Fed Data Reveals Trillions in Bailouts to Big Foreign Banks

Secret Federal Reserve System data released December 1 reveals that the banking cartel (the Fed and its member banks) bailed itself out to the tune of more than $10 trillion in "emergency" funds, with trillions more going to line the pockets of big European and foreign banks.

The previously undisclosed information was made available after Congress passed and the President signed a watered-down version of U.S. Congressman Ron Paul's (R-Texas) wildly popular "Audit the Fed" bill. The original disclosure provisions were virtually gutted in the Senate by socialist Senator Bernie Sanders (I-Vt) before the audit was added to the financial reform bill.

But the Fed was still forced to hand over details about six emergency loan programs, trillions in "asset purchases," the bailout of certain favored firms like AIG, and so-called "currency swaps" with foreign central banks. And the results of even the milder audit have shocked analysts and lawmakers.

"The $700 billion Wall Street bailout turned out to be pocket change compared to trillions and trillions of dollars in near zero interest loans and other financial arrangements that the Federal Reserve doled out to every major financial institution," said self-described socialist Senator Sanders after learning about the Fed data.

"After years of stonewalling by the Fed, the American people are finally learning the incredible and jaw-dropping details of the Fed's multitrillion-dollar bailout of Wall Street and corporate America," Sanders added in a statement. "Perhaps most surprising is the huge sum that went to bail out foreign private banks and corporations. As a result of this disclosure, other members of Congress and I will be taking a very extensive look at all aspects of how the Federal Reserve functions."

The biggest Fed "overnight loans" recipient was Merrill Lynch with over $2 trillion in low-interest handouts during the crisis. The firm eventually wound up collapsing anyway and was acquired by Bank of America — possibly with illegal strong arming from Fed bosses, according to comments made by Special Inspector General Neil Barofsky.

Citigroup, another rescued mega-bank, received $2 trillion under the program. That institution was also bailed out separately by the U.S. Treasury. In third place was Morgan Stanley with just under $2 trillion in loans from the Fed. Next on the list were Bear Stearns, Bank of America, and Goldman Sachs, which called the Fed's actions "very successful" through a spokesman.

"As we have previously disclosed, Morgan Stanley utilized some of the Federal Reserve's emergency lending facilities during a time of immense financial turmoil throughout the banking sector and the broader market," said Morgan Stanley public-relations people in a statement released December 1.

"The Fed's actions were timely and critical, and we commend them for providing liquidity and stabilizing the financial system during that period," the statement also claimed, referring to the central bank's extraordinary and unprecedented actions during the economic crisis.

In addition to data on the Fed's "overnight" loans, information related to its purchases of troubled assets like mortgage-backed securities and commercial paper was also disclosed. European banks were the biggest beneficiaries, with Deutsche Bank dumping almost $300 billion of securities on the Fed, and Credit Suisse unloading close to $290 billion worth. In total, the Fed bought well over $1 trillion of mortgage-backed securities.

The biggest winners in terms of money for commercial paper were also generally foreign banks. Swiss giant UBS, the largest borrower, received almost $75 billion from the Fed's "Commercial Paper Funding Facility." Even a state-owned bank from Korea got billions.

Details of the Fed's bailouts of AIG and Bear Stearns were also disclosed. The Federal Reserve Bank of New York actually set up front corporations to distribute the funds and buy "assets" from the firms. It justified the measures by citing the Federal Reserve Act's "unusual and exigent circumstances" provision allowing the Fed to give money to non-banking institutions.

And it wasn't just financial and banking institutions receiving Fed largesse. General Electric — which owns NBC and does have some involvement in finance — was among the bigger institutions. But even McDonald's and Harley Davidson were among the beneficiaries of Fed billions.

Some of the "emergency" Fed programs and powers detailed in the newly released documents have since been shut down or rolled back. But the banking cartel is still holding trillions of dollars worth of "assets" including everything from real estate to securities.

According to the Fed, it does not expect any significant losses on the programs or assets. In fact, some of them may have actually generated a profit for Federal Reserve-cartel shareholders, mostly major banks. A small portion of any potential profits would also go to the U.S. Treasury.

But the new disclosures were a welcome development for most. Even some Fed bosses sounded relieved about finally coming clean — to some extent — about what they did with Americans' money. "We owe an accounting to the American people of who we have lent money to," Richmond Fed boss Jeffrey Lacker said Wednesday in an interview with Bloomberg. "It is a good step toward broader transparency."

But the Fed has been very resistant to transparency historically, and even recently. While the audit legislation was being debated in Congress, the cartel even hired a top lobbyist to protect its interests, and perhaps more importantly, its secrets.

And it succeeded in important ways. For example, the Fed's "discount window" operations remain secret, with Bernanke claiming before the House Financial Services Committee that the secrecy "must be maintained."

Numerous courts have also ordered the central bankers to turn over the data in response to media Freedom of Information Act lawsuits. But the Fed continues to stonewall, with the New York Fed claiming that, since it is a private corporation with private shareholders and a privately elected board, it has no obligation to comply with the requests.

One of the groups leading the charge for Fed transparency — and ultimately an end to the institution altogether — is planning more work in the months ahead. "This release is just a small glimpse into what the Fed does everyday — devalue our money, create moral hazard, and put taxpayers on the hook," noted Campaign for Liberty President John Tate in an e-mail to supporters, activists who have been instrumental in pushing the issue.

"And we can only speculate on how much the Fed isn't telling us, including information on individual securities that were pledged as collateral for over $800 billion in loans," he added. According to Tate, Congressman Paul will reintroduce the full Audit the Fed bill in the next Congress. And the Campaign for Liberty, along with a broad coalition of groups including the John Birch Society and many more, will be there to push it through.

"It's time to permanently end the Fed's shroud of secrecy," Tate concluded. "The American people should not have to wait years to find out what deals they're being committed to — if they ever find out at all."

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