Quantitative Easing - Quantum Entanglement

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The long trajectory of quantitative easing in its various phases since the 2008 world financial collapse has evolved into a creature that undermines and otherwise alters its reason and purpose of existence because it shares pathways with other financial processes going in the opposite direction.

The Federal Reserve announced a gradual reduction of its financial easing program – the purchase of government and high quality private securities in order to add liquidity to a weak economy. The official purpose of the program is that the increase in money supply will encourage asset purchases, like homes and other properties, which will increase in value because of the demand, and investors or homeowners could borrow on that increased value for expanding ones business or homeowners to raise their standard of living.

In the past thirty years or so there have been two such programs which worked as a perfect blind/dumb surge of the economy, and both ended in collapse and depression. The first began with the Reagan Administration pushing legislation that permitted the conversion of savings banks from depositor to shareholder owned. Thus instead of loaning deposits for family-oriented reasons, like autos or homes, they were used for large investment purposes, to make more money rather things that expanded the quality of ones life.

Traditionally the best method for reviving the real economy is a fiscal policy that increases the income of the working class with with wage increases or tax cuts, which will be used to improve their quality of life. But that usually means higher taxes for the rich, and/or lower corporate profits. Since we live under a capitalist system, what they want is usually what we must accept.

After two housing busts before and after the dot.com farce our leaders came up with a purely monetary solution because messing with the real economy became too hot to handle. Interest rates were lowered to near zero, borrowing costs were cheap and it was thought that funds would be used for investing in promising new areas of the real economy. But after being burned twice in the real economy investors decided it was safer to borrow from and invest in the financial sector of the economy. The problem there is that the financial sector only has a useful purpose in supporting the real economy which is where people work and live.

Nevertheless, because capitalism always has the final word, we have gone through more than a decade of financial (fictitious or nominal) expansion where those with spare money can quite easily and safely make more money without providing any to enhance the lives of those slaving away in real economy, or those retired, and younger folks accumulating debt for a job in either sector of the economy.

Thus more than a decade of mass malaise, and with virtually all the world capitalist, the real and the fictitious have merged into such a fatal entanglement that the state of either cannot be described in terms other than those rooted in repulsion – division – and creation of a new system.

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