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High-Level Fed Official: QE Is "The Greatest Backdoor Wall Street Bailout of All Time"

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QE Is Greatest Wealth Transfer in History

Many economists have said that quantitative easing (QE) benefits the rich, and hurts the little guy.

It's been known for some time that quantitative easing increases inequality (and see this and this.)

3 academic studies – and the architect of Japan's quantitative easing program – all say that QE isn't helping the American economy.

The Federal Reserve official responsible for implementing $1.25 *trillion* of quantitative easing has confirmed that QE is just a massive bailout for the rich:

> 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. But I've come to recognize the program for what it really is: the **greatest backdoor Wall Street bailout of all time**.
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> Trading for the first round of QE ended on March 31, 2010. The final results confirmed that, while there had been only trivial relief for Main Street, the U.S. central bank's bond purchases had been **an absolute coup for Wall Stree**t. The banks hadn't just benefited from the lower cost of making loans. They'd also enjoyed huge capital gains on the rising values of their securities holdings and fat commissions from brokering most of the Fed's QE transactions. Wall Street had experienced its most profitable year ever in 2009, and 2010 was starting off in much the same way.
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> You'd think the Fed would have finally stopped to question the wisdom of QE. Think again. Only a few months later—after a 14% drop in the U.S. stock market and renewed weakening in the banking sector—the Fed announced a new round of bond buying: QE2. Germany's finance minister, Wolfgang Schäuble, immediately called the decision "clueless."
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> That was when I realized **the Fed had lost any remaining ability to think independently from Wall Street**.

Billionaires have admitted that they are the beneficiaries of QE. For example, billionaire hedge fund manager Stanley Druckenmiller said the following about QE:

> “**This is fantastic for every rich person**,” he said Thursday, a day after the Fed’s stunning decision to delay tightening its monetary policy. “**This is the biggest redistribution of wealth from the middle class and the poor to the rich ever.**”
>
> “Who owns assets—the rich, the billionaires. You think Warren Buffett hates this stuff? You think I hate this stuff? I had a very good day yesterday.”
>
> Druckenmiller, whose net worth is estimated at more than $2 billion, said that the implication of the Fed’s policy is that the rich will spend their wealth and create jobs—essentially betting on “trickle-down economics.”
>
> “I mean, maybe this trickle-down monetary policy that gives money to billionaires and hopefully we go spend it is going to work,” he said. “But it hasn’t worked for five years.”

And Donald Trump said:

> “People like me will benefit from this.”

Indeed, government policy for years has focused on redistributing wealth from the average American and Main Street to the Wall Street tycoons.

The American government’s top official in charge of the bank bailouts writes:

> **Americans should lose faith in their government. They should deplore the captured politicians and regulators** who distributed tax dollars to the banks without insisting that they be accountable. The American **people should be revolted by a financial system that rewards failure and protects those who drove it to the point of collapse and will undoubtedly do so again**.
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> Only with this **appropriate and justified rage** can we hope for the type of reform that will one day break our system free from the corrupting grasp of the megabanks.

Economics professor Randall Wray writes today:

> Thieves … took over the whole economy and the political system lock, stock, and barrel. They didn’t just blow up finance, they oversaw the **swiftest transfer of wealth to the very top the world has ever seen**. They screwed workers out of their jobs, they screwed homeowners out of their houses, they screwed retirees out of their pensions, and they screwed municipalities out of their revenues and assets.
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> Financiers are forcing schools, parks, pools, fire departments, senior citizen centers, and libraries to shut down. They are forcing national governments to auction off their cultural heritage to the highest bidder. Everything must go in firesales at prices rigged by twenty-something traders at the biggest and most corrupt institutions the world has ever known.

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> I see two scenarios playing out. In the first, we allow Wall Street to carry on its merry way, as the foreclosure crisis continues and Wall Street steals all homes, packaging them into bundles to be sold for pennies on the dollar to hedge funds. All wealth will be redistributed to the top 1% who will become modern day feudal lords with the other 99% living at their pleasure on huge feudal estates.
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> That is the default scenario—the outcome that will emerge in the absence of action.
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> In the second, the 99% occupy, shut down, and obliterate Wall Street.

Economics professor Michael Hudson agrees … saying that the banks are trying to make us all serfs.

Economics professor Steve Keen says:

> "This is the **biggest transfer of wealth in history**", as the giant banks have handed their toxic debts from fraudulent activities to the countries and their people.

Nobel economist Joseph Stiglitz said in 2009 that Geithner's toxic asset plan "amounts to robbery of the American people".

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