

The Idiots Who Hold The Purse Strings Of The World



FEATURED NEWS POLITICS

By Alexander Baron



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There is a favourite saying of conspiracy buffs, when you want to know who or what is really behind some crisis or other, follow the money, because doing that will lead you right the way back to the people who benefit. This is a corollary of that other well-known saying “He who pays the piper...”

Alas, if the London *Financial Times* is to be believed, the people who are paying the piper this time are idiots, because according to its correspondent Ferdinando Giugliano on May 17: “Central banks have slashed interest rates to record lows and embarked upon unprecedented programmes of asset purchases in an attempt to raise inflation and restart economic growth.”

Wait a minute, they want to stimulate economic growth by raising inflation? That’s what the man said. After the crash of 2008, the **Federal Reserve instituted** a programme of Quantitative Easing.

That may sound grand but QE is also known as printing money electronically. In practice what happens is the Central Banks (including the Bank of England) purchase assets – ie they give money to common or garden banks in return for bits of paper, and then hope they will lend it (ie sell it at interest) to productive capitalists. QE has had some success, it has lowered interest rates; cheap money is the lifeblood of any economy, and is especially important in war-time because it allows heavy industries to generate enormous outpourings of wealth – which are then destroyed. It allows the state to ship troops all over the place at minimal cost, including to foreign countries, and to ship them home in body bags.

This is what happened during the First World War – body bags excepted; after it was over, there was the Great Depression and the *cure* for this was World War Two. Incredibly, this is the perceived wisdom of economists, and of the world's central banks. Now they want to raise inflation?

Slashing interest rates reduces inflation by definition because it lowers the cost of money; high inflation means rising prices, which is not beneficial for society as a whole because although we don't all produce, we all consume, and lower prices all round means we can both produce and consume more.

So what should the central banks be doing? Let's for the moment dodge the question of whether or not central banks should exist. It was the reckless lending of the banks that caused the last crash, most of this money went into speculation which simply forced prices up and up, but what goes up, must come down, and the higher prices are driven without production, the greater will be the crash when it comes. The simple solution is for the various asset purchase programmes to be abolished and for money to be spent into circulation debt-free by a **programme of Basic Income**, ie giving money direct to the public. This would abolish the poverty trap, make low paid jobs worthwhile, stimulate the economy, and enable the social security/welfare system to be phased out.

The second part of the equation is to strip the banks of their power to create credit at the stroke of a pen, and to give this power **to the Internet**, which would create credit in proportion to the services it delivers. Simple really. Anyone who thinks this can't be done should ask himself how bankrupt nations can fight and win wars, **as did England** in 1914-18.