



Written by [Bob Adelman](#) on June 18, 2020

Who's Running the Show: the Fed or the U.S. Treasury?

Scott Miner, global chief investment officer at Guggenheim Partners, [told CNN](#) on Tuesday that the next effort by the Fed to keep the U.S. economy going will be to start buying U.S. stocks. As *The New American* has reported, the Fed has already expanded its powers so that it can purchase exchange-traded bond funds, junk bonds, and now corporate bonds.



All of this so far exceeds the Fed's original powers that it has been forced to do a "workaround" by creating a number of intermediaries to accomplish its purposes. Each of these intermediaries needs a "special purpose vehicle" — an SPV — and the help of the U.S. Treasury.

Jim Bianco, president of Bianco Research & Trading, has been producing commentaries on the bond market for 30 years that are faithfully read by hundreds of portfolio managers. His commentary on these SPVs has raised the question, i.e., if the Fed needs the help of the Treasury to accomplish its purposes, who is in charge: the Fed, or the U.S. Treasury? If it's the latter, and because U.S. Treasury is part of the Executive Branch of the U.S. government, does that mean that the Fed now has a new chairman, namely, President Trump?

Bianco explains:

The Treasury ... will make an equity investment in each SPV and be in a "first loss" position.

What does this mean? In essence, the Treasury, not the Fed, is buying all these securities and backstopping of loans; the Fed is [merely] acting as banker and providing financing....

This scheme essentially merges the Fed and Treasury into one organization. So, meet your new Fed chairman, Donald J. Trump.

Bianco expanded on this thesis:

In effect, the Fed is giving the Treasury access to its printing press. This means that, in the extreme, the administration would be free to use its control, not the Fed's control, of these SPVs to instruct the Fed to print more money so it could buy securities and hand out loans in an effort to ramp financial markets higher going into the election.

Does that mean that President Trump, who has frequently chided Federal Reserve Chairman Jerome Powell for making decisions contrary to what the president thinks is proper, has now gained plenary power over the Fed and Powell?

Insight into who is actually driving the bus may be gleaned from Miner's conversation with CNN on Tuesday. He said, "There's a point where the Federal Reserve is going to have to pull out a bazooka. And I think the option of buying stocks on the part of the Fed is on the table."



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Guggenheim Partners was founded by the Guggenheim family in 1999. It manages more than \$275 billion. Almost from the beginning, Guggenheim family members have had intimate ties to other international banking firms through marriage. For example, Rose Guggenheim married Albert Loeb, the nephew of Solomon Loeb, a banker with Kuhn, Loeb & Company. Cora Guggenheim married Louis Rothschild, founder of international investment banking firm L.F. Rothschild.

The *New York Times* rolled back the curtain on the Guggenheims in 2011 for readers who would like more proof, in an article titled [“The Guggenheim Connection.”](#)

Minerd appeared to be giving his firm’s approval for the expansion of Federal Reserve powers, telling CNN, “Every time the Fed has to face a problem where the solution is something novel or new, they’ve been pretty creative in coming up with ways to get it done.”

Keeping in mind the history of the Federal Reserve as a creature of international banking firms such as Kuhn, Loeb & Company and the Rothschilds, it seems that those who think the U.S. Treasury, and thus the president, are now in charge have forgotten their history. Presidents come and go. Treasury secretaries come and go (usually coming and going from Goldman Sachs).

The Fed is driving bus and has been since 1914.



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An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American, writing primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

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