

Monetary Stalemate: Quantitative Easing Won't Work

By [Bob Chapman](#)

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Mr. Bernanke is trying to avoid the Japanese experience of the past 20 years. Underlying deflation is being offset again, as it has been for the past eight years, by creating more money and credit. The only one lose to our prediction of mid-May of \$5 trillion over two years is Keynesian economist Paul Krugman. He said the Fed would need \$6 trillion. The Republicans seized the House and all that has really been accomplished is gridlock, the end of stimulus and a cut of perhaps \$100 billion in debt.

Mr. Bernanke's new round of debt buying has upset nations worldwide, yields in the US fell and the stock market rose, as did gold, silver and commodities.

The elections saw about 100 seats change hands. The Republicans now control the House and the Democrats the Senate. An unfortunate result because little can be accomplished at a time when the American economy and financial structure is in upheaval. Congress has to deal with criminal mortgage and bond fraud on a massive scale as the banks and Wall Street attempt to stay out of jail. America needs experienced evenhanded leadership and except for Ron Paul none is in sight. Still prevalent behind the scenes is the sea of bureaucrats from both parties that want world government and they are not going to disappear anytime soon. The rot is still controlling the system and we look for it to get progressively worse. Still, too many Americans have not awakened from their slumber. Banking reform is out of the question. There are still too many members of the House and Senate who have been totally compromised over the last 30 years. They would never vote for real bank reform or terminating the Federal Reserve. Democrats who voted for the house bill all knew votes would change when the Senate handled their side of the vote.

QE2 won't work and everyone in the beltway knows that, just like eight years ago they knew Fannie Mae and Freddie Mac were broke and that they would be nationalized at taxpayer expense. The problems won't be fixed - they will just get worse as we head for QE3. That's because there is no solution short of purging the system, which they know has to be done in time.

What we will continue to see is financial estrangement in relations with foreign governments. They forget they aided and abetted the US by cheapening their currencies by buying dollars and then Treasury bills, note and bonds. They are an integral part of the problem. Now they want a different reserve currency. No new international currency or trading unit will work or be accepted unless it is backed by gold. If the US still has the gold it says it has they are in the running by devaluing, defaulting and re-backing the US dollar with gold. If they do not prove they have the gold they are out of the running, just as is the SDR. IMF rules prohibit gold backing of the SDR. At the moment we believe the elitists do

not know which way they want to go. Recent chatter is pointed toward an index of several major currencies. That may be an improvement, but one has to remember all currencies have been the victims of quantitative easing and all are fiat currencies without gold backing, with the exception of the euro with its approximate 5% backing. Rather than face reality, and a great loss of power, the PTB still insist on lowering interest rates even further and flooding the economy with money and credit. Logic tells us that in QE1 stimulus of \$868 billion and a Fed injection of an admitted \$1.7 trillion, or \$2.568 trillion couldn't bring recovery, how can \$600 billion do the trick? It can't, of course, so we are headed for another injection of \$2.5 trillion not only for fiscal 2011 but also 2012 as well. That is lots of monetization and lots of inflation.

The rest of the world is complaining about QE2, but we can assure you Europe, Asia and Latin America won't be far behind. There will be exceptions, but overall expect foreign quantitative easing. In Europe the excuse will be that the euro is too strong, and they cannot repeat. Here we have self-interest again. There is no international economic and financial harmony, as we said recently - it is every man for himself, or nation for itself.

As we write the G-20 meeting in Korea, so far has gotten nowhere. Every nation wants an advantage, an advantage they have taken versus each other for more than 50 years. The best thing that can come out of these meetings is that they are dumb enough to push the issue, which will end up with tariffs on goods and services. That will end the honeymoon that has lasted far too long.

As a result there is great consternation in the White House, where we are told there are discussions going on how to beef up the President's ratings. The American public has poorly received his vacation that cost hundreds of millions of taxpayer dollars. G-20 and its failure will put a kiss of death on his popularity, as Nancy Pelosi launches her effort to pass legislation called the "Dream Act" to make illegal aliens, legal. The White House is so desperate that they are even planning a false flag event to gain sympathy and stature for the President.

We wonder what Wall Street and banking will think of that. They have been pouring billions into elections for years to buy votes, influence and oversight. It is called immunity no matter what this gang does and it includes too big to fail, which the government is allowing to pay for. The bottom line is these criminals say anything goes, as long as it puts money and power into their pockets.

The White House, the House and Senate, rig everything for the elitists. Just look at the people who are appointed as bureaucrats. Mary Schapiro of the SEC, who just departed with a \$9 million check, as front running and naked shorting flourish. At the CFTC we have Goldman-ite Gary Gensler, who has covered up the silver and gold suppression, which is coming down around his ears, as JPMorgan Chase and HSBC are subject to RICO and class action lawsuits.

In fact, the President and our legislators just recently made the privately owned Federal Reserve a financial dictator, which now totally rules America. 100 or so legislators are not returning to Washington and that is good, but the Republicans are no panacea. They are even more generous than Democrats in giving banks everything they want.

This week saw a trial balloon in regard to a new currency by Robert Zoellick, head of the

World Bank, a CRF, Trilateral, Bilderberg member and ardent booster of a one-world government and currency. He advocates using five main currencies for a new indexed currency with gold backing. Other elitists pretended to go ballistic, as gold hits a new high. We ask what can they do? It is a way out of the terminal situation they are in.

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