

What others say: Florida Daily News

Posted: August 21, 2011 - 12:17am

Northwest Florida Daily News, Fort Walton Beach, on more quantitative easing:

Don't be fooled. "QE3" sounds like the name of a British cruise ship. It really stands for Quantitative Easing 3, a money-expansion scheme the Federal Reserve Board is considering to jump-start the U.S. economy. The Fed should drop the idea. ...

The idea, put more bluntly, is to fix an ailing economy by printing money.

The Fed already has implemented two of these programs: QE1, which began in November 2008 following that September's financial panic, and QE2, which began in November 2010 and ended June 30.

QE1 and QE2 are credited with sparking the modest economic recovery that began in summer 2009. But with QE2's end, the economy is sputtering again.

The problem with quantitative easing is straight out of Economics 101: If you increase the supply of something, its value goes down. In this case, the dollar's value drops, through inflation. That's the reason we've seen rising food and gasoline prices. That's what happened in the 1970s, when the country suffered stagflation -- a stagnant economy plus inflation.

"I've heard rumors recently of a QE3," Mark Calabria, director of financial regulation studies at the Cato Institute, told Freedom Communications. "Fed Chairman Ben Bernanke was in front of the House and Senate (on June 13) and left open the possibility."

We can argue about the possible palliative effects of QE1 and QE2 as a response to the Great Recession, but a QE3 would only further mask the underlying problems in the economy and prolong the malaise.

The Fed's job should be to provide stable money, not one "stimulus" after the next. Real recovery will come only when consumer demand begins to rise and Congress and President Barack Obama -- or his successor -- rein in spending and regulations and provide a stable and less-burdensome tax structure for consumers, investors and businesses.