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Trillions in "Bank Subsidies": Handouts to Giant Banks Exceed $780 Billion Dollars a Year

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Trillions In Subsidies to the Giant Banks Are Continuing to This Day

Chris Whalen is one of America's top banking analysts.

Nouriel Roubini notes:

> Chris Whalen is one of the leading independent analysts of the US banking and financial system.

Whalen notes today that the big American banks get a subsidy in excess of *$780 billion* dollars per *year*.

Specifically, Whalen estimates the following types of subsidies to the giant banks:

- $360 billion in Federal Reserve subsidies, by creating an artificial "spread" in interest rates
- $120 billion in federal deposit insurance (through the FDIC, backed by the Treasury)
- At least $100 billion in government-guaranteed loans, especially mortgages
- At least $100 billion in monopolistic advantages in the secondary market for home mortgages. Specifically, the government subsidies the big banks to steal away fees earned from smaller banks, gain on sale into the TBA market and servicing. Whalen quotes a veteran banker explaining:

> The smaller players lived on the bleeding edge of the mortgage market, but they were also far more efficient lenders than the large banks. Now, care of the Fed, we have a highly inefficient oligopoly in the US mortgage market that is built around the largest banks.

- More than $100 billion in fees in the over-the-counter (OTC) derivative market. Whalen explains

> The lack of capital required in these transactions and other special dispensations from the Fed provide the zombie banks with unlimited leverage

> and almost no public scrutiny. The fact that OTC contracts are exempt from the automatic stay in bankruptcy is a huge subsidy. The bilateral market structure is another.

That totals $780 billion *per year*.

But Whalen notes that there are many other subsidies as well:

> The above points are only a **partial list** of the subsidies and other flows that allow the members of the banking industry to pretend to be profitable, risk-taking organizations in a free market economy.

The bailouts of the big banks amount to *trillions* of dollars, are never-ending … and continue to this day. (Indeed, the government is arguably paying trillions of dollars more in unnecessary interest payments just to have the banks "create" money, instead of creating it itself … as the Founding Fathers may have envisioned.*)*

Whalen notes that the big banks are not really profitable:

> [These are] structural subsidies blessed by Congress and the Fed that make large banks look more profitable than they truly are. In fact, the TBTF banks are **not really profitable at all.**
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> The reality, sad to say, is that banks in 21st Century America are government sponsored enterprises ….

Indeed, they are government sponsored enterprises where all of the profits are privatized, and all of the losses socialized.

And the big banks are not helping – but are rather destroying – the economy. Indeed, failing to break up the big banks – and the malignant, symbiotic relationship between D.C. politicians and the banking giants – is destroying our country.

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