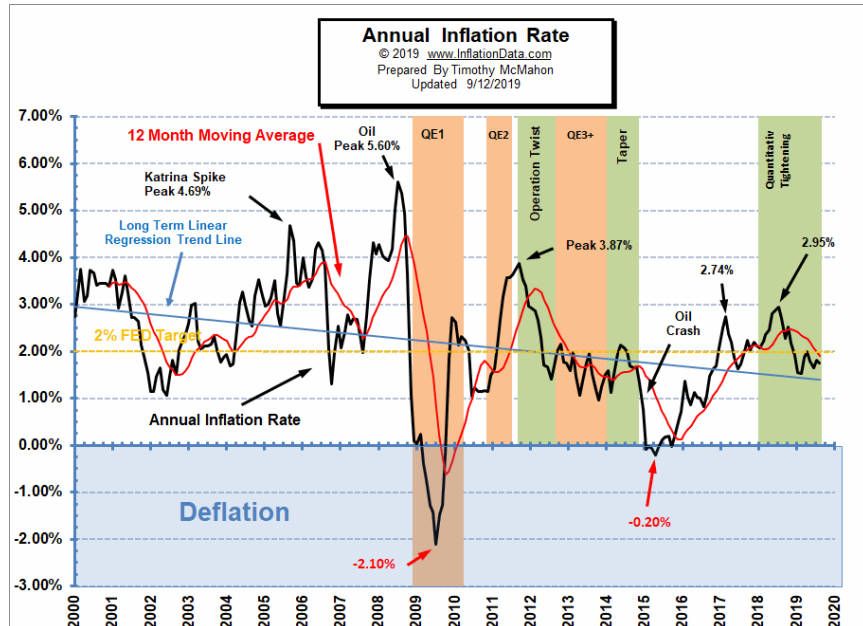


Schadenfreude Alert

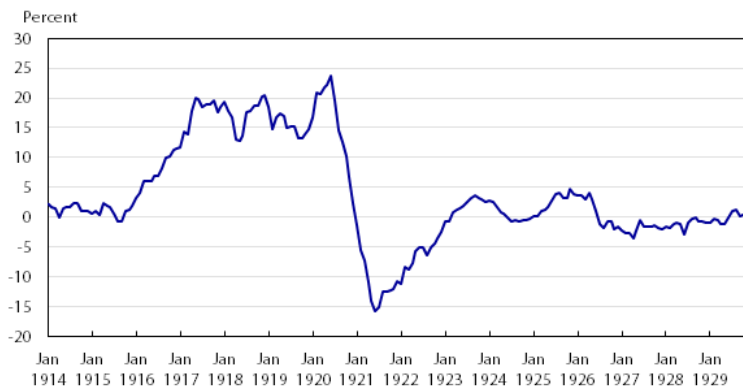
SEPTEMBER 13, 2019
BOB HOYE

“NY Fed President John Williams: Low inflation is ‘the problem of this era’”---CNBC, September 4.



“The Fed and ECB Are Up a Creek Without a Paddle”—Bloomberg, September 9.

Figure 1. All-Items Consumer Price Index, 12-month change, 1914–1929



Source: U.S. Bureau of Labor Statistics.

Lately, central bankers seem to be becoming a little flustered. Much like a long-haired Persian cat standing backwards to the wind. Difficult to maintain an unruffled professional demeanor.

Somehow, it reminds of 1927 when financial pressures were mounting following the late 1925 peak in the Florida Real Estate Boom which was then devastated by the horrendous hurricane that hit on September 18, 1926. With winds as high as 150 mph, the devastation if it hit today would be in the order of \$250 billion. This with the recession that ran from October 1926 to November 1927 prompted the Fed, with the Bank of England, to be exceptionally easy. Indeed, in July 1927, Fed Chairman Ben Strong quipped to a French central banker that he was going to provide “a coup de whiskey to the stock market.” The concern was weak prices and they really juiced the credit markets.

A “coup de beer” might have been more prudent, but it was an example of the Fed’s ease during yet another classic financial bubble. And it all turned to be a coup de manqué. The bigger the boom, the bigger the bust.

Should a contraction be discovered soon, it will be unpleasant for those offside. However, with central bankers becoming unprecedently reckless the public could condemn their folly. Thus, “Schadenfreude”.