New American

Written by Alex Newman on February 4, 2015

European Central Bank Opens Funny Money Floodgates

Following in the extremist "Quantitative Easing" (QE) footsteps of the U.S. Federal Reserve, the European Central Bank vowed to create massive quantities of new currency — more than $68 billion each month, eventually reaching well over a trillion — to buy government and corporate bonds across Europe. Under the guise of achieving an "inflation target" of two percent, the ECB will devalue all euros while propping up megabanks, Big Business cronies, European Union institutions, and out-of-control EU "member states" already drowning in a sea of red ink. More than a few experts, though, say the ultimate result of the scheme will be economic disaster. Some have also suggested that the QE bond-buying plan may violate EU treaties.

The currency-printing extravaganza, with details formally announced in late January by ECB boss Mario Draghi, will begin in March and is expected to last until at least September of next year. "Inflation dynamics have continued to be weaker than expected," Draghi was quoted as saying at a press briefing. "While the sharp fall in oil prices over recent months remains the dominant factor driving current headline inflation, the potential for second-round effects on wage and price-setting has increased and could adversely affect medium-term price developments." Unsurprisingly, the crisis-plagued euro plunged against other currencies almost immediately after the news broke.

According to Draghi's announcement and various media reports about the recently unleashed "QE" plot, the Frankfurt-based central banking cartel will conjure new euros into existence to purchase euro-denominated bonds. They must be investment grade, but even securities trading with negative yields are eligible to be purchased — costing taxpayers big. ECB purchases of bonds from imploding governments such as radical socialist-ruled Greece will be subject to "additional eligibility criteria," Draghi said. If bloated eurozone governments on the brink of collapse default on their obligations, public and private bondholders will supposedly be treated on "equal terms," officials claimed.

What remains of "national" central banks in the eurozone will reportedly handle most of the buying and assume much of the risk, which has stirred some opposition even among the most rabid proponents of "ever closer union." EU institutions such as the European Investment Bank, meanwhile, will also have their debts purchased by the ECB and national central banks under the currency-creation scheme, according to news reports. If dubiously defined "inflation" levels are not high enough to satisfy the ECB's central planners by September of next year, the program could continue, officials said.

As *The New American* reported last summer, the ECB — which, like other central banks, attempts to centrally plan interest rates — announced unprecedented negative rates on deposits held at the bank, also under the guise of promoting more inflation (theft) and economic "stimulus." "It's wrong to think

we want to 'expropriate savers,'" claimed Draghi, a former Goldman Sachs chief and regular attendee at the shadowy Bilderberg summits along with top globalists in Big Business and Big Government. The ECB boss also vowed to do "whatever it takes" to ensure that people's euros were worth less — and late last month, with the unveiling of the latest QE scheme, he delivered.

Critics lambasted the plan as "legal counterfeiting," irresponsible, and certain to produce more economic misery down the road. "The reality is that deflation is being used as an excuse for the ECB to bail out spendthrift governments to save itself from the executioner's ax," explained Dr. Frank Hollenback, professor of finance at the International University of Geneva, in an analysis posted by the free market-oriented Ludwig von Mises Institute. "It recognizes that a break-up of the European Monetary Union is a forgone conclusion if current trends continue."

According to Dr. Hollenback, a regular critic of the ECB and central banking in general, "The problem has never been too little printing but too much printing." The ECB's interference in prices to reach "some non-meaningful target," he added, illustrates how "nonsensical" what passes as "mainstream economics" has become. Among other consequences of the central bank's meddling and price distortions, he said, will be continued interference in the efficient allocation of resources in the economy, and goods and services. For consumers, investors, savers, and essentially anyone not positioned to exploit the radical monetary gimmicks unleashed by the ECB, that is bad news.

"The only possible reason left is to generate some type of wealth effect. In other words, the goal is to make rich bankers richer at the expense of the middle class and the poor, so that the bankers' extravagant lifestyles trickle down benefits to the rest of the economy," Hollenback explained. "The distortions have been massive, and the coming adjustments will be horrendous. If you had an employee who constantly screwed up and cost your company millions, wouldn't you fire him? Would you wait until his repeated mistakes led you to bankruptcy? It is time we had a serious discussion about developing a new monetary order: one without a central bank."

Other experts similarly slammed the ECB's QE scheming. Economist Richard Ebeling, a longtime economics professor at various universities and the former president of the Foundation for Economic Education, for example, blasted the notion that "deflation" represents a threat to be dealt with by the ECB. "It is worth pointing out that if the eurozone monetary central planners were to succeed with their goal and maintain 2 percent average annual price inflation, this would mean that over a 20-year period, the purchasing power of a euro would decline by around 50 percent," he explained, pointing out that falling prices in a genuine free market are a natural consequence of increasing productivity.

Writing in the market-oriented Daily Bell, Dr. Ebeling also challenged the notion that deflation was even occurring. "Indeed, since 2008, the European Central Bank has increased its balance sheet through monetary expansion by well over one trillion euros, and prices in the eurozone, in general, have been rising on average between 0.5 and 2 percent throughout this period," he said, citing various anti-market policies as problems that are indeed wreaking havoc on European economies. He suggests that if the ECB actually succeeds in injecting another trillion euros' worth of new currency into the economy, it will only "set in motion the danger of another future economic downturn." Among the key problems: more malinvestment resulting from price and wage distortions.

"Creating a trillion more euros cannot overcome or get around anti-competitive regulations, cost-price mismatches and imbalances due to government interventions and union restrictions, or the burdensomeness of taxes that reduce the willingness and ability of businessmen to undertake the enterprising activities that could lift Europe out of its economic malaise," Ebeling said. Instead of

opening the euro-printing floodgates, the economist outlined an array of pro-market policies that could actually help produce growth and jobs: lower taxes, lower government spending, less regulation, "real" free trade, and an end to central bank monetary expansions and manipulation of interest rates.

"A market-based set of policies such as these would serve as the foundation for a sound and sustainable real 'stimulus' for the European and American economies," Ebeling concluded in his analysis of the ECB's upcoming QE scheme. "It would also be consistent with the limited government and free-enterprise principles at the foundation of a free society." That is probably one reason that the ECB, the IMF, the EU, and national governments across Europe remain largely unified against such policies.

Of course, free market-minded economists are hardly the only ones expressing concerns about the ECB's QE plot. The Swiss National Bank, for example, which had pegged the Swiss franc to the euro, finally decoupled it after the latest currency-printing scheme was announced, sending the franc soaring against the plunging single European currency. In Germany, meanwhile, where well-founded paranoia about inflation runs deep, public outrage over ECB scheming is surging.

In the end, despite all the opaque language and complex policy talk, it appears that what is really going on is actually quite simple. Essentially, the poor and middle classes of Europe are set to be further looted by central banks and their cronies under the guise of promoting "inflation" and "stimulus." What Europeans and the economy need, though, are not more looting and monetary gimmicks to prop up big government and megabanks. Instead, what they really need — like Americans dealing with the Federal Reserve and its similar scheming — is honest money and free markets.

Alex Newman, a foreign correspondent for The New American*, is normally based in Europe. Follow him on Twitter @ALEXNEWMAN_JOU. He can be reached at anewman@thenewamerican.com*

Related articles:

Setting Negative Interest Rates, Euro Central Bank Plots Heist

Central Bankers Prepare to Flood the World with More Funny Money

Central Banks Now Dominate Stock Market, Study Finds

Fed Manipulations in the Crosshairs

After Gold Crash, Experts Point to Central Bank Manipulation

European Central Bank President Buys Government Bonds But Warns of Deflation

Critics Blast New ECB Boss, EU Banker "Coup D'Etat"

Euro Central Bank Fires up Printing Press As Crisis Grows

World Bank Insider Blows Whistle on Corruption, Federal Reserve

IMF Pushes Plan to Plunder Global Wealth

Waking up to a World Currency

Swiss Vote on Central Bank Gold Could Limit Manipulation

Gold Price Suppressed to Benefit Beijing, Says Top Expert

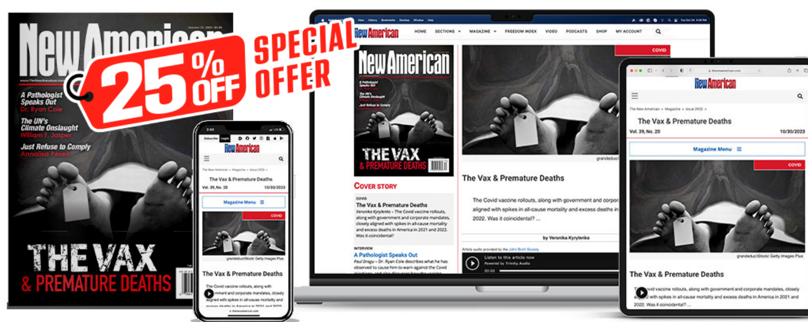
[Panic Grips Europe as Cyprus, EU, and IMF Confiscate Savings]

Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

24 Issues Per Year
Optional Print Edition
Digital Edition Access
Exclusive Subscriber Content
Audio provided for all articles
Unlimited access to past issues
Coming Soon! Ad FREE
60-Day money back guarantee!
Cancel anytime.