



18th March 2013

## The Big Freeze

“From 30 feet away she looked like a lot of class. From 10 feet away she looked like something made up to be seen from 30 feet away.”

- Raymond Chandler.

*To AC, with thanks.*

**I never met** a central banker who didn't respect a smack in the chops, and Bernanke was no exception. 'Helicopter Ben' went down faster than a two dollar hooker when the Navy's in town. While he did his best to compose himself, I took the opportunity to glance around his office. Much like the top man at the Fed, it had seen better days. Glasses still half full of whiskey, a scattering of unconscious dames almost artfully draped around the furniture, sundry tobacco stains all littered the place. It was empty, other than a few EU officials rifling through the customer safe while a gloomy Russian looked on. The stench of a party that had gone on for far too long hung in the air like an inappropriate comment at a christening. And I was in no mood for compromise. Pretty soon I set to tidying 'Helicopter Ben's face with a crowbar. But in an instant the door burst open. It was mad Uncle Vince and someone I only half recognised from his mug shots in the popular press – 'good time Carney', a glamorous but rabid Canuck in full-scale retreat from a domestic housing bust.

“Let's dance,” I said, with a small flourish of the crowbar, and we set to tangoing.

“We're beginning to see real evidence of rebalancing,” murmured mad Uncle Vince until I parked my fist right in his kisser. He collapsed like a politician's promise. The tousle-haired old coot bobbed his head for a second, swivelled his eyes some more, and was then out for the count.

“Wholesale reforms of regulation, changes to policy and adjustment of private behaviour are required,” remarked the dapper chappy from the Northwest Territories.

“Regulate this,” I replied, and slammed a copy of Alan Greenspan's memoirs into his mush. And then Bernanke stirred. I had to smile. Greenspan was certainly a joke – and now Bernanke was the punchline. I thought back to what Rothbard had told me..

..If there was a policy manual on how to deal with recession, the Fed's copy had fallen out of the ugly tree and managed to hit every single branch on the way down. Indeed, if the world's central bankers had wanted to perpetuate this recession until hell froze over, they couldn't have done a better job:

- Prevent widespread liquidation of financial assets ? Check.
- Keep lending money to shaky businesses ? Check.
- Keep that QE liquor flowing to ensure that banks never have to face their hangover whilst sober ? Check.
- Ensure that bad banks – and let's face it, they're all bad – gorge on lousy government debt instead of lending to SMEs ? Check.
- Keep on inflating base money ? Check.
- Interfere with the market to ensure that bad assets never reach a clearing price ? Check.
- Keep prices up ? Check.
- Stimulate consumption ? Check.
- ..at the expense of savers ? Check.
- Rub savers' noses in it some more by reneging on deposit insurance and raiding their accounts ? Check.
- And interest rates flatter than ten-day old beer ? What do you think, sweet cheeks ?

All in all, on this dismal list of policy failures there were more checks than at a chess festival in Prague.

The economy was in the freezer alright, and it was getting colder every day. You needed snow shoes just to get out of bed. But it didn't have to be this way. I recalled what 'the Austrian' had said..

..There's no way of escaping the final collapse of a credit boom. The only question is whether you stopped the boom, or killed your currency. The way these central planners were behaving, we might even get both. Certainly, stopping the boom wasn't on the table. Which meant, effectively: enjoy the party, but dance very near the door. And now the fiddlers had fled, and the fat lady had already left the building. I didn't like the look of things. I certainly didn't like the look of currency. I made a mental note to load up on gold.

And then a man burst through the door with a gun in his hand. Subtlety did not appear to be his strong suit. That much I got from his gorilla costume. This new visitor had about as much delicacy as a piledriver negotiating a grape. It was Merv the Swerv, who was shortly due to hand over to 'good time Carney', who himself was slumped in a corner like a sack of ham. The Old Lady's standards had really slipped. Merv stared at me for a moment in confusion. This was not a man ever overly troubled by thought. But before he could fire, I grasped at a sockful of wet sand that happened to be lying around and let him have it right in the jewels. He gasped, and deflated faster than a subprime bond fund in a Goldman's fire sale.

But more goons came tumbling in. I searched like crazy for the exit. I recalled what the Pride of Cambridge had said in his prime: in the long run, we're all dead. Now the guy was admittedly something of an acquired taste, but in this regard, he was right on the money. I was looking for escape from this madness, but there seemed to be no way out.

*Will the economy recover ? Will interest rates ever rise to a fair level to compensate long-suffering savers ? Will western currencies continue to be forcibly devalued ?* The problem with central planners is that these jokers think they have the answers. I'm not even sure they have the right questions. *I knew*

*just one thing: as soon as anyone said you didn't need to worry about maintaining your purchasing power, or that inflation was dead, or that bank deposits were inviolate, you'd better start buying hard, real assets.*

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