

## 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](#)

Global Research, January 21, 2015

[Washington's Blog](#)

Region: [Europe](#)

Theme: [Global Economy](#)

*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.

\*\*\*

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.

\*\*\*

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.

"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.

"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."

\*\*\*

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.”

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 of [inequality](#) (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”](#).

The original source of this article is [Washington's Blog](#)

Copyright © [Washington's Blog](#), [Washington's Blog](#), 2015

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Washington's Blog](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)