Former Fed Officials on Quantitative Easing: "A Feast for Wall Street", "Legalized Bank Robbery" and "High Grade Monetary Heroin"

By Stephen Lendman
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Andrew Huszar is a former Fed official. In 2009 and 2010, he managed its $1.25 trillion mortgaged-backed security purchase program.

He's a former Morgan Stanley managing director. He's currently a Rutgers Business School senior fellow. He's a QE confessor.

He witnessed Bernanke's scam up close and personal. It benefits Wall Street. It ignores Main Street. Bernanke planned it that way.

Investopedia calls QE "monetary policy used to increase the money supply by buying government securities or other securities from the market."

It's supposed to "increase the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity."

According to Ellen Brown, QE contracted the money supply. It did so "by sucking up the collateral needed by the shadow banking system to create credit."

It's just an "asset swap." Assets for cash reserves "never leave bank balance sheets."

QE is counterproductive. It's self-defeating. It constrains economic growth. It doesn't create jobs. It benefits Wall Street at the expense of Main Street.

It works when used constructively. Money injected responsibly into the economy creates growth. It creates jobs. When people have money they spend it.

A virtuous cycle of prosperity is possible. America once was sustainably prosperous. Today it's heading for a slow-motion train wreck.

Former Reagan administration Office of Management and Budget Director David Stockman calls QE "high grade monetary heroin."

One day, it'll "kill the patient," he says. It's the closest thing to "legalized bank robbery." It robs poor Peter to benefit rich Paul. It's recklessly out-of-control.

Dallas Fed president Richard Fisher agrees with Stockman. "QE can't go on forever because (it'll) kill the patient," he said.

Bernanke, Yellen and other Fed governors apparently disagree. Pedal to the metal QE defines Fed policy.

What can't go on forever, won't. The longer bad policy continues, the worse the stiff result when it ends.

Reckless Fed policy was initiated. It continues out-of-control. Huszar apologized. On November 11, he headlined his Wall Street Journal op-ed "Confessions of a Quantitative Easier." He began saying:

"I can only say: I'm sorry, America."

"As a former Federal Reserve official, I was responsible for executing the centerpiece program of the Fed's first plunge into the bond-buying experiment known as quantitative easing."

"The central bank continues to spin QE as a tool for helping Main Street."

Baloney! Bernanke and other Fed governors lied. The Fed isn't federal. It's privately owned. Major banks run it. They control policy.

Wall Street's infested with criminals. Grand theft is official policy. Corporate crooks aren't prosecuted. Money power runs America. Major Wall Street banks do most of all.

They play by their own rules. They control Fed policy. Money printing madness enriches them. It does so at the expense of Main Street.

On Wall Street, past is prologue. New scams follow old ones. Washington acts as facilitator. Regulators look the other way. Business as usual continues.

Bernanke is Wall Street's hired hand. So is Janet Yellen. She'll replace him when he steps down in January.

On November 14, she testified before the Senate Banking, Housing and Urban Affairs Committee. She lied saying "the economy is significantly stronger and continues to improve."

She ignored a protracted Main Street Depression. She lied again saying "the Federal Reserve is using its monetary policy tools to promote a more robust recovery."

Huszar exposed her saying he came "to recognize (QE) for what it really is: the greatest backdoor Wall Street bailout of all time."

"We went on a bond-buying spree," he said. It was sold as a way to help Main Street. "Instead it was a feast for Wall Street."

It's part of the greatest ever wealth transfer from ordinary people to banks, other corporate favorites and rich elites.

Since 2009, the world's billionaires doubled their wealth. Their numbers grew from 1,360 in 2009 to 2,170 in 2013.

Their collective $6.5 trillion wealth nearly matches China's GDP. It's the world's second largest economy.

Banks, super-rich elites, and other high net worth investors feasted on easy money. It's like shooting fish in a barrel. They borrow nearly interest free.

They invest for exponential returns. They do what mere mortals can't. Some, perhaps many, get inside information. Market manipulation adds greater wealth.

Yellen knows. She explained nothing. She lied on Capitol Hill. As Fed chairman next year, she promised to continue the scam.

Money printing madness substitutes for stimulative growth polices. Bernanke helped engineer the greatest wealth transfer in history.

America's 1% never had it better. Banks, major corporations, big investors, and high net worth individuals alone benefitted. They did so at the expense of ordinary Americans.

Unemployment, poverty, homelessness, hunger and overall human needs are at Depression era levels.

Manipulative, destructive Fed policy is largely to blame. Obama and Capitol Hill share it.

When finance capital prospers at the expense of ordinary people, economies are hollowed out and wrecked. Neofeudalism follows.

Ordinary Americans were swindled. They lost their well-being and futures. Monied interests keep benefitting at their expense. Yellen promised more of the same. Wall Street chose her for that reason.

Huszar worked at the Fed for seven years. He left in early 2008. He did so "out of frustration. (He) witnessed the institution deferring more and more to Wall Street."

In early 2009, he was asked to come back. He was offered a job "to quarterback the largest economic stimulus in US history."

"This was a dream job, but I hesitated," he said. It wasn't over "nervousness about taking on such responsibility." Senior Fed officials assuaged him.

They lied. They claimed a new commitment to "revamp(ing)" Wall Street. Huszar "took a leap of faith."

In its entire history, "the Fed had never bought a mortgage bond."

> "Now my program was buying so many each day through active, unscripted trading that we constantly risked driving bond prices too high and crashing global confidence in key financial markets."
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> "We were working feverishly to preserve the impression that the Fed knew what it was doing."
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> "It wasn't long before my old doubts resurfaced. Despite the Fed's rhetoric, my program wasn't helping to make credit any more accessible for the average American."

> "The banks were only issuing fewer and fewer loans. More insidiously, whatever credit they were extending wasn't getting much cheaper."
>
> "QE may have been driving down the wholesale cost for banks to make loans, but Wall Street was pocketing most of the extra cash."

Other Fed managers voiced concerns. "Our warnings fell on deaf ears," said Huszar. QE was "an absolute coup for Wall Street."

It provided "only trivial relief for Main Street." Multiple QE rounds continue the scam. Huszar "realized the Fed had lost any remaining ability to think independently from Wall Street."

"Demoralized, (he) returned to the private sector. Where are we today," he asked?

QE continues. "(M)inor" tapering is delayed. For over five years, Fed "bond purchases (exceeded) $4 trillion." Another $85 billion more is bought each month.

"QE (is) the largest financial-markets intervention by any government in world history." It's done pathetically little to stimulate growth. It wasn't designed for that purpose.

It sacrificed Main Street for Wall Street. Bernanke and other Fed governors lied claiming otherwise. They still lie.

Banks tripled their stock prices since March 2009. Major ones "control more than 70% of the US bank assets. As for the rest of America, good luck," said Huszar.

Danger signs abound. Financial markets are hugely overvalued.

With $4.1 trillion in assets, BlackRock is the world's largest money manager. On October 29, Bloomberg reported its CEO, Larry Fink, saying Fed policy contributed to "bubble-like markets."

"It's imperative that the Fed begins to taper," he stressed. "We've seen real bubble-like markets again. We've had a huge increase in the equity market. We've seen corporate-debt spreads narrow dramatically."

John Hussman heads Hussman Investment Trust. On November 11, he called markets "overvalued, overbought, and overbullish." He equated them with conditions prior to six prior major turning points:

- August 1929 ahead of the October crash;
- November 1972 preceding a 50% market plummet;
- August 1987 before a 30% drop;
- March 2000 ahead of a 50% plunge; and
- January 2011 contained to a 20% decline because of Fed intervention.

Believing this time is different doesn't hold, he said. QE "has no mechanistic relationship to stock prices except to make low-risk assets psychologically uncomfortable to hold."

QE is "novel. (It) feeds imagination. Most of what investors believe about QE is imaginative."

Market signals historically considered most accurate have been "blaring red since late 2011."

The Shiller PE (S&P 500 divided by the 10 year average of inflation adjusted earnings) exceeds 25.

Prior to the 2000 dot com bubble peak, it was previously only reached three weeks before the 1929 top.

The S&P price/revenue ratio is double its pre-bubble norm. So is the stock market capitalization to GDP.

Ray Dalio heads Bridgewater Associates. He's a major money manager. "The dilemma the Fed faces now is that the tools currently at its disposal are pretty much used up," he said.

> "We think the question around the effectiveness of QE (and not the tapering, which gets all the headlines) is the big deal."
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> "In other words, we're not worried about whether the Fed is going to hit or release the gas pedal. We're worried about whether there's much gas left in the tank and what will happen if there isn't."

Keynes was one of the 20th century's most noted economists. In 1919, he began his career as a speculator.

He traded on high leverage. He learned the hard way. The 1929 market crash wiped him out. He later famously said "market(s) can stay irrational longer than you can stay solvent."

Is this time different? Fools rush in where angels fear to tread. Faith based investing isn't likely to work better than earlier. People often believe anything until reality hits home hard.

No one can call market tops or bottoms. No one rings a bell to announce them.

Hindsight is the best insight. Caution is the best way to stay solvent. Forewarned is forearmed.

According to Huszar, Fed policy "is at the center of dysfuntion(al)" conditions. It let QE "become Wall Street's new " 'too big to fail' policy."

It created an illusion likely to fare no better than earlier ones. Reality won't announce itself before arriving. It bears repeating. Eventually it'll hit home hard.

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His new book is titled "Banker Occupation: Waging Financial War on Humanity."

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