

Welcome to Sweatshop Amerika!

The next bailout will be our last

By [Mike Whitney](#)

Global Research, March 23, 2020

Region: [USA](#)

Theme: [Global Economy](#)

Imagine if the congress approved a measure to form a public-private partnership between the US Treasury and the Federal Reserve. Can you imagine that?

Now imagine if a panicky and ill-informed Congress gave the Fed a blank check to bail out all of its crooked crony corporate and Wall Street friends, allowing the Fed to provide more than \$4.5 trillion to underwater corporations that ripped off Mom and Pop investors by selling them bonds that were used to goose their stock prices so fatcat CEOs could make off like bandits. Imagine if all that red ink from private actors was piled onto the national debt pushing long-term interest rates into the stratosphere while crushing small businesses, households and ordinary working people.

Now try to imagine the impact this would have on the nation's future. Imagine if the Central Bank was given the green-light to devour the Treasury, control the country's "purse strings", and use nation's taxing authority to shore up its trillions in ultra-risky leveraged bets, its opaque financially-engineered ponzi-instruments, and its massive speculative debts that have gone pear-shaped leaving a gaping black hole on its balance sheet?

Well, you won't have to imagine this scenario for much longer, because the reality is nearly at hand. You see, the traitorous, dumbshit nincompoops in Congress are just a hairs-breadth away from abdicating congress's crucial power of the purse, which is not only their greatest strength, but also allows the congress to reign in abuses of executive power by controlling the flow of funding. The power of the purse is the supreme power of government which is why the founders entrusted it to the people's elected representatives in congress. Now these imbeciles are deciding whether to hand over that authority to a privately-owned banking cartel that has greatly expanded the chasm between rich and poor, incentivized destructive speculation on an industrial scale, and repeatedly inflated behemoth asset-price bubbles that have inevitably blown up sending stocks and the real economy into freefall. The idea of merging the Fed and the Treasury first appeared in its raw form in an article by former Fed chairman Ben Bernanke and Janet Yellen in the Financial Times. Here's a short excerpt from the piece:

"The Fed could ask Congress for the authority to buy limited amounts of investment-grade corporate debt... The Fed's intervention could help restart that part of the corporate debt market, which is under significant stress. **Such a programme would have to be carefully calibrated to minimize the credit risk taken by the Fed** while still providing needed liquidity to an essential market." ([Financial Times](#))

The Fed is not allowed to buy corporate debt, because it is not within its mandate of "price

stability and full employment". It's also not allowed to arbitrarily intervene in the markets to pick winners and losers, nor is it allowed to bailout poorly-managed crybaby corporations who were gaming the system to their own advantage when the whole deal blew up in their faces. That's their problem, not the Fed's and not the American taxpayer's.

But notice how Bernanke emphasizes how "Such a programme would have to be carefully calibrated to minimize the credit risk taken by the Fed". Why do you think he said that?

He said it because he anticipates an arrangement where the new Treasury-Fed combo could buy up to "\$4.5 trillion of corporate debt" (according to Marketwatch and BofA). And the way this will work, is the Fed will select the bonds that will be purchased and the credit risk will be heaped onto the US Treasury. Apparently Bernanke and Yellen think this is a "fair" arrangement, but others might differ on that point.

Keep in mind, that in the last week alone, investors pulled a record \$107 billion out of corporate bonds which is a market which has been in a deep-freeze for nearly a month. The only activity is the steady surge of redemptions by frantic investors who want to get their money back before the listing ship heads for Davey Jones locker. This is the market that Bernanke wants the American people to bail out mainly because he doesn't want to submerge the Fed's balance sheet in red ink. He wants to find a sucker who will take the loss instead. That's where Uncle Sam comes in, he's the target of this subterfuge. This same theme pops up in a piece in the Wall Street Journal. Check it out:

"At least Treasury has come around to realizing it needs a facility to provide liquidity for companies. But as we write this, Mr. Mnuchin was still insisting that Treasury have control of most of the money to be able to ladle out directly to companies it wants to help. This is a recipe for picking winners and losers, and thus for bitter political fights and months of ugly headlines charging favoritism. The far better answer is for Treasury to use money from Congress to replenish the Exchange Stabilization Fund to back the Fed in creating a facility or special-purpose vehicles under Section 13(3) to lend the money to all comers. ("[Leaderless on the Econom](#)", Wall Street Journal)

I can hardly believe the author is bold enough to say this right to our faces. Read it carefully: They are saying "We want your money, but not your advice. The Fed will choose who gets the cash and who doesn't. Just put your trillions on the counter and get the hell out."

Isn't that what they're saying? Of course it is. And the rest of the article is even more arrogant:

"The Fed can charge a non-concessionary rate, but the vehicles should be open to those who think they need the money, not merely to those Treasury decides are worthy." (Huh? So the Treasury should have no say so in who gets taxpayer money??) The looming liquidity crisis is simply too great for that kind of bureaucratic, politicized decision-making. (Wall Street Journal)

Get it? In other words, the folks at Treasury are just too stupid or too prejudiced to understand the subtleties of a bigass bailout like this. Is that arrogance or what?

This is the contempt these people have for you and me and everyone else who isn't a part

of their elitist gaggle of reprobates. Here's a clip from another article at the WSJ that helps to show how the financial media is pushing this gigantic handout to corporate America.:

"The Federal Reserve, Treasury Department and banking regulators deserve congratulations for their bold, necessary actions to provide liquidity to the U.S. financial system amid the coronavirus crisis. But more remains to be done. We thus recommend: (1) immediate congressional action to authorize the Treasury to use the Exchange Stabilization Fund to guarantee prime money-market funds, (2) regulatory action to effect temporary reductions in bank capital and liquidity requirements... (NOTE-So now the banks don't need to hold capital against their loans?) .. additional Fed lending to banks and nonbanks....(Note -by "nonbanks", does the author mean underwater hedge funds?)...

We recommend that the Fed take further actions as lender of last resort. First, it should re-establish the Term Auction Facility, used in the 2008 crisis, allowing depository institutions to borrow against a broad range of collateral at an auction price (Note-They want to drop the requirement for good Triple A collateral.) ... Second, it should consider further exercising its Section 13(3) authority to provide additional liquidity to nonbanks, potentially including purchases of corporate debt through a special-purpose vehicle" ("[Do More to Avert a Liquidity Crisis](#)", Wall Street Journal)

This isn't a bailout, it's a joke, and there's no way Congress should approve these measures, particularly the merging of the US Treasury with the cutthroat Fed. That's a prescription for disaster! The Fed needs to be abolished not embraced as a state institution. It's madness!

And look how the author wants to set up an special-purpose vehicle (SPV) so the accounting chicanery can be kept off the books which means the public won't know how much money is being flushed down the toilet trying to resuscitate these insolvent corporations whose executives are still living high on the hog on the money they stole from credulous investors. This whole scam stinks to high heaven!

Meanwhile America's working people will get a whopping \$1,000 bucks to tide them over until the debts pile up to the rafters and they're forced to rob the neighborhood 7-11 to feed the kids. How fair is that?

And don't kid yourself: This isn't a bailout, it's the elitist's political agenda aimed at creating a permanent underclass who'll work for peanuts just to eek out a living.

Welcome to Sweatshop Amerika!

*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

This article was originally published on [The Unz Review](#).

Mike Whitney is a frequent contributor to *Global Research*.

Featured image is from Shutterstock

The original source of this article is Global Research
Copyright © [Mike Whitney](#), Global Research, 2020

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Mike Whitney](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca