Central Banks Are Trojan Horses, Looting Their Host Nations

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A Nobel prize winning economist, former chief economist and senior vice president of the World Bank, and chairman of the President's council of economic advisers (Joseph Stiglitz) says that the International Monetary Fund and World Bank loan money to third world countries as a way to force them to open up their markets and resources for looting by the West.

Do central banks do something *similar*?

Economics professor Richard Werner – who created the concept of quantitative easing – has documented that central banks intentionally impoverish their host countries to justify economic and legal changes which allow looting by foreign interests.

He focuses mainly on the Bank of Japan, which induced a huge bubble and then deflated it – crushing Japan's economy in the process – as a way to promote and justify structural "reforms".

The Bank of Japan has used a heavy hand on Japanese economy for many decades, but Japan is stuck in a horrible slump.

But Werner says the same thing about the European Central Bank (ECB). The ECB has used loans and liquidity as a weapon to loot European nations.

Indeed, Greece (more), Italy, Ireland (and here) and other European countries have all lost their national sovereignty to the ECB and the other members of the Troika.

ECB head Mario Draghi said in 2012:

> The EU should have the power to police and interfere in member states' national budgets.
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> I am certain, if we want to restore confidence in the eurozone, countries will have to transfer part of their sovereignty to the European level.
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> Several governments have not yet understood that they lost their national sovereignty long ago. Because they ran up huge debts in the past, they are now dependent on the goodwill of the financial markets.

And yet Europe has been stuck in a depression worse than the Great Depression, largely due to the ECB's actions.

What about America's central bank … the Federal Reserve?

Initially – contrary to what many Americans believe – the Federal Reserve had admitted that it is not really federal (more).

But – even if it's not part of the government – hasn't the Fed acted in America's interest?

Let's have a look …

The Fed:

- Bailed out *foreign* banks … more than Main Street or the American people. The foreign banks bailed out by the Fed include Gaddafi's Libyan bank, the Arab Banking Corp. of Bahrain, and the Banks of Bavaria and Korea

- Offered to bail out Mexico, if it would agree to join the North American Free Trade Agreement (NAFTA)

- Threw money at "several billionaires and tens of multi-millionaires", including billionaire businessman H. Wayne Huizenga, billionaire Michael Dell of Dell computer, billionaire hedge fund manager John Paulson, billionaire private equity honcho J. Christopher Flowers, and the wife of Morgan Stanley CEO John Mack

- Bailed out wealthy corporations, including hedge funds, McDonald's and Harley-Davidson

- Artificially "front-loaded an enormous [stock] market rally". Professor G. William Domhoff demonstrated that the richest 10% own 81% of all stocks and mutual funds (the top 1% own 35%). The great majority of Americans – the bottom 90% – own *less than 20%* of all stocks and mutual funds. So the Fed's effort overwhelmingly benefits the wealthiest Americans … and wealthy *foreign*investors

- Is largely responsible for creating the worst inequality in world history

- Turned its cheek and allowed massive fraud (which is destroying the economy). Fed chair Greenspan took the position that fraud could never happen. Fed chair Bernanke also falsely stated that the big banks receiving Tarp money were healthy when they were not

- Acted as cheerleader in chief for unregulated use of derivatives at least as far back as 1999 (see thisand this), and is now backstopping derivatives loss

- And for subprime loans

- Allowed the giant banks to grow into mega-banks, even though most independent economists and financial experts say that the economy will not recover until the giant banks are broken up. For example, Citigroup's former chief executive says that when Citigroup was formed in 1998 out of the merger of banking and insurance giants, Greenspan told him, "I have nothing against size. It doesn't bother me at all"

- Argued that economists had conquered the business cycle, and that modern, technologically advanced financial markets are best left to police themselves
- Preached that a new bubble be blown every time the last one bursts
- Had a hand in Watergate and arming Saddam Hussein, according to an economist with the U.S. House of Representatives Financial Services Committee for eleven years, assisting with oversight of the Federal Reserve, and subsequently Professor of Public Affairs at the University of Texas at Austin. See this and this
- *Intentionally* discouraged banks from lending to Main Street, which has increased unemployment and stalled out the economy

Moreover, the Fed's main program for dealing with the financial crisis – quantitative easing – benefits the rich and hurts the little guy, as confirmed by former high-level Fed officials, the architect of Japan's quantitative easing program and several academic economists. Indeed, a high-level Federal Reserve official says quantitative easing is "the greatest backdoor Wall Street bailout of all time". And see this.

Some economists called the bank bailouts which the Fed helped engineer the greatest redistribution of wealth in history.

Tim Geithner – as head of the Federal Reserve Bank of New York – was complicit in Lehman's accounting fraud, (and see this), and pushed to pay AIG's CDS counterparties at full value, and then to keep the deal secret. And as Robert Reich notes, Geithner was "very much in the center of the action" regarding the secret bail out of Bear Stearns without Congressional approval. William Black points out: "Mr. Geithner, as President of the Federal Reserve Bank of New York since October 2003, was one of those senior regulators who failed to take any effective regulatory action to prevent the crisis, but instead covered up its depth"

Indeed, the non-partisan Government Accountability Office calls the Fed *corrupt and riddled with conflicts of interest*. Nobel prize-winning economist Joe Stiglitz says the World Bank would view any country which had a banking structure like the Fed as being corrupt and untrustworthy. The former vice president at the Federal Reserve Bank of Dallas said said he worried that the failure of the government to provide more information about its rescue spending could signal corruption. "Nontransparency in government programs is always associated with corruption in other countries, so I don't see why it wouldn't be here," he said.

But aren't the Fed and other central banks crucial to stabilize the economy?

Not necessarily … the Fed caused the Great Depression and the current economic crisis, and many economists – including several Nobel prize winning economists – say that we should end the Fed in its current form.

They also say that the Fed does *not* help stabilize the economy. For example:

> Thomas Sargent, the New York University professor who was announced Monday as a winner of the Nobel in economics … cites Walter Bagehot, who "said that what he called a 'natural' competitive banking system without a 'central' bank would be better…. 'nothing can be more surely established by a larger experience than that a Government which interferes with any trade injures that trade. The best thing undeniably that a Government can do with the Money Market is to let it take care of itself.'"

Earlier U.S. central banks caused mischief, as well. For example, Austrian economist Murray Rothbard wrote:

> The panics of 1837 and 1839 … were the consequence of a massive inflationary boom fueled by the Whig-run Second Bank of the United States.

Indeed, the Revolutionary War was largely due to the actions of the world's first central bank, the Bank of England. Specifically, when Benjamin Franklin went to London in 1764, this is what he observed:

> When he arrived, he was surprised to find rampant unemployment and poverty among the British working classes… Franklin was then asked how the American colonies managed to collect enough money to support their poor houses. He reportedly replied:
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> "We have no poor houses in the Colonies; and if we had some, there would be nobody to put in them, since there is, in the Colonies, not a single unemployed person, neither beggars nor tramps."
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> In 1764, the Bank of England used its influence on Parliament to get a Currency Act passed that made it illegal for any of the colonies to print their own money. The colonists were forced to pay all future taxes to Britain in silver or gold. Anyone lacking in those precious metals had to borrow them at interest from the banks.
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> Only a year later, Franklin said, the streets of the colonies were filled with unemployed beggars, just as they were in England. The money supply had suddenly been reduced by half, leaving insufficient funds to pay for the goods and services these workers could have provided. He maintained that it was "the poverty caused by the bad influence of the English bankers on the Parliament which has caused in the colonies hatred of the English and . . . the Revolutionary War." This, he said, was the real reason for the Revolution: "the colonies would gladly have borne the little tax on tea and other matters had it not been that England took away from the colonies their money, which created unemployment and dissatisfaction."

(for more on the Currency Act, see this.)

And things are getting *worse* … rather than better. As Professor Werner tells Washington's Blog:

> Central banks have legally become more and more powerful in the past 30 years across the globe, yet they have become de facto less and less accountable. In fact, as I warned in my book New Paradigm in Macroeconomics in 2005, after each of the 'recurring banking crises', central banks are usually handed even more powers. This also happened after the 2008 crisis. [Background here and here.] So it is clear we have a regulatory moral hazard problem: central banks seem to benefit from crises. No wonder the rise of central banks to ever larger legal powers has been accompanied not by fewer and smaller business cycles and crises, but more crises and of larger amplitude.

Georgetown University historian Professor Carroll Quigley argued that the aim of the powers-that-be is "nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole." This system is to be controlled "in a feudalist fashion by the central banks of the world acting in concert by secret agreements," central banks that "were themselves private corporations."

Given the facts set forth above, this may be yet another conspiracy theory confirmed as conspiracy fact.

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