

Former Federal Reserve Exec Thomas Hoenig: Our Money Is Dying

By ThoughtfulMoney

But the average person has a poor understanding of how this colossally important entity operates. Or even why it exists. And after a series of asset price bubbles -- which some argue we're in another one now -- a chorus skeptical of the Fed's actions has emerged.

So today we're doing our best to shine as bright a light as possible on the Fed: how & why it operates, the good & as well as the shortcomings of its actions to date, what direction its policies are likely to take from here, and how all of this impacts the households of regular people like you and me.

We have the great privilege of speaking today with Thomas Hoenig, former CEO of the Kansas City Fed, former voting member of the Federal Open Market Committee, a former director of the FDIC, and now a Distinguished Senior Fellow at the Mercatus Center.

This is an extremely important interview, folks. IMO, **perhaps the most significant one I've yet done.**

Here are my top takeaways from it:

- *Dr Hoenig admits the Federal Reserve has experienced substantial “mission creep” since its creation as a lender of last resort. Its track record is very much “mixed” in terms of delivering on the intent of its policies. In Dr. Hoenig’s opinion, its efforts to add stability sometimes instead only create more instability.*
- *While very critical of the Fed’s QE and ZIRP policies in the wake of the GFC, and more recently in the \$trillions in monetary & fiscal stimulus unleashed post-COVID, Dr Hoenig thinks current Fed policy is “about right”. Though he expects the Fed to come under serious pressure soon as ebbing liquidity allows recessionary forces to build. He thinks the Fed will need to make an important decision within the coming year: return to QE and re-flame inflation, or allow a recession to occur.*
- *Dr Hoenig criticizes the Federal Reserve for pandering to various interests, noting that short-term thinking and pressures from Wall Street, Congress, and interest groups often lead to decisions that prioritize immediate relief over long-term stability — a sort of “We’ll act now for optics sake and hopefully figure things out later”*
- *In Dr Hoenig’s opinion, our fiscal policy is a runaway disaster. He criticizes both political parties of Congress for their roles in the cycle of ever-increasing deficits. Democrats advocate increased spending and tax hikes, while Republicans aim to keep taxes low but fail to curb spending. He warns of dire long-term consequences for future generations due to this impasse.*

- *Dr Hoenig is very worried about the current stability of the banking system (and this from a former Director of the FDIC!). He advocates for essential reforms to address government spending, prioritize essential areas without relying on future borrowed funds or inflationary measures, and communicate transparently with the public. He stresses the importance of reducing debt growth substantially below national income growth to avoid a full-blown crisis scenario in the future.*
- *Dr Hoenig predicts the purchasing power of the US dollar (and other world fiat currencies) will continue to decline due to current policies and the lack of a “discipline” to money creation. Until such a discipline is restored (perhaps a return to some sort of hard backing of the currency), the dollar’s fall in purchasing power won’t abate.*
- *Dr Hoenig suggests investing time in reading history and biographies as a valuable way to learn about leadership and gain insights into what strategies works and which don’t.*