

The Latest Lie from on-High: An “Independent Federal Reserve”

written by Matthew Piepenburg | July 30, 2021

Earlier in July, U.S. President Biden came away from a meeting with Fed Chairman Jerome Powell and calmly announced that in addition to inflation being “short term,” we should fear not, as Biden also “made it clear to Chairman Powell that the Fed remains independent,” but “will act as needed.”

Whewwww. Where to even begin in unpacking the lighthouse of reality behind so much verbal fog?

When it comes to market analysis, no one wants to hear political opinions within finance reports, left or right.

We get this.

Thus, rather than run the risk of offending the left, right or center, I’ll be frank in confessing my foundational view that nearly all politico’s (and Fed Chairs) have been universally comical when it comes to math, history or blunt-speak.

In short, the math, facts and warning signs rising by the hour (and outlined below) make it easy to be an equal-opportunity cynic when it comes to fiscal leadership or political “truth.”

So, let’s get back to Biden’s recent observations...

Deconstructing Biden-Speak

As for inflation being “short-term,” we’ve written ad nauseum about our stance on this fiction many times **elsewhere**.

But as for Biden’s declaration about the Fed being “independent,” let me wipe the coffee I just spilled on my shirt and speak plainly: *That’s a lie.*

First of all, if the Fed were as “independent” as Biden claims, then how can Biden be so certain they “will act as needed”?

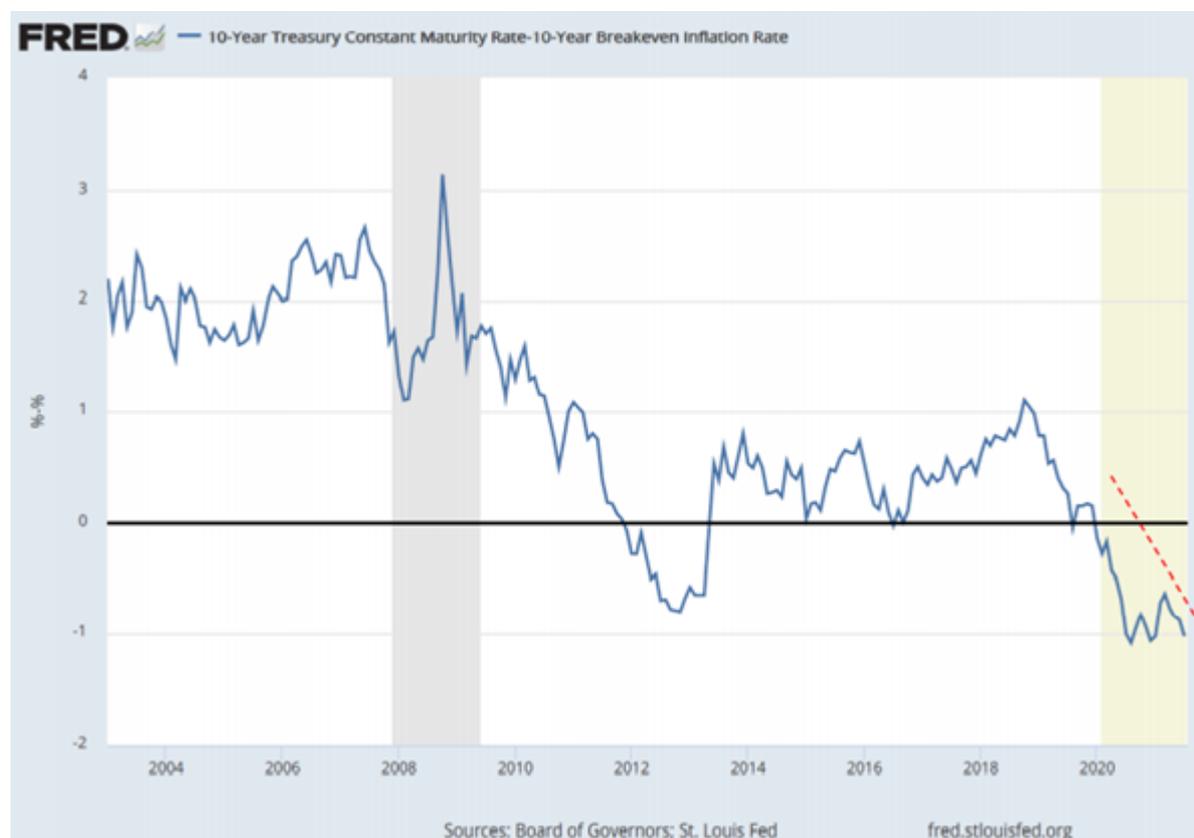
Aren’t “independent” actors supposed to act as *they*, rather than the politicians, decide or “need”?

And if an otherwise *unconstitutional* Fed, which sits on *Constitution Ave* behind marble columns screaming of a *governmental* architectural *façade* were truly an *independent* “private bank,” then why does it call itself a “*Federal*” Reserve?

Furthermore, for any who have taken the time to read the actual (as well as sordid) history of the Fed’s not-so-immaculate conception (as uniquely outlined in Ed Griffin’s seminal work, *The Creature from Jekyll Island*), they

already know that the Fed is as tied to the hip of Wall Street money and D.C. politics as an anchor is to a rotting ship.

Finally, and most importantly, if the Fed were truly “independent,” then why has it been buying the near entirety of Uncle Sam’s IOUs (Treasury bonds) for the last 18 months at *negative* real interest rates?



Biden: Very Dependent on the “Independent” Fed

Needless to say, Biden has publicly offered Jerome Powell “broad support” for another Fed term for one simple reason: The Biden Administration, like every administration since Eisenhower, wants a *dependable* rather than *independent* Federal reserve.

In other words, in a nation 1) whose manufacturing has been offshored, 2) whose workers are increasingly unemployed or on the dole, 3) whose **feudalistic top 10%** have disconnected entirely from the bottom 90%, and 4) whose entirely Fed-supported (and sky-rocketing) securities bubble is now the only reliable source of capital gains tax receipts allowing the U.S. to pay its interest expense on governmental debt... it’s actually quite easy to see that the Fed is anything but independent of D.C. politics.

To the contrary, the Fed is now, and has been evolving for years, as not only the lender of last resort for America, but the “solution” of last resort in pretending that a debt-soaked nation can survive off more debt.

Sadly, Thomas Jefferson, Andrew Jackson and **many others** had warned us long ago that such a **toxic “solution”** was nothing more than the *undoing* of our system, not its *salvation*.

“I sincerely believe that banking establishments [like a private central bank] are more dangerous than standing armies, and that the principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale.”

–Thomas Jefferson

“A U.S. central bank would represent the prostitution of our government for the advancement of the few at the expense of the many.”

–Andrew Jackson

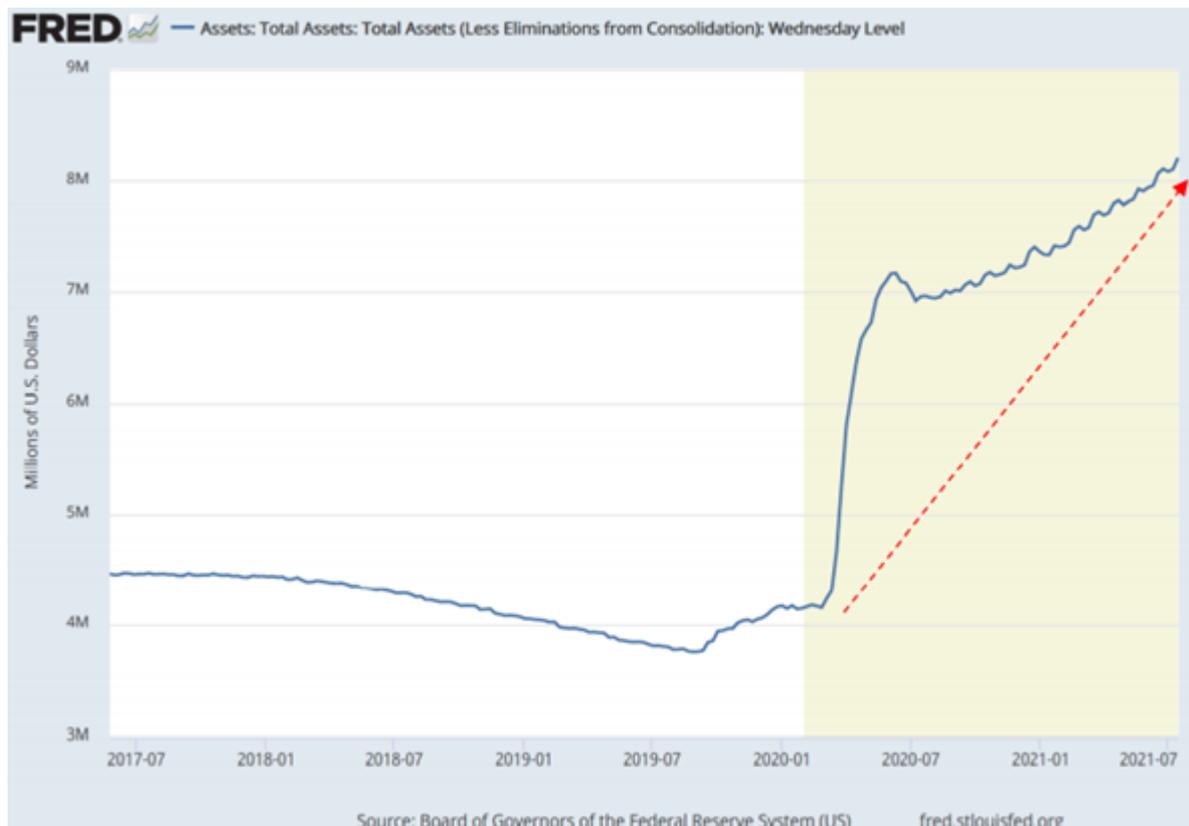
Following the Bread Crumbs to “What’s Next”

So, there you have it. A few little reminders from history, securities bubbles and tax receipts of what I think about Presidential truth in general or Biden’s “independent Federal Reserve” meme in particular.

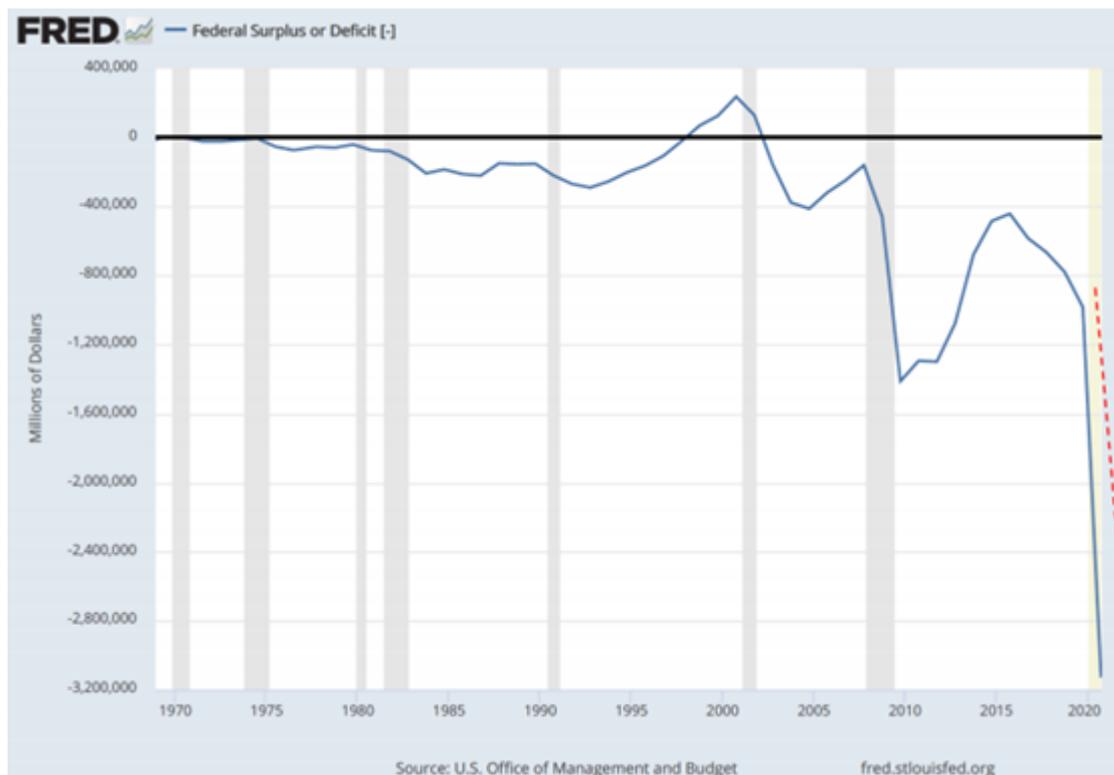
But for those thinking about currencies and markets, let me get less political and even more blunt: The blatant dishonesty, desperation and open absurdity of such financial leadership makes it far easier for informed investors to behave and prepare for a future laid out to us by the so-called experts.

Let’s just follow the bread crumbs (i.e., data and math) and see where they always lead.

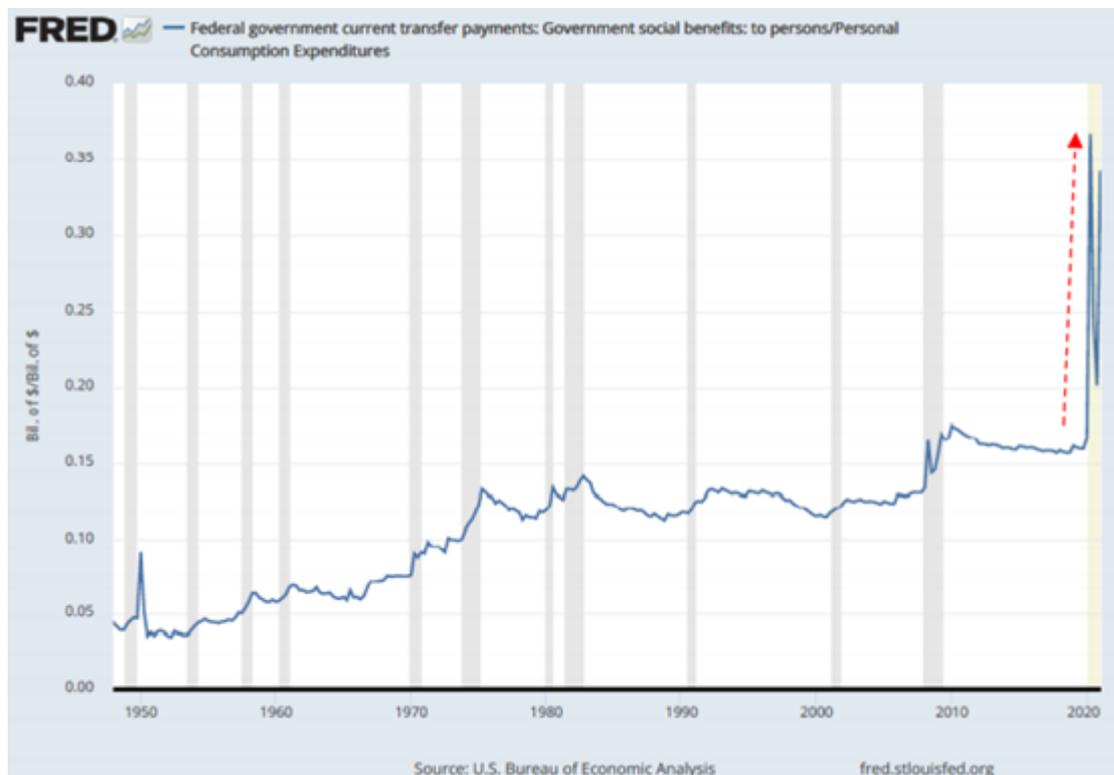
It’s no great mystery to political administrations addicted to Fed money that they will be asking for even more of it:



And it's no great mystery that Federal deficits like this...



... will be ignored by the Don Lemon-like “journalists” of the world throwing soft-ball questions to soft-brained politicians like Biden, all of whom promise more free money to the **legitimately downtrodden masses** like this...



...in order to get or stay elected.

But expanding the money supply at astronomical levels like this...



...doesn't help those same Wall Street-ignored and **increasingly angry masses** for long, as the invisible tax of inflation eats away at the dollars they earn, collect or try to save at negative rates of return.

All the Signposts Point to Gold

As we have stated over and over, all financial roads and conversations in such a perverse debt and currency backdrop turn to gold, not because we are gold bugs, but simply because the writing is all over the walls (or charts above).

Stated more simply and more bluntly, taking on more debt paid for with more fake money results in one simple reality: *The debasement of that money as a store of value.*

Period. Full stop.

Toward this end, the one chart which can't be overstated or repeated enough reminds us that gold can only trend further North for the simple reason that the fiat currencies in your wallet, bank account or 401K can only trend further South in a world awash in fiat currencies.

Again: Compared to a single milligram of gold, the major currencies are losing their war on value with each central bank mouse-click:

Purchasing power of main currencies valued in gold (log), 01/1971-09/2020



Source: Reuters Eikon, Nick Laird, goldchartsrus.com, Incrementum AG

Choosing Between “Experts” or Facts?

In such a clear yet tragic setting, relying on the expertise or **double-speak of the “experts”** is an individual choice.

We get this too.

As for me, I am, after all, an *evidence-based* cynic.

Nevertheless, the examples of outright fraud and dishonesty from the lips of such leadership can't be denied, brushed aside or debated, when the facts, quotes and numbers speak for themselves.

We've separately addressed this history of open charades masquerading as policies in the examples of **Greenspan**, **Powell**, and **Yellen** in particular.

Furthermore, we have been agnostic as to whether these policy makers served a left or right leaning administration for the simple reason that regardless of who is (or was) in the White House, the “independent Federal reserve” has been consistent in leaning our dying dollar, debt-soaked economy and artificially bloated markets further toward ruin with each passing day, mouse-click and misstatement.

The data above is not political. It's just data.

Our advice?

Follow the data's signs, not Powell or Biden's.

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