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From the Desk of Karl Denninger

October 4, 2007

The Honorable Representative Boyd
1227 Longworth HOB
Washington, DC 20515
(202) 225-5615 Fax

Dear Sir:

This morning Federal Reserve President Fisher (Dallas) gave a speech in which he *admitted* that The Federal Reserve is intentionally understating inflation *and that they are aware that this hurts wage-earners (not to mention retirees on Social Security)*.



“People, including economists living in married bliss in East Texas, do not stop eating or air-conditioning their homes when food and energy prices jump. Excluding them suggests a disregard for the impact on real people. I empathize and sympathize. Keep in mind, however, that the price indexes a central banker uses to frame, craft and evaluate monetary policy need not be the same as the ideal index used for measuring the cost of living. Indeed, there are macroeconomic models suggesting that if wages are stickier than prices, a central bank would do well to focus on an index of wages rather than prices. I just can't imagine central bankers lasting very long in their jobs if they continually announced to the public their desire to hold down wage growth.”

Source: <http://dallasfed.org/news/speeches/fisher/2007/fs071004.cfm>

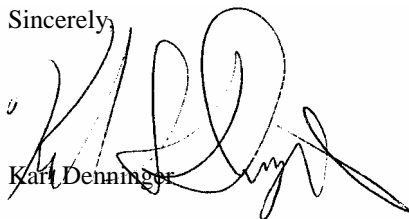
I remind you that The Federal Reserve's primary mandate is to manage actual inflation.

Nowhere in The Fed's mandate do I see intentionally understating inflation so that wages are artificially held down and retirees screwed by intentionally manipulated cost-of-living figures!

I remind you that Congress empowered The Federal Reserve to manage the nation's currency supply. **What I believe you have above is a raw admission that this power has been intentionally abused.**

Will Congress continue to turn a blind eye to Middle Class America and Retirees being repeatedly screwed while the cronies on Wall Street get bailout after bailout **through intentionally cooked statistics?**

Sincerely,



Karl Denninger