Why?

Consumers
Public are worried about the future

Spending ↓
Savings↑
Demand ↓

Businesses
Not enough demand/money in the economy

Investment ↓
Jobs ↓

Banks
Credit markets have frozen

(a) People cant get loans
(b) Banks full of toxic loans. Too worried to lend to risky people

Poor GDP Growth
Economy not growing enough

Fix economy by boosting spending *and* **restoring banking**

How?

Poor GDP Growth
Economy not growing enough

Option A

The Central Bank can ***lower*** interest rates
Make money/credit cheaper

Option B

The Central Bank can ***print*** money
Bring more money into the system

But, **HOW?**

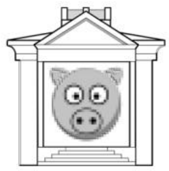
The oil in the economic 'engine' is ***credit*** from the banks

So, we need to fix the banks i.e. **FIX...**

Current Rates
August 12 2011

Fed (US) 0-0.25%
ECB 1.5%
B. O. England 0.5%

Problem: What if interest rates are near0% already? ***No effect*** if lowered...so...



Piggy Bank

'Your ***local*** bank' needs liquidity (cash)

5 Ways To
'Print Money'

Or...

How to get banks (like **Piggy Bank**) **to loan money**

Buy Bank's Toxic Assets (Credit Easing)

Buy the bank's bad loans (i.e. **Mortgage-backed Securities**) so they can focus on lending

Fund Deficit Spending

Allow a country to spend more during recession (stimuli packages on major investment programmes etc)

FED$ **ECB€**

BoE£

Buy Treasuries/Gilts/ Gov Bonds (Debt)

- Banks buy these this when things get risky in the marketplace
- If the CB buys them too, the premium ↓, as the price ↑ and encourages banks to loan money rather than hoard it in bonds

(although hoarding still likely

Buy Bank & Business Assets (Commercial Bill)

- CB buys stuff the banks and businesses own (i.e. mortgages, buildings, shares in other banks etc)
- This buying pushes the prices for these things up, and so the yields (profit on the deal) down **(see 'buy treasuries)**
- They pay the banks/business for these assets
- Business can refinance their debts
- Share prices in these companies go up (as shareholders want to cash in). This means cost of borrowing falls
- More money to lend/spend

Inject it Directly

Directly inject money into banks (which they then lend out in a **10:1 Loan: Reserve ratio**)