

TEF NEWS RELEASE

TAXPAYER EDUCATION FOUNDATION

205 W. Randolph Street • Suite 1305 • Chicago, IL 60606

• www.taxpayereducation.org • E-mail: info@taxpayersunited.org

FOR IMMEDIATE RELEASE

July 6, 2021

Contact: Jim Tobin (773) 354-2076

(312) 427-5128

The Fed Doesn't Fight Inflation – The Fed CREATES Inflation!

“Inflation is a terrible form of increasing taxes because hardly anyone realizes it is a hidden tax increase,” said Jim Tobin, economist and president of Taxpayer Education Foundation (TEF). “It is a stealth tax that can sap the vitality of a country’s economy.”

“I wish I could go to every news outlet and shout to the reporters and editorial writers, ‘IT’S THE FED, STUPID!’ I can’t, and, even if I could, they wouldn’t believe or understand me.”

Several decades ago, the great economist and Nobel Laureate, Milton Friedman, warned us about inflation: “A budget deficit is inflationary if, and only if, it is financed in considerable part by printing money...Inflation is an old, old disease. We’ve had thousands of years of experience of it. There is nothing simpler than stopping inflation—from the technical point of view. The only cure for inflation is to reduce the rate at which total spending is growing.”

“If I were to create money, it would be called counterfeiting, and I would be put in jail,” said Tobin. “By law, the Federal Reserve System (Fed) is the only entity that can create money. And, they do it by creating money out of thin air—the real cause of inflation.”

“President Biden proposed a \$6 trillion budget would take the United States to its highest sustained levels of federal spending since World War II. According to the *New York Times*, the budget request calls for total spending to rise to \$8.2 trillion by 2031, with deficits running above \$1.3 trillion throughout the next decade.”

“Biden intimates only the rich will be taxes higher, and that most taxpayers will not be affected. That is a lie. Most taxpayers will pay dearly through the stealth tax increase of inflation.”

“How does the government finance spending? It literally creates the money that causes inflation,” said Tobin. (See the article by Dennis Constant, Happy Birthday To The Federal Reserve 100 Years Of War Welfare And Pork.) Creating money from nothing makes it relatively easy to finance wars, and pork. One of three ways the Fed creates money is to purchase Treasury bonds and other debt certificates through the Open Market Committee. The money it uses to buy these obligations, it creates out of thin air.

Although technically “independent” from the federal government, there is an unwritten agreement in Washington that whenever money is needed by the federal government for wars or pork, the Fed will

buy securities from the U.S. Treasury by means of a check drawn on itself. The Treasury then uses this new money to finance increased federal spending.

“The Democrats’ proposed huge spending plans, if passed, will devalue the U.S. dollar and put further stress on the beleaguered middle class, which will threaten them with extinction. Perhaps that’s what Democrats want. It’s important that the media, joined by local chambers of commerce, step up and fight these proposed inflationary spending plans. Taxpayer organizations need their support. Time will tell if the country survives the Biden/Harris administration.”

Sources: <https://www.taxpayereducation.org/2013/03/happy-birthday-to-the-federal-reserve-100-years-of-war-welfare-and-pork-2/>

The Creature from Jekyll Island, by G. Edward Griffin, 5th ed.

The Triumph of Conservatism, by Gabriel Kolko.