillions of the economy's precious resources. . . the Fed's machinations greatly reduce the amount of credit in the economy. . .

Page 168

. . . With the United States heavily in debt thanks to spending that was logically failing to stimulate the economy, FDR reduced the value of the dollars being returned to holders of U.S. Debt. . . but when investors invest, they are buying future dollar income streams. . . "The value of a business today is the sum of **all** the money it will make in the future." . . yet FDR devalued the social commitments made by the investors that are so crucial to economic progress. . . a downturn that . . . would have been the source of a healthy

economic rebound. Recessions . . . are an economy's way of clearing out all the debris on the way to boom times. The Great Depression did not have to be. . .

Page 169

. . . since its creation in 1913, the dollar has lost more than 90 percent of its value. . . unseen is the massive **economic** advances that would have made the abundant present seem impoverished . . . the global currency agreement . . . Bretton Woods . . . was largely a creation of the Treasury and the Roosevelt White House. . . abandonment of the gold standard was a sure sign of the collapse of capitalism. . .

Page 170

. . . Fed "independence has always been a myth. . . None of this is to defend the Fed, but the modern narrative tying it to the dollar's destruction is vastly overdone. . .

Page 171

. . . Fed officials generally don't talk about the dollar's value, leaving that to Treasury . . . for at least the next two decades, the dollar rebounded. Its rebound helped an economy reliant on investment begin to right itself. . . markets . . . always reflect the future. . . In the booming 1980s, the dollar price of gold declined by 52 percent. . . Bill Clinton's dollar policy was arguably even better than Reagan's. . . quantitative easing . . . lasted from 2008 to 2014. The Fed's wrongheaded borrowing of trillions from banks . . . did much worse than print money . . . the dollar should be neither strong nor weak. A truly strong dollar would be one that is unchanging in terms of value. A floating dollar robs money of its sole purpose as a **measure** to facilitate trade and investment. . . the dollar's value is a political concept, as opposed to a Fed concept. . . what bothers the Fed's critics the most is something the Fed has little control over. The weak dollar . . . has been a function of lousy presidents, not the Fed. . . ending the Fed, while essential, will not fix all that ails us. . . That the Fed has "saved" banks such as Citi so many times over the years has proven bad for the banking system, and bad for the economy since some institutions now owe their existence to government. . . Congress . . . passed the funding for the ill-conceived Troubled Asset Relief Program (TARP) meant to prop up banks that should have been allowed to go under. . .

Page 173

. . . our federal government has no resources. Its ability to redistribute credit is solely a function of what it takes from us first. . . housing . . . represents credit consumption . . . When readers think about how much of their wealth has been consumed by housing, they must consider all the economic advances that never took place thanks to the politically correct obsession the political class has with housing people on the dime of others. Such waste hurts rich and poor alike. . .

Page 174

. . . already flush institutions of higher learning can continue to raise tuition . . . Medicare . . . at the cost of \$3 billion in 1965 . . . \$1 trillion within the next several years . . . and the elderly still can't easily find medical care . . . federal government is the biggest credit destroyer of all. . . government programs almost never die. . . Spending always and everywhere attracts special interest groups . . . government spending is deficit spending. . . we're its victims through substantially less advancement and economic growth. . . the federal government could and can borrow more easily than any other entity on earth. . .

Page 175

. . . most economic participants thankfully ignore the Fed . . . The federal government consumes more than \$3.5 trillion in precious resources per year. . . the answers to our prosperity are easy. Reduce the weight on freedom and credit creation that is government . . .

Page 176

. . . the washing machine, car, computer, ATM and Internet . . . are robots. . . because they are labor-saving devices. . . . If we can mechanize certain forms of work . . . the credit necessary for amazing entrepreneurial advances will grow by leaps and bounds. . .

Page 177

. . . when we're doing what we love we're much more productive. . . economists, politician ,and workers . . . should embrace the rise of robots precisely because they love job creation. Robots are credit creation personified. . . Robots, by their very name, promise cheap resources necessary for entrepreneurialism in abundance. . . aggressive automation will free up man to do new work by virtue of robust erasing toil that was once essential. . . Thank goodness technology destroyed lots of agricultural work and freed up Americans to pursue a wide range of vocations off the farm. . . so-called job destroyers, like wind power, water power, the cotton gin, the care and the computers seem small by comparison. . . what is saved on labor redounds to increased credit availability for new ideas. Jobs aren't finite . . . they're the result of investment. . .

Page 178

. . . for entrepreneurs to make big experimental leaps, they must first have the credit to do so. The profit enhancing inefficiencies that robots personify . . . foretell a massive surge of investment that will gift us with all sorts of **mew** companies and technological advances that promise the invention of new kinds of work previously unimagined. . . If growth and prosperity were about job creation, then the solution would be simple: abolish tractors, cars, ATMs light bulbs, and the Internet. . . economic growth is about production. . . producing more with less. . . kids are free to enjoy childhood, the elderly are able to enjoy retirement, and mothers and fathers get to devote more of their time to watching their kids grow up. . . due to labor saving devices throughout history that have showered us with staggering abundance for less and less in the way of labor inputs. . . innovation itself is the inventor of new forms of work. . .

Page 179

. . . an amazing surge of credit availability. . . will fund plenteous investments in healthcare advances, transportation innovations, and new business concepts . . . in poor countries. . . work is static. In rich ones, we constantly innovate away the toil of the past in favor of more prosperous work forms that are less back breaking, consume less of our time, and best of all, maximize the possibility that we will be doing the work that most animates our individual talents. . . humanity's genius will be freed to focus on infinite unmet needs in the marketplace that were previously ignored. . . cancer will be attacked by exponentially more investment, as well as by the minds then investment seeks out. . . the credit surge the robot promises will render the Fed even more

irrelevant in the economic scheme of things. If Congress doesn't end the Fed, the robot will. . .

Page 180

. . . Production is the source of credit, and it is also a magnet for the money that represents access to real economic goods. . . The future can't come soon enough. Robots will be the biggest job creators in world history.