The Federal Reserve Is Bailing Out Foreign Banks … More than the American People or Economy

By Washington's Blog
Global Research, July 28, 2013
Washington's Blog

Region: USA
Theme: Global Economy

Federal Reserve Policy Mainly Benefits Big Foreign Banks

We've extensively documented that the Federal Reserve is intentionally locking up bank money so that it is not loaned out to Main Street. Specifically – due to Fed policy – 81.5% of all money created by quantitative easing is sitting there gathering dust in the form of "excess reserves" … instead of being loaned out to help Main Street or the American economy.

And we've extensively documented that a *large percentage* of the bailouts went to *foreign* banks (and see this and this). (A 2010 Fed audit also revealed that of the $1.25 trillion of mortgage-backed securities the central bank purchased after the housing bubble popped, some $442.7 billion – more than *35%* – were bought from foreign banks.)

It turns out that these themes are all connected.

Specifically, most of the Fed-created money which is gathering dust is actually being held by *foreign banks*.

The Levy Economics Institute noted in May:

> Excess reserves are the surplus of reserves against deposits and certain other liabilities that depository institutions (loosely called "banks") hold above the amounts that the Board requires within ranges set by federal law. The general requirement is that covered institutions maintain reserves at least equal to ten percent of liabilities payable on demand. For the first time in history, there is statistical evidence that as much as one-half or more of excess reserves are held for United States banking offices of foreign banks.

Zero Hedge reports today:

> As per last night's [Federal Reserve] H.8 update, commercial bank deposits rose by $94 billion in the week ended July 17: the fourth largest weekly increase in history …. This took total commercial bank deposits to an all-time high of $9.54 trillion.

***

The entire difference can be attributed to the $2+ trillion in excess reserves created by the

Fed since the start of the [global financial crisis] .

Speaking of Fed reserves with banks, the most recent number was $2.1 trillion, and its allocation breakdown by Domestic (small and large) and Foreign banks operating in the US is as follows:

Foreign banks continue to be the biggest beneficiary of the Fed's monthly $85 billion liquidity largesse, just as they were the biggest winners during QE2.

In fact, the total reserve cash distribution continues to favor foreign banks, which now have a record $1.13 trillion in cash, or $9 billion more than all Domestically-chartered banks, at $1.122 trillion. The notable shift of cash reallocation from domestic to foreign banks since QE2 can be seen on the chart below.

To nobody's surprise, global liquidity (as created by the Fed) continues to be infinitely fungible, and increasingly benefits offshore-based (mainly European) banks.

(And see this earlier report from Zero Hedge).

We've repeatedly noted that loose Federal Reserve policy benefits of the super-elite at the expense of Main Street, the U.S. economy or the average American.

It now appears that the policy benefits *foreign* super-elite even more than the elites in the U.S.

The Federal Reserve – like many parts of the U.S. government – are sucking the prosperity out of America … and shipping it abroad.

The original source of this article is Washington's Blog

Articles by: Washington's Blog