

Minneapolis Fed President Neel Kashkari says the Fed Can Fight Inequality. Then in a move guaranteed to fail, [Kashkari Hires an Obama Economic Advisor as His Guide](#).

Neel Kashkari, the outspoken dove at the Minneapolis Fed, says monetary policy can play the kind of redistributing role once thought to be the preserve of elected officials.


When Kashkari, a year into his job, launched an in-house effort in 2017 to examine widening disparities in the economy, he was expecting to generate research that might inform lawmakers' decisions, rather than the Fed's.

'We had historically said: distributional outcomes, monetary policy has no role to play,' he said in an October interview. 'That was kind of the standard view at the Fed, and I came in assuming that. I now think that's wrong.'

Kashkari's project has taken an unexpected turn over the last two years, morphing into something more ambitious. It has the potential to transform an intensely political debate about inequality into a scientific endeavor that the Fed's 21st-century technocrats could take up.

This year, he finally found someone to lead it: Abigail Wozniak, a Notre Dame economics professor, became the first head of the Minneapolis Fed's Opportunity and Inclusive Growth Institute. Wozniak was a member of President Barack Obama's Council of Economic Advisers.

One of its priorities has been to build a network of experts on income and wealth distribution, the same way the Fed brings in specialists in financial markets or growth.



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Fed a Key Driver of Income Inequality

Kashkari is correct in a perverse sort of way given that Fed is a key driver of income inequality:

1. ***By bailing out banks and financial institutions when they get in trouble***
2. ***By keeping interest rates too low too long***
3. ***By promoting economic bubbles***
4. ***By promoting inflation***

So yes, the Fed could help if it simply stopped doing those things. It would be better still if there was no Fed at all, so the main thing the Fed could do would be to promote a sound currency then disband itself.

There is No Economic Benefit to Inflation

The BIS did a historical study and found routine deflation was not any problem at all.

?Deflation may actually boost output. Lower prices increase real incomes and wealth. And they may also make export goods more competitive,? stated the study*.*

It's asset bubble deflation that is damaging. When asset bubbles burst, debt deflation results.

Central banks' seriously misguided attempts to defeat routine consumer price deflation is what fuels the destructive asset bubbles that eventually collapse.

For a discussion of the BIS study, please see [Historical Perspective on CPI Deflations: How Damaging are They?](#)

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Challenge to Keynesians

And my [Challenge to Keynesians ?Prove Rising Prices Provide an Overall Economic Benefit?](#) has gone unanswered.

There is no answer because history and logic both show that concerns over consumer price deflation are seriously misplaced.

Irony Abounds

Kashkari came to the right conclusion but instead of disbanding the Fed or changing any of the above four points, he hires an Obama economic clown as his guide.

Note that Kashkari is the biggest dove on the Fed. He would vote for 2, 3, and 4 at every chance.

Yet, inflation benefits those with first access to money (banks, wealthy, asset holders, and corrupt politicians). The poor only participate in bubbles after there is nothing left to gain.

Curiously, my answer is the same as Kashkari's. Yes, the Fed can help. And the first thing Kashkari could do to help is simple enough, resign.

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Addendum

A reader criticized the title "income inequality". He thought it distorted the picture.

He is correct but in the opposite sense as he intended. Wealth inequality (via asset bubbles) is more of the issue.

I change the title to "wealth inequality". The title of the linked-to article simply says "inequality". It's both income and wealth actually.

Income inequality is via stock options and pay bonuses for blowing bubbles. Wealth comes from cashing out stock options and holding assets accumulated during bubble phases.