

Will Americans Pay to Bailout Yet Another Foreign Bank ... in Afghanistan?

By [Washington's Blog](#)

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As I have repeatedly pointed out, American taxpayers have been bailing out foreign banks for years.

For example, I [noted](#) in May:

As the Wall Street Journal [points out](#), the Federal Reserve might open up its "swap lines" again to bail out the Europeans:

The Fed is considering whether to reopen a lending program put in place during the financial crisis in which it shipped dollars overseas through foreign central banks like the **European Central Bank, Swiss National Bank** and **Bank of England**.

At a crescendo in the crisis in December 2008, the Fed had shipped \$583 billion overseas in the form of these swaps.

As the BBC's Robert Peston [writes](#):

There is talk of the ECB providing some kind of one year repo facility (where government bonds are swapped for 12-month loans) in collaboration with the US Federal Reserve.

See [this](#) for more information on swap lines.

Indeed, the Federal Reserve has been helping to bail out foreign central banks and private banks for years.

For example, [\\$40 billion in bailout money](#) given to AIG went to foreign banks. Indeed, even AIG's former chief [said](#) that the government used AIG "to funnel money to other Institutions, including foreign banks".

As the Telegraph [wrote](#) in September 2008:

The Fed has also just offered another \$125bn of liquidity to banks outside the US that are desperate for dollars and can't access America's frozen credit markets.

Congressman Grayson [said](#) that the Fed secretly “stuffed” half a trillion dollars in foreign pockets.

(Of course, the Fed [won't tell](#) Congress or the TARP overseer – let alone the American people – who got the cash).

And as I [pointed out](#) the same month:

A [Fact Sheet](#) from the U.S. Treasury says:

Participating financial institutions must have significant operations in the U.S., unless the Secretary makes a determination, in consultation with the Chairman of the Federal Reserve, that broader eligibility is necessary to effectively stabilize financial markets.

An [article](#) from today in Politico explains

“In a change from the original proposal sent to Capitol Hill, foreign-based banks with big U.S. operations could qualify for the Treasury Department’s mortgage bailout, according to the fine print of an administration statement Saturday night.”

Of course, even much of the bailout money which went to American banks ended up being shuttled abroad. As I [wrote](#) in March 2009:

Moreover, [bailout money that went to Citigroup was loaned to Dubai, bailout money that went to Bank of America China was invested in China](#), and [bailout money given to JP Morgan was invested in India](#).

And the government is in the process of providing [billions more – along with trillions more in guarantees of worthless assets](#) – to sovereign wealth funds and hedge funds.

So not only are Americans bailing out our own too big to fail banks, but we’re bailing out foreign mega-banks as well.

Even though bailing out Europe might make sense if America was flush with cash, things are different now. As Congressmen Kucinich and Filner [wrote](#) last June:

Our country and this body cannot afford to spend American tax payer dollars to bail out private European banks.

In addition, the U.S. is – of course – also contributing [tens of billions of dollars](#) towards the Greek bailout through its contributions to the International Monetary Fund. Some allege that the U.S. will secretly help bailout of all of Europe. See [this](#) and [this](#).

As Tyler Durden [pointed out](#) last week, the IMF has now abandoned any cap on the bailouts it gives, and the U.S. is the largest funder of the IMF.

Now, the New York Times [says](#) that the U.S. is going to bail out Afghanistan's biggest bank:

Details of the deal, including how much each government would contribute, were still being worked out on Saturday between the Central Bank of Afghanistan and the United States Treasury Department, officials said...

Top officials at Kabul Bank and a senior leader at the Central Bank declined to comment publicly on the proposed bailout, which was still being negotiated. However a manager at the Central Bank and a senior American official confirmed what the American official called an "intervention."

Not surprisingly, there have been numerous [allegations](#) of corruption at the Kabul Bank.

Update: The New York *Times* has [updated](#) their story with comments from U.S. Treasury officials insisting that no American money will be used to recapitalize the Kabul Bank:

"No American taxpayer funds will be used to support Kabul Bank," said Jenni LeCompte, a Treasury Department spokeswoman.

Of course, the IMF, World Bank or a foreign country could funnel the bailout moneys and then the U.S. could print more money to "repay" them later. Accounting shenanigans and under-the-table deals can work wonders to hide the truth from angry American serfs taxpayers.

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