

Re: When should the Fed act against inflation?

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"puntoing" <tomrules111@xxxxxxxxxxx> wrote in message
news:1150643332.648713.204130@xx

That means that "inflation" to actually be "inflation" is not simply a rise in prices. It says that "inflation" IS a monetary event and that real "inflation" is actually a decrease in the value of money. This is a point with which you may certainly disagree.

Even if you do not agree with inflation being "a rise in prices" you have to understand the damage that this has on the economy, in the way it makes both consumers and firms uncertain about the future.

The point I am attempting to make here is that the current use of the word "inflation" is nothing more than yet another ill defined "devil" word. The current ruling class has spent several decades in teaching the masses that inflation is simply a monster that eats small children. The word is then used when appropriate so as to scare the masses any time the ruling class deems it appropriate. There is no actual definition for this term that would distinguish a monetary problem from a market problem. That is why it can be used as a "devil" word.

This uncertainty will usually lead to lower investment and lower consumption in the economy which will result in lower aggregate demand and therefore lower output.

Most of this is speculation on your part that must be tolerated because of the imprecision of the word "inflation".

Slowing the growth rate of the real economy is not normally a "good" thing to do unless you are very selective about it.

Re: When should the Fed act against inflation?

Some people think that it is better to have low inflation and slower growth,

And most are the people who have a lot of money and want to stay wealthy forever and become even more wealthy no matter what that may cost the species as a whole.

because inflation causes large amounts of uncertainty in the economy and in the long run this is likely to lead to slower growth rates.

Actually, of course, we can draw a correlation between growth and inflation. That is not to say that inflation or growth is good or bad. It merely is as it is. And it depends upon whether the rise in prices (which most want to call "inflation") is a monetary thing or a scarcity of goods/land thing. The point is that the word "inflation" simply aggregates so many things that the term is really quite useless for any purpose other than demagoguery or lying.

If we dramatically increase the tax on gasoline I can predict very well what the reactions will be. Same with an across the board increase in import duties. Same with increasing the tax on a lot of "bads".

The problem with putting taxes on goods such as gasoline is that they are very price inelastic, this means that even for a very large change in price there is only likely likely to be a small change in the quantity demanded.

This inelasticity may or may not be a *GOOD* thing if it exists. If the price of fuel rises due to a tax then all consumable prices will rise while the price of land and gold and such may well fall. The price of oil may actually fall as consumption of oil moderates and other fuels become more acceptable. Even in the face of inelasticity there may be good reason to tax transportation fuels. If, however, we tax land then the price of land USE will remain constant (a real inelasticity) and the price of goods will actually fall. The objective of monetary policy should be to maintain a constant relationship between money and land. The objective of physical policy should be to maintain a constant or very predictable relationship between land and labor.

2. It strangles the really small business's and the small farmers that are the real soul of a good middle class economy.

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This may be the case but sometimes this may be the only solution for high rates of inflation and will probably benefit the economy in the long run.

I say not. Strangling the inflation monster in this way rewards the rich at the expense of everyone else. A highly progressive income tax or an assets tax is a much better solution. Such a tax increase will increase the value of money but at the same time decrease the value of big hoards of money. It is a redistribution without what you would call "inflation" or "deflation".

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"I know no safe depository of the ultimate powers of society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education." – Thomas Jefferson
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