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Former Fed Chair Yellen Spews Out Fed Doubletalk On Inflation Rate, Causes

In a recent Wall Street Journal article, former Federal Reserve Chair and now Treasury Secretary Janet Yellen subjected the Journal's readers to a series of statements in classic Federal Reserve doubletalk regarding the prospect of inflation and its causes.

She started off by stating that she is neither predicting nor recommending that the Fed raise interest rates as a result of President Biden's spending plans. "I don't think there's going to be an inflationary problem, but if there is the Fed can be counted on to address it," she added, backing off from her previous day's comment that the central bank might have to raise rates to keep the economy from overheating.

"This is a perfect example of Orwellian doublespeak," said Jim Tobin, a former Fed auditor, economist and president of Taxpayer Education Foundation (TEF). "The Federal Reserve doesn't control inflation, it causes inflation!"

Two measures of inflation, the Consumer Price Index (CPI), and The Producer Price Index (PPI) are on the rise. CPI, a weighted average market basket of consumer goods and services purchased by households, [recently rose to 4.2%](#). Meanwhile PPI, a measure of the average changes in prices received by domestic producers for their output, just [rose at a 6.2% annualized rate in April](#).

"Publicly, the main reason for creating the Federal Reserve System was to address banking panics," said Tobin. "The real reason the Fed was created in 1913 was to serve the banking community in general, and large banks specifically. In other words, the Fed is a bank cartel."

"The Fed literally creates money out of thin air, which causes inflation, and inflation is a stealth tax, which is why Washington politicians love it. Creating money from nothing makes it relatively easy to finance wars and pork without raising tax rates because the tax-increase is imbedded and hidden in the inflation that follows."

"The recent jump in the rate of inflation is a red flag. If any of Uncle Joe Biden's mammoth spending plans are approved, the worst is yet to come regarding inflation. And to rub salt in the wound, Biden plans to raise taxes on top of the hidden tax increase of inflation."

Sources: Davidson, Kate. "Yellen Backs Off Comment On Rates, Inflation." The Wall Street Journal, 5 May, 2021, p. A1.