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Fighting The Fed? Try This Meaningless Ratio

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I've noticed for some time now that some financial TV guests are so eager to trash the Fed that they will say some really strange things in that service. One this morning probably should win the prize.

The topic was QE2 and job creation. The guest gave an estimate of QE2 purchases to date and an estimate of the jobs created during that same period. Then he divided the latter into the former to get a cost per job. The program hosts went along with that little exercise without qualification.

Now, it's fairly common to perform this exercise with stimulus spending to see how much each job created "cost" the government. Of course, that assumes no benefits to the spending except jobs created, but I can live with that little omission. But, "cost" of jobs in terms of Fed purchases of Treasuries? The Treasuries don't disappear. They don't vanish into thin air. They will either mature or be sold. The money spent on them isn't "down the drain." The Fed gets the Treasuries and pays for them with reserve deposits owed to banks. The banks get the reserves and pays for them with deposits owed to their customers. Maybe the operation didn't create lots of jobs, but investing in Treasuries is not the same as throwing away money.

Yet, those who argue that QE2 didn't do much good—didn't create many jobs—also argue that it is debasing the currency. Has anyone bothered to look at actual M2 growth over the past year? Just under five percent.