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Biden, Media Gaslight People About Inflation

President Biden recently repeated the claim that high prices are caused by greedy businesses. Biden is not alone in trying to gaslight the people into thinking price inflation is rooted in the actions of private individuals and not the fiat money system Americans have lived under since 1971. In the media we see excessive consumer spending on luxury items, for example, being blamed for continued price inflation. The fact is that increased consumer demand can only cause prices to rise in those sectors of the economy subject to the increased demand. Prices increasing across the economy are always the result of the Federal Reserve's conduct of monetary policy.



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Trying to minimize the harm of inflation, some people in government and media will insist that, while many prices for goods are higher than they were pre-lockdown, they are still lower than were prices in the 1990s when you consider that the quality of these goods has increased. The argument is that buyers are getting higher value today than 30 years ago. Of course, any increased quality is because of market-driven innovation. If America had a free-market monetary system, instead of central bank-controlled fiat currency, prices would drop as quality increases.

It is also important not to ignore the fact that the Federal Reserve's devaluation of the dollar's purchasing power creates an incentive for individuals to spend money as soon as they receive it and a disincentive for them to save. This is because the dollar will have less value a year from now than today. Therefore, high levels of spending are a rational response to an irrational fiat money system.

High prices and supply shortages were inevitable after the lockdowns. However, prices would have adjusted back more if the Federal Reserve had not pushed interest rates to zero. While the Fed has raised interest rates, it has not raised rates to anywhere near where they would likely be in a free market. In fact, rates are not at historically high levels, yet many worry the Fed's rate increases are pushing the economy toward a recession. This shows how addicted Americans are to the Fed's "easy money,"

When the dollar's purchasing power erodes, workers will seek higher wages. This is why periods of high price inflation are accompanied by strikes and other types of union activity aimed at increasing wages. This has made unions another popular scapegoat for price inflation when the truth is that Fed-caused price increases are the real reasons behind labor unrest.

Sadly, the increase in nominal wages gained by the recent series of strikes is unlikely to keep up with the declining real wages resulting from the Federal Reserve's assault on the dollar's value. This is why, contrary to the claims of many progressives, working people are the victims, not the beneficiaries, of price inflation. As a Texas union official once told me, "gold has always been the friend of the worker." This makes sense because gold is money whose value cannot be manipulated by the central bank.



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Inflation is the act of money creation by the Fed, and high prices are a symptom of inflation, not a cause, and not the fault of greedy business, consumers, and unions. The Federal Reserve is also the engine of the welfare-warfare state. Therefore, to restore a system of limited government, individual liberty, and free markets, Congress must cut spending and audit then end the Fed.

Ron Paul is a former U.S. congressman from Texas. This [article](#) originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.



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