

# Central Bankers Are As Lost As We Are. And They Can Do What?

I guess central bankers are human too and don't have a crystal ball. So they don't know with certainty how the economy will evolve and they have to make decisions which impact the economy in a way that is imprecise. They also have to consider how their actions will impact the economy, in this imprecise way, and how the economy will react, unpredictably, to their actions, as they decide what to do. It is amazing they even bother trying. Its like trying to control a yo yo at the end of a yo yo at the end of a yo yo.

I'd have just decreed that money supply shall be some function of output, and left it at that, being silent about rates, money supply, inflation, output and all of it. If we went back to defining the use of money, and been dogmatic about supplying enough of it to serve those very functions, store of value and transaction enablement, and nothing more, perhaps we'd spend less time trying to second guess central banks in our business and financial investment decisions, believing that central bankers knew what they were doing.

They are just as lost as the rest of us, but far more powerful in affecting the economy in all kinds of unpredictable ways. The wise central banker would quit.