Fed Pours Huge Sums Into Foreign Bank Coffers: Why Is the Fed Bailing Out the World … On Our Dime?

By Washington's Blog
Global Research, May 22, 2013
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Region: USA
Theme: Global Economy

We noted even before the TARP bailout law was signed into law that bailout moneys could flow to foreign banks.

We were right. A large percentage of the bailouts went to *foreign* banks (and see this). And so did a huge portion of the money from quantitative easing. More here and here.

Ron Paul noted in 2011 that essentially 100% of New York Federal Reserve Bank loans went to foreign banks.

A former high-level Federal Reserve official said that the Fed is secretly bailing out Europe.

The Fed has bailed out Gaddafi's Libyan bank, the Arab Banking Corporation of Bahrain, and the banks of Bavaria, Korea and Mexico … but has shafted normal Americans.

The Financial Times reported in February:

> Foreign banks also have a striking amount of cash at the Fed, potentially aggravating the Fed's PR problem. Analysts at Stone & McCarthy noted recently that there had been a steep increase in foreign banks placing reserves at the Fed and suggested that "US banks may have distaste for the opportunistic arbitrage", between lower market rates and the interest on reserves, whereas overseas institutions "might not feel encumbered in the same fashion".
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> Canada's TD Bank, Germany's Deutsche Bank and Switzerland's UBS each have more than $12bn at the Fed.

Yesterday, Zero Hedge provided an update to this story. ZH reports that the Fed's quantitative easing program has injected huge sums into foreign banks:

> The latest H.8 report demonstrates, as of the most recently weekly data, the Fed's policies have led to foreign banks operating in the US holding an all time high amount of reserves, surpassing $1 trillion for the first time, or $1,033 billion to be precise.
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> This means that, as we expected several months ago, the only recipient of

> ongoing Fed money printing are not US banks, but foreign banks operating in the US. For those confused about the big picture, here is a chart showing the breakdown of cash held by big and small US banks as well as foreign banks, superimposed to total reserves created by the Fed since the start of the Great Financial Crisis. The correlation is 100%.
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> And just to prove that ALL the unsterilized cash from both QE2 and QEternity has essentially gone to support offshore banks, here is the conclusive chart showing the change in Fed reserves and cash held by foreign banks:
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> Finally, tying it all together, here is chart showing cash at US banks vs cash at foreign banks operating in the US. At $1.03 trillion in foreign cash, the Fed's policies have once again led to more cash being held by foreign banks than all cash held by domestic banks.
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> We are confident that we speak for all when we say: "Thank you Ben – insolvent foreign banks appreciate your ongoing QE2 and QEternity-funded generosity"

In a separate report, ZH notes that Bank of Korea Governor Kim Choong-soo said:

> World may face rate risk if U.S. exits from QE

Too bad that quantitative easing doesn't help Main Street or the average American. It only helps big banks, giant corporations, and big investors. And by causing food and gas prices skyrocket, it takes a bigger bite out of the little guy's paycheck, and thus makes the poor even poorer.

And it's a shame that a study of 124 banking crises by the International Monetary Fund found that bailing out banks which are only pretending to be solvent – like most of the big banks – *harms* the economy.

And what a farce that:

> The bailout money is just going to line the pockets of the wealthy, instead of helping to stabilize the economy or even the companies receiving the bailouts:
>
> - Bailout money is being used to subsidize companies run by horrible business men, allowing the bankers to receive fat bonuses, to redecorate their offices, and to buy gold toilets and prostitutes
> - A lot of the bailout money is going to the failing companies' shareholders
> - Indeed, a leading progressive economist says that the true purpose of the bank rescue plans is "a massive redistribution of wealth to the bank shareholders and their top executives"

- The Treasury Department encouraged banks to use the bailout money to buy their competitors, and pushed through an amendment to the tax laws which rewards mergers in the banking industry (this has caused a lot of companies to bite off more than they can chew, destabilizing the acquiring companies)

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