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Darned if you do, darned if you don't

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The Fed's conundrum now is how and when to pull back from its massive and historic unprecedented campaign of monetary easing. The tremendous surge in stock prices four and a half years has been supported almost exclusively by Federal Reserve mone policy. The Fed's zero interest rate policy inflated market valuations as income-starv investors had nowhere to go but the stock market to find dividend income and capit

Now, if the Fed pulls the plug on this massive pool of liquidity too soon, down the m go. If the Fed waits too long, a new rate-induced bubble will pop and down she will Ben Bernanke (or his likely successor, Janet Yellen) is darned if he does and darned if he doesn't.

It's no wonder that Helicopter Ben (so named for his infamous quip that if things get bad enough, one c drop money out of a helicopter) doesn't want to stick around. It's better to leave a hero than a heel.

Once again, it looks like the noble pursuit of economic stability may very well result in increased instabil anyone ever think of just leaving the marketplace alone to sort itself out? Of course not. That would me political class needing to find real jobs.

This mendacious meddling does, however, characterize how the Fed has historically "managed" the eco before the age of Greenspan (Alan, that is) we have been staggering like a drunken sailor from one econ bubble to the next.

Lost in the mists of time to a historically illiterate culture lies then-Fed Chairman Arthur Burns and the g stagflation bubble. In a successful attempt to re-elect Richard Nixon and stimulate the economy, he was open the monetary floodgates. Unfortunately, this action also unleashed runaway inflation.

Enter Paul Volcker, that prince of monetary darkness, to slay the dragon unleashed by his predecessor w double-digit interest rates.

Fast forward to the maestro, Alan Greenspan, and a return to a looser monetary policy. This of course e stock market bubble and crash to rival that of 1929. Irrational exuberance, anyone?

When all that cash went to money heaven, the Fed lowered interest rates yet again. This, along with del of underwriting standards - brought to you by Barney Frank, Chris Dodd and Maxine Waters - ignited the infamous housing market bubble.

When housing fell off the cliff, Greenspan's successor, current Fed Chief Ben Bernanke, rushed into the lowered interest rates to near zero and started printing money. It's this runaway monetary policy that h restarted a new rate-induced bubble we are living through.

However, even with all this extra juice, the economy remains questionable. Unemployment remains hist high, at 7.6 percent.

As far as the housing market recovery is concerned, even Robert Shiller of the famous Case-Shiller home index sees storm clouds gathering on the horizon. He recently told reporters, "All this talk that we're in recovery - we probably are in the short run, but the longer run doesn't look so terrific to me." He also r "we're living in a totally artificial real estate economy."

In case you didn't know it, regular homebuyers are competing against a new force in the marketplace: h and private equity firms. According to some reports, these institutional investors may account for up to of home sales in markets like Florida, Nevada and Arizona.

I guess the takeaway from all of this should be that easy money can't solve all problems. Since the end o Recession, central banks have been printing money like mad to revive moribund economies. Unfortunate working. Last year the global economy grew at a little more than half the average annualized rate of the 2000s.

With the stock and bond markets swooning at the mere mention of tapering, investors should realize the easy way out. Whenever the exit does occur, price action will be violent. There is no easy way off of th junk.

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