

Assessing Damage From Federal Reserve Policy

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Posted on [April 17, 2017](#) by [Fantasy Free Economics](#)



Over the course of its 103 year existence the Federal Reserve has been like a wrecking ball to the wellbeing of the average American. I am not the only economist to say such a thing. I am the only economist to dispute the notion that the Federal Open Market Committee consists of honest folks who are just misguided in what they are doing. I am calling them dishonest and just getting it out in the open. That gets right to the point and explains why what they do only makes sense to Federal Reserve members and the very few Americans who benefit from their dishonesty.

Using monetary policy to stimulate an economy is like physicists claiming to make a suspended animation machine. Monetary policy is good for increasing and protecting asset values of wealthy Americans. The problem is not that they are inept. It is that they are dishonest. The Federal Reserve has never done anything other than carry out a political agenda. Pay no mind to testimony, notes from meetings, press releases or testimony before congress. The Federal Reserves only job is elevating asset prices for Americans rich enough to dictate policy to the politicians they support. To save the country, the economy needs to reset. The Federal Reserve prevents that from happening.

Here is the damage, Surely there is more but this is what comes to mind right off the cuff.

Rich people, especially corporate insiders are now lazy. Riding stocks to new highs independently of earnings sure beats innovating and working. I remember a quote from a certain writer who's name I have forgotten. "The stock market is food stamps for the rich." As part of the political asset enhancement initiative, using the wink and nod system, the Federal Reserve lets corporations know, that if they buy back their own stock, their backs are covered. This boosts stock prices. The wealthy truly do benefit financially from the Fed's asset enhancement initiative. Any good economic numbers come from the spending of the country's financially elite. Now the health of the economy depends on the level of the stock market. When it crashes, it will take the economy down with it.

Loose money keeps profit margins high and real wages low. The poor have grown in number. The buying power of the lower middle class on down has been severely reduced. Since loose money is so effective in elevating stock prices, corporate insiders get paid a lot more and a lot faster just by riding the price of their stock into the stratosphere. There is no incentive to invest in plant and equipment or try new ideas so job opportunities disappear.

Retired people with savings have been devastated. They are earning just a fraction on their savings compared to what they would receive in a free market setting.

Pensions by most will not be received in their entirety. Some will lose everything they have saved for retirement.

Most importantly, the economy has been destroyed. Market forces are invisible but they are always working. Government intervention always has the result of markets never clearing. There is a system of out with the old and in with the new that is prevented from working. The longer a stimulus plan is in effect, the more inefficiently resources are allocated. Eventually the economy is so inefficient that GDP actually turns negative. Any genuine control the Federal Reserve has over interest rates is lost. Governments of all sizes face huge interest costs as rates start to be determined by the diminishing probability that loans will be repaid.

Appearances are that Central banks plan to continue supporting stock prices. Theoretically they can continue this practice forever. Central banks do not have to earn money in order to invest. All they have to do is buy buy buy. Central banks could actually buy up a controlling interest of all of the world's largest corporations. No taxes need be levied and no income needs to be earned. As GDP turns negative, that probably won't happen. Civil order will probably break down and public sentiment is bound to turn against them.

These are just a few of the negative consequences the country faces due to Federal Reserve policy. There will be others that I haven't even thought of yet. War is almost guaranteed. Only free markets prevent warfare. Free markets are gone so war is largely a given.

It is time an economist stepped up and spoke the truth about Federal Reserve policy. There has never been a chance that the overall economy would benefit. The Federal Open Market Committee members know this. They are liars and thieves. They are carrying out a political agenda. Federal Reserve policy has nothing to do with economics.