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The Myth of Low Interest Rates Stimulating Economic Growth in the US

By Stephen Lendman
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Tax cuts for the rich and near-rock bottom low interest rates don't stimulate economic growth.

Corporations have been using the windfall for executive pay increases and bonuses, stock buybacks raising their valuations, mergers and acquisitions to reduce competition, dividends to shareholders, and offshore activities, including stashing trillions of dollars in tax havens.

Easy money and lots of it encourages speculation, a key driver to high equity valuations.

Productive investments stimulate economic growth and jobs creation, what's been lacking in the US for years. When people have money they spend it.

A virtuous cycle of prosperity follows. The industrial America I grew up in was prosperous, a land of opportunity and its dream long gone.

Today the nation is in decline, thirdworldized for most of its people, an increasingly plutocratic, kleptocratic, police state, democracy for its privileged few alone.

In December 2008, the Fed cut its benchmark interest rate to near-zero (a range of zero to 0.25%).

From then to December 2015, the Fed funds rate remained at near-zero — seven years of unprecedented accommodative monetary policy, benefitting Wall Street and other monied interests at the expense of main street.

The current Fed Funds rate stands at 2.375%, harming savers and others on fixed incomes, especially retired individuals no longer employed.

According to marketplace.com, over a decade of low interests cost savers about half a trillion dollars, back door grand theft from the pockets of ordinary Americans.

Loss of needed income for most people means enduring a lower standard of living or going into debt to maintain a normal level.

Paul Craig Roberts explained that US monetary policy produced little economic growth since alleged recovery from the great recession began in 2009 — because inflation is understated.

People who eat, drive cars, pay rent or service mortgages, have medical bills, heat and/or air condition homes, and have kids in college know inflation better than talking head tout TV economists paid to deceive, not inform viewers.

In 1988, Fed economists Seth Carpenter and Selva Demiralp explained in somewhat technical language that quantitative easing (QE) doesn't stimulate economic growth as falsely claimed.

Boosting aggregate demand is needed. Helicopter Ben Bernanke dropped lots of money on Wall Street when it should have gone to main street to grow the economy.

Financial asset prices soared while most Americans have endured protracted Depression conditions for over a decade, no end of it in prospect, and worse times ahead when the economy turns south.

Lower interest rates will compound the problem for savers and fixed income households, not alleviate it economically overall. Fed chairman **Jerome Powell** is ideologically similar to his recent predecessors.

David Stockman earlier called him "a Wall Street-coddl(er)," saying as Fed governor since May 2012, he voted "approximately 44 times to drastically falsify interest rates and to recklessly and fraudulently monetize trillions of the public debt…asphyxiating…prosperity in America."

He's "deep in the tank for the speculative classes…(T)here is really no hope at all that the era of Bubble Finance will end" – short of "a thundering financial crash" baked in the cake ahead eventually.

NYT editors are "in the tank for speculative classes", headlining: "Time for the Fed to Cut Interest Rates."

What followed was polar opposite reality, a recitation of deception, economic ignorance, or most likely both.

The Times falsely claimed the Fed "engineered the nation's recovery from the 2008 financial crisis," ignoring main street, mired in longterm Depression conditions.

The Times: "Fed officials have lived in fear that too much job growth, too much wage growth — too much prosperity — would spark dangerous inflation. That is one reason there has not been enough job growth, wage growth or prosperity."

Lack of productive investment and wrongheaded monetary policy is to blame, what the Times didn't explain.

Most jobs created are rotten part-time or temp, low-pay, few or no benefit ones — because millions of high-pay good jobs were offshored to low-wage countries, why America's high trade deficit exists, what the Times and other establishment media don't explain.

Real unemployment exceeds 20%, not the official meaningless 3.7% rate. Underemployment is overwhelming, affecting most working Americans — their households impoverished or bordering it.

At 2.375%, there's no justification to begin cutting rates, perhaps heading them back to near-zero as the economy weakens.

The Times: "(T)he argument for a rate cut is that the Fed should try to extend this economic expansion, which is now the longest period of uninterrupted growth in American history."

"It would send a message that the Fed stands ready to do more to extend the economic expansion."

"(I)t would demonstrate that Mr. Powell and his colleagues are serious when they talk about the importance of job growth and wage growth."

One or more rate cuts will accomplish none of the above. They'll perpetuate wrong-headed monetary policy since Alan Greenspan was Fed chairman, especially what the Fed pursued since 2008.

The economy needs what it's not getting — productive investments to create growth and high-paying jobs, not more of the same failed monetary policy benefitting investors, not ordinary Americans.

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*Award-winning author **Stephen Lendman** lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net. He is a Research Associate of the Centre for Research on Globalization (CRG)*

His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III."

http://www.claritypress.com/LendmanIII.html

Visit his blog site at sjlendman.blogspot.com.

Articles by: **Stephen Lendman**

About the author:

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