Setting Negative Interest Rates, Euro Central Bank Plots Heist

Under the guise of seeking higher inflation to "stimulate" the economy (and erode the value of people's savings even more quickly), the European Central Bank (ECB) announced negative interest rates on deposits held at the bank — the first time a major monetary authority has ever set the rate below zero. If that proves to be not enough in its supposed battle against "deflation" or "not enough" inflation, the central planners at the eurozone central bank are threatening to do still more. Already, they are talking about potentially even starting up their own Federal Reserve-style "quantitative easing" gimmicks to gobble up real assets with fiat currency conjured out of thin air. Critics, though, are warning of disaster.

Since the financial crisis began, central banks around the world have been running the proverbial printing presses like never before. In the United States, the privately owned Federal Reserve System bailed out its crony megabanks around the world with literally trillions of dollars — all on the backs of the struggling American people. The Bank of England has been engaged in similar looting. The ECB, meanwhile, despite being slightly more limited in terms of what it can do, has been showering bloated European governments and mega-banks with massive sums of new euros, too.

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Apparently, though, it was not enough to satisfy the special interests and central bankers, or "banksters" as they are often called these days by critics. Earlier this month, the ECB, purporting to be concerned about how alleged "deflation" might derail the purported "economic recovery," announced its newest set of interest rates. Its main refinancing rate is now 0.15 percent, down from 0.25 percent. Meanwhile, the deposit rate — the interest rate paid to banks that deposit funds at the ECB — officially turned negative for the first time ever at -0.10 percent. It was at zero prior to June 11.

At a press conference announcing what many analysts said was the "historic" development, ECB boss Mario Draghi noted that "the rates we've changed are for the banks, not for the people." In other words, everyday Europeans will not be charged interest merely to deposit funds at the bank — at least not yet. "It's wrong to think we want to 'expropriate savers,'" added Draghi, a former Goldman Sachs chief and regular attendee at the shadowy Bilderberg summits along with top Big Business and Big Government bosses. Ironically, one of the goals was to depress the euro exchange rate, so savers holding the currency will indeed have part of their wealth expropriated, regardless of what Draghi says.

What the negative deposit rates mean, essentially, is that commercial banks will be penalized for accumulating reserves rather than loaning out all of those fresh euros into the supposed "real" economy. The idea, at least according to the central planners at the ECB, is to force banks to loan out more of the funds to businesses and consumers. That will somehow translate into more "economic recovery." Apparently creating vast new quantities of currency out of thin air and using those euros to gobble up government bonds was not enough.

Economic analysts, though, were not convinced that the ECB's latest ploy would have the supposedly intended effect. "Of course, they've been trying to jumpstart things for nearly six years, but surely this latest move will work like a charm," author Ryan McMaken, editor at the market economics-oriented Ludwig von Mises Institute, noted sarcastically in comments about the ECB developments. "It's more likely to spur inflation and unemployment." Other analysts were even more pessimistic.

Also commenting on the negative rates was economist Frank Hollenbeck, who teaches finance and economics at the International University of Geneva. Despite the ECB claims of fighting "deflation," Hollenbeck said the real reason for the developments lies elsewhere. In reality, he said, the euro central bank is "panicking" and "trying to save itself from the executioner's axe." The European "media" and complicit mega-bankers, though, are fully behind the effort.

"Of course, the European banking sector and its bought-and-paid-for journalists unanimously support this prospect of continued theft through debasement," he said. "They are giddy at the prospects of higher asset prices and higher banker incomes, unjustified by fundamentals, and the implied massive transfer of income and wealth from the have-nots to the haves." Europe, he added ominously, is an "accident waiting to happen" as bloated governments continue to borrow and spend citizens into oblivion enabled by the ECB. Hollenbeck called the bloc a "runaway train" with a "certain crash" in its future.

"Under current economic and political conditions in Europe, a breakup of the Euro is almost a foregone conclusion," Hollenbeck continued. "Instead of letting this happen, the ECB, in trying to save itself, prefers to risk destroying the value of the euro (something it's supposed to protect) by creating massive price distortions and misallocations on an illusionary hope that quantitative easing will magically solve Europe's deep-seated structural problems." Longer term, he added, all of the ECB currency printing will lead to "the complete destruction of the resource allocation function of prices."

"The ECB will eventually die, but only after massive human suffering," Hollenbeck concluded.

Even European central bankers have spoken out about the latest policies. Former ECB board member Jürgen Stark, for example, blasted as "irrational" the whole discussion of "too low" inflation by the central bank and the IMF. "I miss the term price stability," Stark told CNBC in an interview. "Low inflation and price stability will boost real disposable income and will help to foster private consumption. This is good news." The ECB has a "target inflation rate" (measured in price increases rather than expansion of the currency supply) of less than two percent, but prices have supposedly not risen that fast.

"One can really understand and explain why the inflation rate is so low and … it is in my view not a threat," added Stark, whose native Germany has well-founded historical paranoia about hyperinflation. "The discussion, all in all, in my view, is really irrational." The German central banker resigned from the ECB board in 2011 over disagreements about the outfit's decision to conjure currency into existence to buy government bonds in a half-baked effort to prop up bloated Southern European governments. At the time, critics around the world lambasted the ECB decision. Now it is all set to accelerate, just as analysts warned.

On top of dragging interest rates down into negative territory, ECB boss Draghi also announced that the central bank had undertaken "preparatory work" to begin buying asset-backed securities from banks. The U.S. Fed, of course, has been trying to shovel new currency into the economy by gobbling up mortgage-backed securities with its freshly created funny "money." Despite the recently started "taper," the U.S. central bank is still pumping tens of billions of base dollars into the economy each month as part of its outlandish "quantitative easing" plots. Eventually, though, as in Europe, the economic pain will come.

The ECB's board apparently thought following the Fed in driving the currency and the economy further off a cliff would be a good idea. Despite the deeply controversial nature of the decisions, the euro central bank's board was apparently unanimous in its decision to keep flooding the bloc with euros. Incredibly, though perhaps not surprising, the central banking boss also promised more currency printing to come. "We think this is a significant package," Draghi said in announcing the new rates and plans for buying up real assets. "Are we finished? No."

Of course, in a free economy, interest rates would be set in the market, based largely on the demand for, and supply of, loanable funds. In today's world, those crucial rates, which have implications for the entire economy, are set by failed central-planning committees and unelected commissars at the central banks. Money in a free economy, meanwhile, would not consist of fancy-looking pieces of paper and computer digits issued with impossible-to-pay interest attached and imposed by the coercive power of government. Instead, market participants acting voluntarily would decide what money is. Historically that has generally been a commodity or group of commodities — especially gold and silver.

To restore prosperity and liberty while defanging the wild schemes and wholesale looting of the middle class by central bankers and governments, humanity must restore honest money. That means, for starters, abolishing central banks such as the ECB, the Federal Reserve, the Bank of England, and others around the globe. Ending the central planning of interest rates is also crucial. The alternative is the continued and increasingly brazen fleecing of the planet — especially the poor and the middle class — to enrich the ruling class and its select cronies in the megabanks and government.

Without action, the worst is certainly yet to come.

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