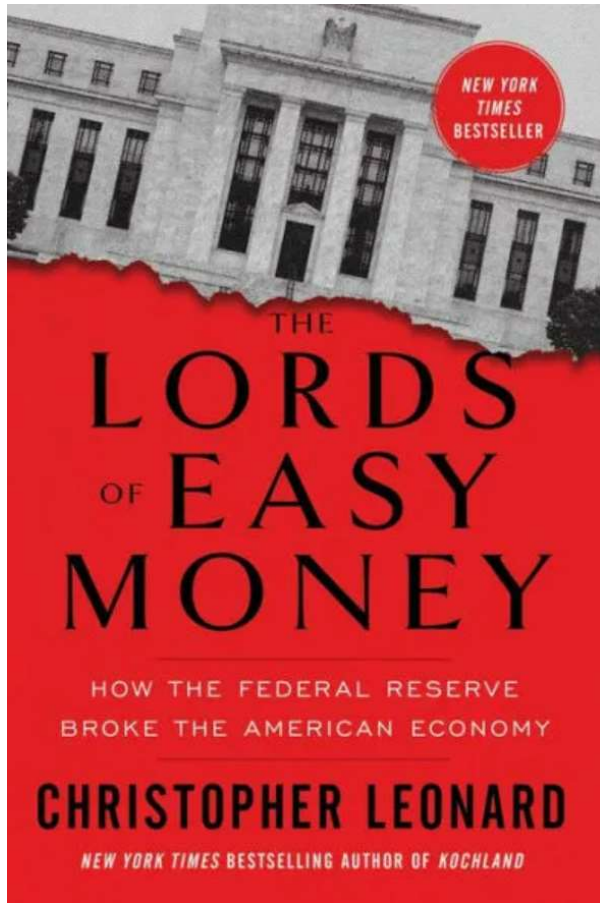


## RED FLAGS

# Fed's inner workings a captivating chronicle

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*"The Lords of Easy Money: How the Federal Reserve Broke the American Economy"* by Christopher Leonard. New York: Simon & Schuster, 2022, 384 pages, \$30 (hardcover).



"It was a shame that America's democratic institutions, like Congress, stopped working at the very moment they were needed most," Christopher Leonard asserts near the beginning of "The Lords of Easy Money: How the Federal Reserve Broke the American Economy," his new treatise on the central bank's contributions to our current economic woes. "The Global Financial Crisis of 2008 didn't come out of nowhere. The collapse came after many long years of decay inside an economic system that had stopped working for a majority of Americans."

"The problems were varied and complex, and they all helped create the conditions for crisis, with indebted workers, powerful banks extending risky loans and wildly overvalued market prices," the author continues. "People were borrowing more money in part because the decline of labor unions had taken away the bargaining power of workers, depressing their wages and degrading their working conditions. Trade deals shifted jobs overseas as new technology meant that fewer workers were wanted. An aging population relied more and more heavily on underfunded government programs like Medicare, Medicaid and Social Security, creating

huge levels of government debt."

So begins an exhaustive foray into what the appropriate role of the Federal Reserve should be, if any, in our still-evolving and increasingly fragile economic and political system. Arguably, the Fed has much more control over the trajectory of the economy than many realize. As Leonard brings into stark relief, the Federal Reserve's unprecedented intrusion into the markets – primarily by quadrupling the money supply over less than a decade – has set in motion a series of dominos that has the potential to wreak much more harm than the good it was intended to foster.

If you doubt that Leonard is on to something, consider for a moment the current realities for many Americans. Since the Fed took a more proactive role in the financial affairs of this country back in 2010, the gap between the haves and have nots has widened significantly, stock prices are trading far above what could rationally be expected by actual corporate profits, middle-class wages have barely improved and consumers (you and me) are drowning in a sea of credit card, car and student loan debt. Oh, and remember the relief bill that was passed when we first started to fathom the true extent of the pandemic? Essentially, we printed 300 years' worth of money in two short months. Let that sink in for a moment.

"The Lords of Easy Money" is extensively researched, with 34 pages of source notes at the conclusion of the 16 chapters arranged in three major sections: Part I: "Respectfully, No," which

consists of the first six chapters; Part 2: “The Age of Zirp,” the next six chapters; and Part 3: “Let Them Eat Assets,” the final four chapters. A feature I found especially helpful was the inclusion of an appendix, “A Plain-English Glossary of Important Terms in This Book.” Honestly, how else would I have known that “Zirp” refers to the Federal Reserve’s zero-interest-rate policy?

A business reporter whose work has appeared in *The New York Times*, *The Wall Street Journal*, *Bloomberg*, *Businessweek* and *Fortune*, Leonard is a graduate of the University of Missouri Journalism School, where he helped to establish the Watchdog Writers Group at the Missouri School of Journalism Reynolds Journalism Institute (he currently serves as a director). His previous books include “The Meat Racket: The Secret Takeover of America’s Food Business” and “Kochland: The Secret History of Koch Industries and Corporate Power in America,” for which he was awarded the J. Anthony Lukas Work-in-Progress Award in 2017.

Leonard’s prose, as was the case with “Kochland,” is intrusive and engaging; his attention to detail is mesmerizing as he delves into the inner workings of a system that remains beyond the comprehension of most Americans. Still, if you are willing to take the time and have a sincere desire to understand the intricacies of the dynamics under consideration, you will not be disappointed. He lays it all out for everyone to see, in a decidedly nonpartisan manner. There are basic principles of economics at play, driven by human inclinations that are at least as old as civilization itself. And at the heart of it all is the Federal Reserve and the smart yet clueless people vying to implement over-arching policies without legitimate oversight or a true understanding of their ultimate impact.

Witness the following from “Winners and Losers,” the 15th chapter and one that I found to be particularly instructive:

“The bailout of 2020 – the largest expenditure of American public resources since World War II – solidified and entrenched an economic regime that had been quietly and steadily constructed, largely by the Federal Reserve, during the previous decade. The resources from this bailout went largely to the entities that were strengthened by the policies of ZIRP and QE (quantitative easing). It went to large corporations that used borrowed money to buy out their competitors; it went to the very richest of Americans who owned the vast majority of assets; it went to the riskiest of financial speculators on Wall Street, who used borrowed money to build fragile positions in global markets; and it went to the vary largest U.S. banks, whose bigness and inability to fail was now an article of faith.”

“And all of this happened at a moment when Americans were more distracted, more beleaguered and more financially distressed than at any moment in modern history. It was difficult to even comprehend the impact of what had happened. But the impact would make itself visible in the months, years, and likely decades to come.”

In sum, “The Lords of Easy Money” is a cautionary tale – a captivating chronicle meant to sound the alarm of what lies ahead for ordinary Americans if a significant course correction is not instituted in the very near future. The cold, hard reality is that the policies of the Fed, rather than promoting stability and economic viability, have sown the seeds of impending destruction on a scale not seen since the Great Depression. And based on the few conversations I had with my grandparents who lived through that low point in our collective history, I am not sure the current generation has the wherewithal to survive anything approaching the kind of socioeconomic cataclysm that, according to Leonard, is potentially just over the horizon.

The red flags are on full display. Hopefully we will take their warnings to heart. Highly recommended.

*Reviewed by Aaron W. Hughey, University Distinguished Professor, Department of Counseling and Student Affairs, Western Kentucky University.*