Bank Bailouts Without End

And that is called paying the Dane-geld;
But we've proved it again and again,
That if once you have paid him the
Dane-geld
You never get rid of the Dane.
— *Dane-geld*, by Rudyard Kipling

For more than 250 years — from the end of the 8th century to well into the 11th — wave after wave of Viking Danes, first as sporadic, raiding pirates, and then as full invading armies, crashed down on England's shores like a hurricane. So fierce were these pagan Norsemen and so utterly destructive in their murder, mayhem, pillage, and plunder that King Ethelred the Unready, a weak and irresolute monarch, decided to buy them off rather than fight them. In 991, he paid Olaf Tryggvason of Norway and his invaders 10,000 pounds of silver in tribute — the first Danegeld — to depart England.

It was, wrote John Clark Ridpath (in his nine-volume *History of the World*, published 1894) "the fatal expedient of purchasing a peace." Not only did the Danes soon return, but the ease with which they had extracted the first tribute encouraged them to up the extortion ante. What's more, they brought additional gangsters. In 994, Olaf teamed up with King Sweyn Forkbeard of Denmark for a joint foray into England. This time they exacted 16,000 pounds of silver from Ethelred's kingdom. But successive Danegelds escalated to 24,000, then 36,000, and then 48,000 pounds of silver. These tributes had to be extracted through ruinous taxes that devastated Britain as much as did the fire and sword of Viking raids.

Earlier generations of British and American schoolchildren familiar with this bloody epoch of English history, as well as Kipling's poetry, would not have failed to see the Danegeld lesson in the recent bailouts of the Wall Street pirates. The warnings that the troubled banks were "too big to fail" echo Ethelred's excuse that the Danes were too big to fight. And the pledge that the bailout would be a one-time fix has proven as false as the Viking promises to ravage England no more.

The 2008 mortgage crisis, which morphed into a global financial crisis, initiated an ongoing series of Danegeld payoffs to some of the biggest gold-plated piratical firms on the planet: Goldman Sachs, Citigroup, Morgan Stanley, Merrill Lynch, JPMorgan Chase, HSBC, Bank of America, Barclays, Royal Bank of Scotland, UBS, Wachovia, AIG, Credit Suisse. Opinion polls have repeatedly shown that the American public have opposed the government bailouts. Even during the confusion, chaos, and panic of 2008, a majority of Americans (55 percent, according to a September 2008 *Times*/Bloomberg poll) opposed sticking taxpayers with the bank bailouts. Since then, public outrage and opposition have grown steadily, as details of the murky deals have become more widely known. By April of 2012, a

Harris poll found 84 percent of respondents opposed to further bank bailouts. But Wall Street and the Fed, and their kept politicians in Congress, don't listen to the American people, of course.

Banks' New Way to Wealth

Far from being satisfied with the first extortionate payoffs, the bailouts only whetted their appetites for more. The hundreds of billions of dollars paid out through the Troubled Asset Relief Program (TARP) suddenly exploded into *trillions of dollars* flooding out through a torrent of programs such as the Temporary Liquidity Guarantee Program, the Commercial Paper Funding Facility, Term Asset-Backed Securities Loan Facility, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Primary Dealer Credit Facility, Dollar Liquidity Swap Lines — and whatever other "temporary" contrivances the Fed has come up with for the tsunami of money it has created and unleashed through its iterations of "quantitative easing."

And, like Olaf Tryggvason, the bailed-out bankers soon went and brought in additional foreign raiders, including even foreign central banks. There is a significant difference, of course, between the Viking raiders, who were foreign invaders extracting their tribute with sword and axe, and the Wall Street pirates who carry out their extortion with computer key strokes, and with the collusion of our own government officials. We have only the vaguest of notions of the true extent of the ongoing raid on the American economy because officials of the U.S. Treasury and the Federal Reserve are thoroughly embedded with the gangsters receiving the Danegeld, and they insist that it is better for the country and the global economy for the details of the "loans" and bailouts to remain secret, in the interests of "financial stability" and maintaining the Federal Reserve's "independence." Thus, top executives of the Wall Street "Money Trust" — the principal beneficiaries of the bailouts — continue to rotate in and out of top posts at the Fed and Treasury.

Due to the enormity of the 2008 crisis and mounting suspicions over the bailouts, former Congressman Ron Paul (R-Texas), who for decades had been hammering on the Fed's secret monetary dealings, finally had overwhelming public support. His audit-the-fed bill, H.R. 1207 attracted 320 cosponsors, nearly one hundred of whom flip-flopped to go with Wall Street and the Obama administration at crunch time. On December 11, 2009, the U.S. House of Representatives passed his audit-the-Fed bill by a landslide vote of 223 to 202. But Wall Street and the Fed had a strategic ally in the Senate to sabotage Ron Paul's audit: Sen. Bernie Sanders (I-Vt.). Sanders' job was to strip the bill of as much authority as possible, while still making it appear to be authorizing a full, rigorous audit. Sanders, who talks a good line, regularly throws red meat to his constituents in the form of rhetoric that roasts Wall Street to a fare-thee-well. But when it comes time to walk the line, it's clear which side of the street he's actually on. His last-minute "compromise" with the Obama administration and the big banks agreed to audits of TARP and the Term Asset-Backed Securities Loan Facility, but made sure that the ongoing big items — the Federal Reserve's Federal Open Market Committee, discount window operations, agreements with foreign central banks — would remain cloaked. Sen. David Vitter (R-La.) tried to save the bill with an amendment that mirrored Ron Paul's audit-the-Fed language, but on May 11, 2010 key Senate Republicans joined with the Harry Reid-Charles Schumer-Chris Dodd Democrats in killing the Vitter amendment 62 to 37.

The Senate vote was a victory for Federal Reserve Chairman Ben Bernanke and other Fed officials who falsely insisted that the Fed is already completely committed to total transparency and is already audited on a regular basis. Any further prying by Congress would destroy the institution's essential independence, they averred. As in the past, the Fed's usual aiders and abettors in banking, media, and academia chimed in to support the institution's continued opacity. But what the Fed and its defenders dishonestly refer to as an "audit" would not pass as a genuine audit in any private business or in any government agency.

The ludicrous nature of the ongoing charade was made starkly apparent on May 12, 2009 in an interchange between Rep. Alan Grayson (D-Fla.) and Federal Reserve Inspector General Elizabeth A. Coleman during a hearing of the House Financial Services Subcommittee on Oversight and Investigations.

IG Coleman repeatedly dodged Rep. Grayson's questions concerning the reported trillions of dollars the Fed had extended to various institutions. After receiving several evasions from Coleman regarding the Fed's actions concerning its crucial Lehman Brothers decision and the "$1 trillion-plus expansion of the Federal Reserve's balance sheet since last September," Grayson asked: "What about Bloomberg's report that there are trillions of dollars in off-balance sheet transactions that the Federal Reserve has entered into since last September? Are you familiar with those off-balance sheet transactions?"

His questions elicited more equivocations and evasion from Coleman. Rep. Grayson pressed on: "So I'm asking you if your agency has in fact, according to Bloomberg, extended $9 trillion in credit, which by the way, works out to $30,000 for every single man, woman, and child in this country. I'd like to know if you're not responsible for investigating that, who is?"

Inspector General Coleman responded with some disjointed meandering and then asked Rep. Grayson to repeat his question. When Grayson complied, Coleman evaded again before offering, "We are still in the process of conducting that review…. I'm not in a position to really respond to this specific question."

After repeated attempts, Rep. Grayson, visibly exasperated, finally gave up, stating: "Mr. Chairman, my time is up, but I have to tell you honestly, I am shocked to find out that nobody at the Federal Reserve including the Inspector General is keeping track of this."

Rep. Ron Paul, of course, was not shocked; he had been, almost single-handedly, attempting to hold evasive Federal Reserve and Treasury officials to account in congressional hearings for many years. However, like Rep. Grayson, millions of Americans who viewed the Coleman-Grayson exchange on YouTube and various websites were shocked and outraged that the Fed could be so casually handing out trillions of dollars with no accountability. Despite the enormity of the Viking-imposed Danegeld, the English had an advantage over us of at least some sort of accounting from Olaf, Sweyn, and their successors. The Viking extortion was a bit more "honest" in that it involved real things that could be counted — gold, silver, livestock, pelts, fish, grain — and physically verified. Today the plundering is carried out on a much grander scale remotely, virtually, with keystrokes and mouse clicks.

If Bernanke and his Fed brethren were as committed to transparency as they claim, they would not have fought tooth and nail for nearly three years to stop Bloomberg News' Freedom of Information Act (FOIA) lawsuit requesting the names of the institutions that were receiving trillions of dollars from the Fed during the 2008 crisis. In March 2011, the U.S. Supreme Court ordered the Federal Reserve to turn over thousands of pages of documents to Bloomberg.

Among the many revelations to come out of the Bloomberg FOIA releases was that Arab Banking Corp. had received 73 loans totaling over $35 billion from the Fed in the 18 months after the Lehman Brothers Holdings, Inc. collapse. Arab Banking Corp. (ABC), at the time, was one-third owned by the Central Bank of Libya, the piggy bank of then-Libyan dictator Col. Moammar Gadhafi. Gadhafi's central bank subsequently purchased the majority control of ABC. Other foreign banks feeding at the Fed trough were Bank of China; Societe Generale, France's second-biggest bank; Japan's Norinchukin Bank; Germany's Deutsche Bank AG; Dublin-based Depfa Bank Plc.; and Brussels-based Dexia SA.

Finally, in July 2011, a report to Congress by the federal Government Accountability Office (GAO) gave the American public a *partial* peek into the colossal scale of our Danegeld. This was the result of the restricted, one-time audit of the Fed that had been pushed through the House by Rep. Ron Paul and then watered down in the Senate.

The GAO report, with the disarmingly innocuous title "FEDERAL RESERVE SYSTEM: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," revealed that the Fed had pumped out a mind-boggling $16.1 trillion (that's trillion) dollars to the banks to cover their toxic mortgages and other noxious debts.

On page 131 of the report, a table presents eye-popping "Total Transaction Amounts (Not Term-Adjusted) across Broad-Based Emergency Programs" received by various institutions. Here are a few of the listed entries:

Citigroup — received more than $2.5 trillion;

Morgan Stanley — received more than $2.04 trillion;

Merrill Lynch — received more than $1.9 trillion;

Bank of America — received more than $1.3 trillion;

Barclays — received more than $868 billion;

Bear Stearns — received more than $853 billion;

Goldman Sachs — received more than $814 billion.

Incestuous Conflicts of Interest

JPMorgan Chase, America's biggest bank, received more than $390 billion in emergency loans from the Fed. The GAO investigation revealed that while it was taking these huge, special-privilege loans, JPMorgan Chase's CEO Jamie Dimon was serving on the board of the Federal Reserve Bank of New York (FRBNY). Dimon was able to use this position to have the Fed provide JPMorgan Chase with an 18-month exemption from risk-based leverage and capital requirements. He also convinced the Fed to take risky mortgage-related assets off the Bear Stearns balance sheet before JPMorgan Chase acquired the troubled investment bank.

As many critics have pointed out, JPMorgan Chase is a prime exhibit of corporate socialism and corporate welfare. "When JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon testifies in the U.S. House today, he will present himself as a champion of free-market capitalism in opposition to an overweening government," a Bloomberg editorial stated on June 18, 2012. "His position would be more convincing if his bank weren't such a beneficiary of corporate welfare." The Fed's subsidies to Chase account for "about 77 percent of its net income for the past four quarters." The editorial continued:

> To be precise, JPMorgan receives a government subsidy worth about $14 billion a year, according to research published by the International Monetary Fund and our own analysis of bank balance sheets. The money helps the bank pay big salaries and bonuses. More important, it distorts markets, fueling crises such as the recent subprime-lending disaster and the sovereign-debt debacle that is now threatening to destroy the euro and sink the global economy.

Goldman Sachs, of course, is another corporate welfare case that can be found at the center of most of the corruption and conflicts of interest at the Fed. The GAO audit showed that in 2008 the New York Fed approved an application from Goldman Sachs to become a bank holding company, giving it access to cheap Fed loans. During the same period, Stephen Friedman, chairman of the New York Fed, sat on the Goldman Sachs board of directors and owned Goldman stock, something the Fed's rules prohibited. He received a waiver in late 2008 that was not made public. After Friedman received the waiver, he continued to purchase stock in Goldman from November 2008 through January 2009. Before stepping down from his position as chair of the FSBNY, Friedman supervised the hunt for a new president for the New York Fed. And (surprise!) he came up with William Dudley, who just happened to be Goldman Sachs' chief economist. Besides looking after Goldman Sachs interests at his New York Fed post, Dudley also holds another crucially important post as chairman of the Committee on the Global Financial System (CGFS), headquartered at the ultra-secret Bank for International Settlements — the "central bankers' central bank" — in Basel, Switzerland.

Among the many other cozy, troubling relationships at the Fed is that of General Electric CEO Jeffrey Immelt, who served as a director on the FRBNY while GE was taking $16 billion in emergency financing from the Fed.

Too Big to Jail

In 2012, the depth of the criminality rampant in the "too big to fail" Wall Street banks was underscored when the Senate Permanent Subcommittee on Investigations held hearings on banking involvement in laundering funds for drug cartels, terrorist groups, and rogue regimes in North Korea, Iran, Cuba, and Sudan. HSBC Holdings — Europe's largest bank — and its U.S. affiliate, HBUS, were exposed as engaging in some of the most notorious examples of collaboration with criminal elements. HSBC/HBUS had knowingly processed billions of dollars from the ultra-violent drug cartels that are ravaging Mexico. The Federal Reserve, the U.S. Treasury Department, the U.S. Office of the Comptroller of the Currency, and other regulators ignored obvious red flags and warnings from internal whistleblowers for years. In fact, HSBC received billions of dollars in bailouts from the Fed.

On January 6, 2014, various news agencies reported that JPMorgan Chase had cut a deal with the U.S. Department of Justice to pay $2 billion in fines and reimbursement to investors for its role in the Bernard Madoff investment scheme, often called "the largest financial fraud in U.S. history." The reported $65 billion in losses is chump change in comparison to the trillions of dollars that the Fed and its favored Wall Street banks have sloshed around. The Madoff losses, of course, represent tragedy for the 4,800 clients who invested in Madoff's long-running scam, but at least those victims voluntarily placed their funds in his hands. The millions of victims of the Fed's policies are given no choice in the matter. Madoff was sentenced to 150 years in prison and his ill-gotten assets have been confiscated to (partially) reimburse those he fleeced. JPMorgan Chase executives, on the other hand, who were Madoff's partners in crime for many years, have gotten off without any criminal prosecution. That is par for the course. No Wall Street bank executives have been prosecuted by the Obama administration's Justice Department, and there has been no criminal investigation into the enormous, blatantly obvious conflicts of interest among top officials and personnel of the Federal Reserve itself.

Plunder Without End?

Kipling's *Dane-geld* called it straight, and it applies in spades to the piratical felons running Wall Street and the Fed:

So when you are requested to pay up or be molested,

You will find it better policy to say:

"We never pay any-one Dane-geld,

No matter how trifling the cost;

For the end of that game is oppression and shame,

And the nation that plays it is lost!"

In a letter he wrote in 1785 to John Jay, then secretary of foreign affairs for the Continental Congress, Thomas Jefferson expressed his opinion of how this nascent nation should deal with the Barbary Pirates, who were at that time collecting tribute from all the nations of Europe. "Weakness provokes insult and injury, while a condition to punish it often prevents it," said Jefferson. "I think it to our interest to punish the first insult: because an insult unpunished is the parent of many others."

But, the bankster pirates have gone unpunished and their insults have indeed parented many others. They have been rewarded again and again, with ever-larger payouts; instead of being sent to prison, they have been appointed in record numbers to positions of power and influence in the Obama administration and in the Federal Reserve System.

Unfortunately, 2014 has not started off auspiciously for efforts to punish the plunderers, or hold them accountable. On January 6, the U.S. Senate, by a vote of 56 to 26, confirmed Fed vice chairman Janet Yellen to succeed Ben Bernanke as chairman of the Federal Reserve. Yellen, a staunch Keynesian, has supported all of the bailouts and the inflationary "quantitative easing" policies of the Bernanke reign. President Obama has named Stanley Fischer, former Bank of Israel governor and Citigroup executive, to be vice chairman. And he has named Lael Brainard and Jerome Powell to the Federal Reserve Board of Governors. Not only are Yellen, Fischer, Brainard, and Powell all on board with continuing the Fed's policies — especially its obsession with secrecy — all four are members of the Council on Foreign Relations, which has enjoyed a stranglehold on the Fed since it was founded 100 years ago.

Senator Rand Paul (R-Ky.) delivered a scathing denunciation of the Yellen nomination and the Fed's secrecy and money manipulation in the Senate on January 6. "I rise today in opposition to secrecy, in opposition to the veil of secrecy that clothes the money changing that takes place in the temple of the Federal Reserve," Sen. Paul declared. "While the money changes hands the moneyed class gets richer and the middle class gets shortchanged."

Sen. Paul continued:

> It is more than time to part the curtain that hides the trillions of dollars that change hands. There is a revolving door from Wall Street to the Treasury to the Fed and back again. We have former Secretaries of Treasury who go from government to Wall Street pocketing hundreds of millions of dollars. I've called repeatedly for transparency at the Federal Reserve, so Americans can see what is being done with their money supply. Every time I call for transparency people from both sides have said "transparency would undermine Fed independence."
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> This is, in a sense, laundering money from the American people to bail out big banks and Wall Street.

Sen. Rand Paul's father, Dr. Ron Paul, is no longer in Congress, but that is not preventing him from continuing his decades-long campaign to audit, expose, and abolish the Fed. "Since its creation, the

Federal Reserve has destroyed 97 percent of the value of the dollar along with millions of jobs," he noted in a press release from his Campaign for Liberty organization. "The Federal Reserve and its failed policies of monetary expansion, zero interest rates, and crony bailouts are responsible for the economic crisis we find ourselves in today."

In his *Texas Straight Talk* column for December 16, 2013, entitled "After 100 Years Of Failure, It's Time To End The Fed!" he wrote:

> A week from now, the Federal Reserve System will celebrate the 100th anniversary of its founding. Resulting from secret negotiations between bankers and politicians at Jekyll Island, the Fed's creation established a banking cartel and board of government overseers that has grown ever stronger through the years.

"We know that the Federal Reserve continues to strengthen the collusion between the banks and politicians," warns Dr. Paul. "We know that the Fed's inflationary monetary policy continues to reap profits for Wall Street while impoverishing Main Street. And we know that the current monetary regime is teetering on the precipice. One hundred years is long enough. End the Fed."

To which we can only add, "Amen!"

Photo: AP Images

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