Fancy creating some extra dosh - look no further than Quantitative Easing

Free money. Wow like some of that. Be careful what people tell you as logical thinking often become clouded with clever rhetoric.

The COVID-19 Pandemic has triggered an economic cataclysm of a scale not seen before, with damage far outstripping that of the global financial crisis of 2008. Governments around the world have taken unprecedented steps to dampen the economic shock of the corona crisis.

The UK Government like all major countries continues to grapple with the financial obligations that have risen due to the pandemic. Public finances have become shot to pieces with policy initiatives designed to stabilise. BUT AT COST? The UK Government's independent forecaster, the Office for Budget Responsibility (OBR), has predicted that borrowing for the whole year [2020] could reach £298bn, more than five times the estimate at the time of the March 2020 Budget. UK Government borrowing surged to £62bn in April 2020, the highest monthly figure on record, after heavy spending to ease the coronavirus crisis **click here- business-.** The years of austerity that were a feature of the 2010s decade look likely to be replaced by the 2020 decade of state sponsored involvement and mushrooming public debt.

The Bank of England have for many years been providing comatose support to the economy like a magician pulling another rabbit from a hat in devising a one fit size approach in financial manipulation **through the fairy dust magic of Quantitative Easing**. A decade or more of close to zero interest rates and multiple bouts of money printing has meant that the Bank of England has all but exhausted it bullets on monetary policy in reducing interest rates to near zero. Effectively interest rates are now negative taking into consideration inflation.

As the decade of the reality of negative interest rates hits home, this has provided Governments ideal ways of raising much needed finance through the issuing of Government Debt. But buying one’s own Governments debt has, since the financial crisis, become the way to navigate any crisis. Flooding economies through Quantitative Easing has effectively provided life support with artificial stimulus in times of economic crisis.

Let’s look at America’s The Federal Reserve has cut interest rates to zero, announced $1 trillion a day in repurchase agreements (effectively overnight loans used to raise short term capital) and unlimited QE including $625 billion of bond purchases a week. At this rate it would own two thirds of the treasury market within a year! Here’s what most people don’t realise when they read about governments issuing treasury bonds. A ‘treasury’ or ‘government bond’ is a claim on future taxation. Every bond that’s issued pays interest, albeit at close to zero and occasionally even negative rates. But the capital has to be repaid at some point from the government’s only source of income – taxation!

So what is Quantitative Easing one might ask? Have no fear. All is explained here
https://www.bankofengland.co.uk/monetary-policy/quantitative-easing

By the Bank of England's own omission -The aim of QE is simply: creating this 'new' money. Basically QE is a Central Bank purchasing its own Governments Debt through Large-scale purchases of government bonds. Effectively, the Government through the Bank of England lending money to its own Government. Nice work if you can get it

Money created from thin air is reminiscent of Hans Cristian Anderson 'Emperors clothes'
The Pyramid of embellishment escalation in fantasy money creation has been a product of financial manipulation and has now become commonplace as a one size fit all approach in monetary policy for all major central banks.

Got a problem let's just create more artificial stimulus through the its own central bank buying its own Governments debt or an 'infinity bond' now that's an idea!

Following the programme of QE announced in March 2020, prior to the pandemic crisis
The Bank of England purchases of government bonds was due to total £645 billion.
November 2002 £200billion
July 2002 £ 375 billion
August £435 billion
March 2020 £645 billion

For icing on the cake the world is now a washed with debt as the world Debt Clock testifies.
CLICK HERE - World Debt Clocks As public Debt to National GDP ratios continually to levels not seen since the 1950s one need to take stock and ask DEFAULT, DEFAULT, DEFAULT! No surely not. Just raise more debt to pay for the debt one already has. And so the circle of debt issuance and debt deception continues.

Advocates of QE would argue that such artificial stimulus and financial support, is vital to prevent a return to the depression era of the 1930s. With interest rates at such low levels why not borrow more could be a response. A prolonged era of low interest continues ad infimum. But one day what goes down will eventually go up so be prepared for the shock

Initially, QE was used as a measure in the financial crisis to ensure the financial system would not collapse and remain intact. Since them its use has become the standard remedy for any crisis. QE continues relentlessly and If all this debt was actually asked to be paid back chances are that sovereign default would become commonplace throughout all major economies.

Crisis comes and crisis go. The effects of Quantitative will however be everlasting. Rounds of QE continue to be used as a response to economic fragility. Is QE here to stay? No doubt about it as the well accepted approach is being used by all central banks so there's no discrimination here. Old wine in New Bottles, watch for the rise of Corrona Bonds!

Generations of the future will be asking why its previous forebears burdened them with so much debt. Schz….Ask Secret Squirrel for the answer

Andrew Duck May 2020