Even Central Bankers Now Admit QE Doesn't Work

Even As European Central Bank Is Set to Unleash a Massive Round of Quantitative Easing, Central Bank Heads Admit QE Doesn't Work

By Washington's Blog
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The former head of the Bank of England – Mervyn King – said today that more QE will not help the economy:

> We have had the biggest monetary stimulus that the world must have ever seen, and we still have not solved the problem of weak demand. The idea that monetary stimulus after six years … is the answer doesn't seem (right) to me.

Also today, William White – the brilliant economist who called the 2008 crisis well ahead of time, who is head of the OECD's Review Committee and former chief economist for BIS (the central banks' central bank) slammed QE:

> QE is not going to help at all. Europe has far greater reliance than the US on small and medium-sized companies (SMEs) and they get their money from banks, not from the bond market.
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> Even after the stress tests the banks are still in 'hunkering down mode'. They are not lending to small firms for a variety of reasons. The interest rate differential is still going up.
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> Mr White said QE is a disguised form of competitive devaluation. "The Japanese are now doing it as well but nobody can complain because the US started it," he said.
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> "There is a significant risk that this is going to end badly because the Bank of Japan is funding 40pc of all government spending. This could end in high inflation, perhaps even hyperinflation.
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> "The emerging markets got on the bandwagon by resisting upward pressure on their currencies and building up enormous foreign exchange reserves. The wrinkle this time is that corporations in these countries – especially in Asia and Latin America – have borrowed $6 trillion in US dollars, often through offshore centres. That is going to create a huge currency mismatch problem as US rates rise and the dollar goes back up."
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> He deplores the rush to QE as an "unthinking fashion". Those who argue that

> the US and the UK are growing faster than Europe because they carried out QE early are confusing "correlation with causality". The Anglo-Saxon pioneers have yet to pay the price. "It ain't over until the fat lady sings. There are serious side-effects building up and we don't know what will happen when they try to reverse what they have done."
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> The painful irony is that central banks may have brought about exactly what they most feared by trying to keep growth buoyant at all costs, he argues, and not allowing productivity gains to drive down prices gently as occurred in episodes of the 19th century. "They have created so much debt that they may have turned a good deflation into a bad deflation after all."

The former long-term head of the Federal Reserve (Alan Greenspan) says that QE has failed to help the economy.

The original inventor of QE agrees.

Numerous academic studies confirm this. And see this.

Indeed, many high-level economists – including Federal Reserve economists and the main architect of Japan's QE program – now say that QE may cause *deflation* and *harms* the economy in the long run.

Economists also note that QE helps the rich … but *hurts* the little guy. QE is one of the main causes ofinequality (and see this and this). And economists now admit that runaway inequality cripples the economy. So QE indirectly hurts the economy by fueling runaway inequality.

A high-level Federal Reserve official says QE is "the greatest backdoor Wall Street bailout of all time". And the "Godfather" of Japan's monetary policy admits that it "is a Ponzi game".

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