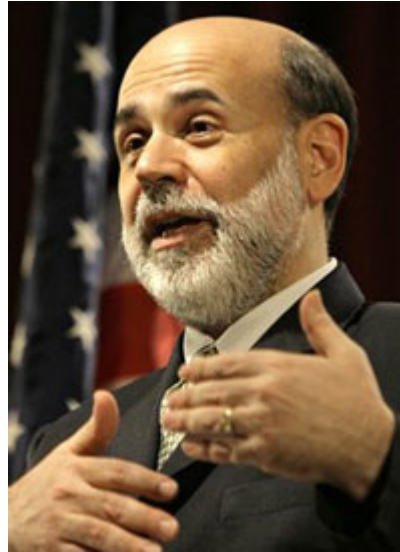




Written by [Gary Benoit](#) on October 21, 2008

Fed Will Pump Another \$540 Billion Into Economy

According to the Fed, "The short-term debt markets have been under considerable strain in recent weeks as money market mutual funds and other investors have had difficulty selling assets to satisfy redemption requests." The Fed's latest action will supposedly create "improved money market conditions" that "will enhance the ability of banks and other financial intermediaries to accommodate the credit needs of businesses and households."



As with the Fed's prior actions, this latest flourish will do nothing of the kind. It will instead pump still more money into an already massively inflated money supply, and draw out the crisis by further distorting the operation of the money markets by massive intervention. Far from "unclogging" the credit markets, the Fed's latest action will sow further confusion in global markets seeking a more rational equilibrium than that established by years of irresponsible money creation.

With the Fed now firmly entrenched in every corner of the financial sector, one can only wonder where else it can intervene. Will Bernanke decide to start buying surplus automobiles from bloated Big Three inventories? Or perhaps to underwrite the purchase of huge blocks of unsold airline tickets, to make sure Delta, Northwest, and their ilk continue to fly? None of this is particularly far-fetched, given the Fed's demonstrated willingness under Bernanke to print money for practically any purpose.

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