

Print & Inflate: Now Tax The Poor Some More

Ross Welcome to Renegade Inc. Within the global economy, winners and losers can be split into two specific groups - the not's and the have yachts. For the yacht's, well, they get the wind of cheap money printing constantly filling their sails which allows them to speculate, juice asset prices and end up with yet more yachts. However, the not's, well, they have to sit around marooned and becalmed, awaiting some imaginary trickle down cash that never comes. So why have Western leaders, policymakers and central bankers managed to create such a divide? And why do they now seem so surprised that inequality and inflation are here to stay?

Ross Frank Shostak, welcome to Renegade Inc. Great to have you.

Frank Shostak Thanks. Thanks for having me.

Ross Frank, are you surprised that now we see this sort of consternation amongst central bankers when they start talking about inflation? They're saying it's transitory. They say that it isn't here to stay. What we've experienced over the last decade, longer, is one of arguably the greatest monetary experiment of all time. And only now the central bankers come out and say, you know what, we think we might have an inflation problem here. Does that cause you some surprise, some concern?

Frank Shostak No, it doesn't surprise me at all because those guys are following the followers of some kind of a weird economics. They ignore the key factors of what inflation is all about, namely money supply. Now, the money supply, is the way classical economists have defined inflation. Inflation is increases in money supply, that's all. And it may manifest in terms of changes in prices, rising prices, whatever, but it's got nothing to do as such by various ideas like cost-push, cost-pull, all sorts of names which are not relevant to what inflation is. In other words, what we have today is an ill defined term. And because the inflation is not defined properly, that's why politicians or central bankers can get away with all sorts of things.

Ross Without becoming too technical, define inflation for man or woman on the street. How does it hit the average person?

Frank Shostak For the layman, inflation is just increases in money supply and how it hits, it's like a counterfeit money. Whenever a counterfeiter creates money, it basically sets in motion an act of embezzlement, theft, right? And so initially, not very many people will observe it, but over time, they're starting to observe that something is missing, that somebody was stealing from them. And that's really how a normal individual will feel the so-called inflation. But politicians have perverted the whole term and they call inflation, not increase in money supply, which they're causing this, but they call inflation the manifestation of increase in money, increase in various prices. They're accusing businesses, butchers, shopkeepers, shoemakers when prices are going higher, right? But they never blame themselves. And whenever things are getting out of hand, they're saying, OK, we'll have to restrain you guys.

So they introduce price controls, price freezing, all sorts of things that are destroying the market economy in the process,

Ross Why have they used such, let's say, 'cunning language' to absolve themselves of any blame here? Why can't they come out to the electorate and say, look, since 2008, we've gone on a debt monetisation programme, which has meant that we've printed lots of money and we've used QE to keep the liquidity in the system moving? Why can't they come out and say, look, this is the case, so we're not going to throw the butcher, baker, shoemaker under the bus, we're actually going to say this experiment needs tapering?

Frank Shostak Well, I mean, basically what one has to ask himself why they have defined the way they're defining it? And basically it goes back a long time ago, perhaps at the beginning of the 20th century. Basically, it originated with the socialism in Germany, the big large governments and that's how they started. In fact, measuring the so-called economy also started with this type of socialism. So all those things originated a long time ago. But why wouldn't they do it? First of all, they themselves, they're already starting to believe their own myth that inflation is about increases in prices, right? And most economists that work for the government or the Bank of England or central banks, if you ask them what inflation is, is an increase in prices. But when you tell them it's false, they won't understand what you're talking about. So this is already part of the language, part of their mindset, part of the psyche. And that's the tragedy. And the hoi polloi, accepts it also because for the ordinary person, who says well, I'm not an expert, I'm not going to argue with the top guy in the Bank of England that inflation is not increases in prices, but increases in money supply. I will make a joke out of myself and that's really how it works. So they can get away with murder by telling you all sorts of nonsense.

Video link (Four Horsemen clip) Since 1971, when President Nixon took the United States off what was left of the gold standard, the world is operated under a system of money known as Fiat. The dollar, the pound, the euro are all government fiat currencies. Fiat is a Latin word, meaning let it be so. It is the law that this government currency be money. Indeed, without that legal enforcement and the fact that we must pay taxes with this money, that dollar bill or that computer digit that represents a dollar would be pretty much meaningless. Only the government has the power to issue fiat money, but banks can create it through lending. Over the last 40 years, since this system of fiat money became the global norm, the supply of money has grown exponentially. In fact, we've seen the greatest growth in the supply of money in history. But who benefits? Of course, those that have the power to issue money - governments and banks. Then those companies and individuals that get this money early. They can spend it before the prices of the things they want to buy have risen to reflect the new money in circulation. In other words, they get services, products or assets cheap. But prices soon rise. So holders of assets such as houses or shares will then see gains without their necessarily being any improvements to the company or house in question. Often this can lead to speculative bubbles. But what about those at the bottom of the pyramid, those on fixed wages or incomes, those who live in remote areas or those with savings? By the time this newly created money has filtered down to them, the prices of the things they want to buy have increased. Their savings by them less, however, and their wages remain largely unchanged. In some cases, they have to take on debt just to be able to afford the things they were previously able to buy, which means they have to go back to the banks. In reality, this process of creating money only redistributes wealth from the bottom to the top of the

pyramid, and thus that ever increasing gulf between rich and poor gets bigger and bigger and bigger.

Ross Whichever school of economics you follow, whether it be classical, Austrian, neoclassical, I think you're very definite on the fact that this Keynesian neoclassical school has got us into this mess that we're in at the moment. Within their thinking, what the neoclassical economist does is just picks up bits and bobs and then lumps these theories together, often mathematically driven, almost always not of this, the real world. There's this idea, though, when it comes to money printing, which is Say's law, which is that enough supply will eventually create demand. So you print and print and print, you flood the carburetor with fuel and hopefully the whole engine switches on. What is the problem with Say's law? Does demand create supply when you've got a printing press?

Frank Shostak Well, first of all, Say's law is basically supply creates demand. In other words, it's a very mechanical way of saying this, but in practice, Say's law means in order to consume, you have to produce first. So you have to be a producer before you can be a consumer. You cannot consume without producing. And that's really all that Say's law suggests, right? And so in this sense, Say's law is very realistic and that's the way everybody understands how the economy really works. Say's law is the correct description, notwithstanding Mr Keynes who actually tried to abolish it and tried to destroy it. It was a tragedy on his behalf. As far as money supply is concerned, it shouldn't be related all to so-called Say's law. Any given quantity of money should be sufficient to provide the services that money is supposed to provide. In other words, money is the medium of exchange. All it has to do is to exchange something you have for something that you want, this is all. It doesn't really add more if you create more money. On the contrary, it destroys and weakens things.

Ross What then do you say to those people who say, well, it seems to me, Frank, you want to go back to sound money, a gold standard - money that's backed. Do you want that?

Frank Shostak Yeah, I reckon that the only money should be the market money. The market has chosen over several thousand years, through a process of selection, various forms of money and settled on gold and silver. Ultimately it was gold and gold was selected by the market process. Nobody could impose what people would like to use as a medium of exchange. Today, in fact, the language itself is incorrect. Today, they don't call money medium of exchange, they call it medium of payments. We don't pay with money, we pay with one good for another good. We have to produce in order to pay for something else. But we use money as the medium of exchange. Why? Because not always barter can be exercised properly. Because let's say if I'm a butcher and I want to sell meat to a vegetarian, he won't accept it. But if I'll exchange it for some marketable commodity, I can use this marketable commodity to exchange for something that I really would like to have. So medium of exchange is the most marketable commodity. And it was over thousands of years that people selected gold because of its qualities - durability, strengths and you splice it, and it's also portable. And that's really why gold became the most accepted medium of exchange and a government forced this whole thing. But still they could never delete the Fiat paper money from gold because we still have some memory and we are linked to gold somehow otherwise the paper money wouldn't be accepted at all. But gradually the whole paper system is going

to be destroyed because you cannot really operate this way that you print, print, print, print until the whole thing collapses.

Ross Very, very briefly as we wind up, Frank, how - and this isn't financial advice - does the average person hearing your analysis and nodding and agreeing, how do they protect themselves.

Frank Shostak I don't think, you know, if you are in the midst of a nuclear attack, there's very little you can do because either you'll be hit by the nuclear bomb or you will be affected by the radiation. I mean, it's impossible to defend yourself unless you will be lucky enough and you will get the money first, right? But eventually it's like no different from the Weimar Republic in Germany when they were printing and wheelbarrows that were carrying amounts of notes that were useless. And this is a similar example of what we had in Zimbabwe, in Latin American countries at some point. It was very tragic and nobody could defend themselves. Rich people became poor. All we can do is to try to understand what the politicians are doing and protest and tell them, stop printing money, stop printing money. Close the central bank, or prevent the Bank of England from doing things. Just stop them. Stop the Bank of England. Stop the Fed. The people believe that they must be there. They shouldn't be there. They're not helping us. They're actually hurting us.

Ross Welcome back to Renegade Inc. Mitch Feierstein, great to have you in the studio.

Mitch Feierstein Thanks for having me here.

Ross Before we talk all things inflation, we've had a couple of eagle-eyed viewers who've written in and follow us on social media, and they mention that whenever you're on, there's a few things that you tend to, let's say they're hobbyhorses. One of them is when you mentioned Albert Einstein, you quote him saying the definition of insanity is doing the same thing over and over again, expecting different results. The second is that you have a penchant for Elon Musk. And then finally, you will always mention that you can't ever taper a Ponzi scheme.

Mitch Feierstein That's right.

Ross So I've got a little bell - a Mitchy bell. It's like Pavlov. If we go anywhere near those areas, I'll call you out.

Mitch Feierstein Oh, no.

Ross In that first half, Frank talked broadly, and quite technically, about inflation. Why is it when we talk about inflation, we never include housing, which is arguably one of the biggest bubbles around at the moment? Why do we never put housing in the basket?

Mitch Feierstein Housing is really an important part and it's termed as shelter. But what we've got to look at first before we get to that is probably the root causes of the greatest wealth inequality in history that's inflated by the asset bubbles that the Federal Reserve in the United States, the Bank of England, the Bank of Japan and the European Central Bank have inflated. I mean, basically, they have not been telling the truth to anybody. And the problem

now is you have narrative control and we've actually entered a phase that I would call a twilight zone that's kind of Orwellian.

Ross So what are they lying about or what are they using a mission not to talk about?

Mitch Feierstein Well, so if you look at going back into history, when Mark Carney ran the Bank of Canada well before he was recruited by George Osborne to come here and screw up our housing market in the UK and turn it into bubbles on steroids. So with help to buy, which was a Ponzi scheme..

Ross Help to buoy.

Mitch Feierstein Help to booe is probably better. But so let's pay the top of the market. So you had Mark Carney come from the Bank of Canada to run the Bank of England. And what he did here was created a housing bubble unequalled to any other other. He did that in Canada and he imported it here. But then he also said, as you recall, that he wanted to reach escape velocity to raise rates, which was a total lie. I said there will never be escape velocity. And then Janet Yellen followed him and said we're going to have lift-off in America. So these technocrats like to come up with these little catchy words like 'build back better' or 'escape velocity'. And I said, you're not going to have either of those. What you're going to have is a crash on the launch pad.

Ross When you were watching Frank during that first half, you said, I've got a chart for this. Let's just have a look at that chart because it chimes into this velocity theme, doesn't it?

Mitch Feierstein Well, the velocity of money is really important because Ben Bernanke, who was the chairman of the Federal Reserve back during the crisis when he said subprime is contained. If you remember, this is another lie along with lift-off and along with escape velocity. As we know, subprime was not contained and it led to the credit crisis of 2008. If you look at the chart, what he claimed he was a scholar of the Great Depression and that was his claim to fame - Ben Bernanke. So he said that if you pump more money into the system, what you'll do is you'll create aggregate demand. And you remember Larry Summers, the bad penny that keeps appearing everywhere all the time, no matter how wrong he gets it. So these guys said, pump more money in, you'll create a wealth effect that trickles down. But this chart disproves that because if you look every time they had a monetary intervention, you saw that the velocity of money known as M2 goes down. So the money in circulation declines, declines, declines because the banks hoard it. And if you look to the right side of the quadrant, in the corner, you can see this is QE insanity. And you look that M2 just drops off a cliff. And when you go back and talk about the central bankers, if you look at Christine Lagarde, who runs the European Central Bank, she was also running the IMF first and she was indicted in France. I don't know if you remember for that Sarkozy donor, you know, some kind of bailout for him involving hundreds of millions of euros. She was actually indicted in France. So you've got an indicted criminal actually running the European Central Bank, which should give you a flavour as to why I'm saying the central banks are one of the root causes of the problem of wealth inequality and how we got to where we are today.

Ross Do you think wealth inequality then is the issue of the day? Because if you look, for instance, at the U.K., you know, sixth largest economy in the world, apparently. Poverty in

the UK, the latest United Nations Human Rights Watch reports that a fifth of the population, 14 million people, live in poverty in the UK, 1.5 million of the population experienced destitution in 2017, close to 40 percent of children predicted to be living in poverty by 2021. Food banks, as we know, proliferated and homelessness and rough sleeping, you only have to walk around London to realise that that's gone through the roof. Is wealth inequality, the actions of central banks, the mechanism of the housing market, is that - if you're going to address this - is that where to focus your attention?

Mitch Feierstein I think you definitely need to focus their first. And I think what you need to look at with wealth inequality is you have people like the son in law of Infosys now that's come out and said child poverty and wealth inequality has improved since.

Ross And for people who don't know that, it's a man called Rishi Sunak.

Mitch Feierstein Oh, I'm sorry. Yeah, I guess so.

Ross He's out to spread it about.

Mitch Feierstein Exactly. I like that. So the problem is that we have a record amount of child poverty in this country. And if you look at the way that the inflation is calculated, obviously it's in the Bureau of Economic Statistics here. It's in their interest to keep the inflation numbers low. So the basis for calculation for payouts like Universal Credit or whatever the welfare payment system mechanism is and the pension funds, they don't adequately adjust for the real costs of the economy. They use substitution, what's called substitution. So it's a disingenuous way of calculating the inflation numbers. So it appears that inflation is not as bad as it is.

Ross What do you think the real world number figure is for the UK?

Mitch Feierstein High teens to 20 percent.

Ross That much?

Mitch Feierstein Well, how about this. Look at petrol costs. If you look at oil prices, they're up over 76 per cent since last November. So look, to produce petrol, you need oil because it's the main component. So what's petrol up - 40 percent, 50 percent? How many people need to drive a car? But oh, I forgot, because now that Sadiq Khan has come out with a dictate saying no more petrol cars after October, diesel cars before a certain time period so you can take the bus or take the tube and that's it. Only the elites like myself can ride in style. So these factors all have to be looked at when you assess this. And the government needs to fund things because they printed tons of money. So they have these smart highways that will now give you a ticket if you're one mile an hour over the speed limit. So nobody voted for this. What we have now is - and it's really draconian, what's going on - we Carrie Antoinette running Number 10 Downing Street and Boris just sits there and nods. And you can't believe a word that comes out of his mouth. And this is a gigantic problem because what we have, as well as a media that's supposed to be a check and a balance on our system of government. They don't call it out. Instead, what they are are political activists who support the narrative and push that narrative forward. And people seem to just become fearful. A fearful public is an

obedient and submissive public. And this is what they're trying to achieve and what they have now, they have suppression of free speech with censorship like Twitter censors me and they shadow ban me. And so when that happens and you start censoring thought and free speech, you are sowing the seeds of a totalitarian dictatorship. And that's the direction we're headed in. And it's very dark. And I think what people need to do is speak out, put their heads above the parapet and not vote for the same people that keep lying to you. Well, going back to your example now, they don't incorporate shelter costs, housing - whether it's rent or buy - adequately in the inflation figures. Then going back to central banks, people like Amazon borrow for zero percent. People like Tesla borrow for zero per cent.

Ross Almost, is it Elon?

Mitch Feierstein Elon Musk, the muskrat. So Elon Musk. And so the problem is Amazon, as you saw, Jeff Bezos was laughing about going up in a spaceship for ten minutes while he's barely paying his employees. He's the richest guy on the planet and he pays zero tax. This is the problem.

Ross That's the moment, though, isn't it? Bezos in a rocket going up to space doesn't pay a penny of tax. Wealth inequality absolutely massive. Fifty five million people in the US unbanked can't enter into the economy. If you're going to crystallise a moment, is it that that Bezos is doing space travel while no one else can live?

Mitch Feierstein Well, this is the most savage point in history for economic plunder. And the diversions that are being used right now are what I would call 'woke wash'.

Ross What's that?

Mitch Feierstein So what they're doing is using the climate emergency and they're using social justice, which they conflate with criminal justice, to hide the plunder by companies like Amazon who doesn't pay a penny of tax, and his employees have to pee in a bottle because they don't have a breaktime. Yet he's jumping on to his rocket to go up into outer space. So this is a laugh. And then you had Janet Yellen come out when she was in London about a month ago for the G7 or whatever it was. And she said, well, I hope everybody joins this global taxation, but I don't know if it will apply to Amazon - somewhere she snuck off on to the side - and this is the richest guy in the world that doesn't pay any tax. Think about that as an example that this is the problem with government. Government bends to the pay to play - the highest bidders. And this is why we don't have governance anymore.

Ross How do you, though, start thinking about this? Because people have worked hard all their life. Their living standards are going down. How do they protect what they've got?

Mitch Feierstein Well, I think there's a silver lining to this.

Ross Good, because it's been quite dark.

Mitch Feierstein It's pretty dark. But I think there's a silver lining because I think with all the asset mis-prices that have been out there, I think that there are still, you know, there are still very cheap assets, but people have to be very selective about where they put their money

right now. And they've got to realise that the government is going to try to tax the heck out of you.

Ross Right. So what are those assets that you've located or you've spotted because it's not houses in the UK, is it?

Mitch Feierstein I wouldn't put any money into houses. What I would do is I would take a look and there is no one size fits all. So, I mean, you need to find somebody who's very skilled at it to evaluate what your exact situation is and then prescribe, like a doctor would, what would basically hedge your existing exposures and then you put on exposures because there will be a big draw-down. I don't know when it'll happen, but there's got to be a big draw-down because we've gone insane. What's happening is that governments are spending over ten dollars to fourteen dollars to produce one dollar in gross domestic product. So think about that. This is all debt that's done this. So we're not producing goods. So this isn't productive and it hasn't been for 10 to 14 years. All they're doing is creating more debt. So you have Ponzi assets, real debt.

Ross That's the definition of insanity isn't it?

Mitch Feierstein Right. Exactly.

Ross What was Albert Einstein saying about that?

Mitch Feierstein He'd say this going to end very badly. It's going to hurt.

Ross Excellent Mitch. It's always good to have you. Thank you very much for your time. That's it from Renegade Inc. this week. You can email the team, studio@renegadeinc.com. Join us next week for more insight from those people who are thinking differently. But until then, stay curious.