

Sorry, Chairman Ben S. Bernanke, But Quantitative Easing Won't Work.

By Shalom P. Hamou

Dated: Jan 04, 2009

Open letter to Chairman Ben S. Bernanke announcing that no monetary or fiscal policy, including the barbaric Quantitative Easing, will get us out of the Depression.

Mister Chairman,

As you know, in a Liquidity Trap although Saving (S) is abnormally high investment (I) is next to 0.

Hence, the Keynesian paradigm $I = S$ is not verified.

The purpose of Quantitative Easing being to lower the yield on long-term savings and provide liquidity to the Market, it doesn't create \$1 of investment.

The last thing the Market needs in a Liquidity Trap is liquidity.

Quantitative Easing does diminish the yield on long-term US Treasury debt but lowers marginally, if at all, the asked yield on savings.

This and other issues are explored in the tract I wrote to your intention:

A Specific Application of Employment, Interest and Money
Plea for a New World Economic Order

Abstract:

This tract makes a critical analysis of credit based, free market economy, Capitalism, and proves that its dysfunctions are the result of the existence of credit.

It shows that income / wealth disparity, cause and consequence of credit and of the level of long-term interest-rates, is the first order hidden variable, possibly the only one, of economic development.

It solves most of the puzzles of macro economy: among which Unemployment, Business Cycles, Trade Deficits, International Division of Labor, Stagflation, Greenspan Conundrum, Deflation and Keynes' Liquidity Trap...

It shows that no fiscal or monetary policy, including the barbaric Quantitative Easing will get us out of depression.

A Credit Free, Free Market Economy will correct all of those dysfunctions.

The alternative would be, on the long run, to wait for the physical destruction (through war or rust) of most of our productive assets. It will be at a cost none of us can afford to pay.

A Specific Application of Employment, Interest and Money
<http://www.17-76.net/interest.html>

I am, Mister Chairman, Yours Sincerely,

Shalom P. Hamou
Chief Economist

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1776 - Annuit Cœptis proposes an alternative economic system in order to solve the present economic crisis on the short run. A Credit Free, Free Market Economy, A Specific Application of Employment, Interest & Money. In This Age of Turbulence People Need an Exit Strategy out of Credit, The Adventures in a New World Economic Order.

Category	Banking, Finance, Society
Tags	liquidity trap, Money, interest rate, recession, depression, credit, monetary policy, alan greenspan, economic order
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