

Spitzer: Federal Reserve is ‘a Ponzi scheme, an inside job’

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The Federal Reserve — the quasi-autonomous body that controls the US’s money supply — is a “Ponzi scheme” that created “bubble after bubble” in the US economy and needs to be held accountable for its actions, says Eliot Spitzer, the former governor and attorney-general of New York.

In a wide-ranging discussion of the bank bailouts on MSNBC’s Morning Meeting, host Dylan Ratigan described the process by which the Federal Reserve exchanged \$13.9 trillion of bad bank debt for cash that it gave to the struggling banks.

Spitzer — who built a reputation as “the Sheriff of Wall Street” for his zealous prosecutions of corporate crime as New York’s attorney-general and then resigned as the state’s governor over revelations he had paid for prostitutes — seemed to agree with Ratigan that the bank bailout amounts to “America’s greatest theft and cover-up ever.”

Advocating in favor of [a House bill to audit the Federal Reserve](#), Spitzer said: “The Federal Reserve has benefited for decades from the notion that it is quasi-autonomous, it’s supposed to be independent. Let me tell you a dirty secret: The Fed has done an absolutely disastrous job since [former Fed Chairman] Paul Volcker left.

“The reality is the Fed has blown it. Time and time again, they blew it. Bubble after bubble, they failed to understand what they were doing to the economy.

“The most poignant example for me is the AIG bailout, where they gave tens of billions of dollars that went right through — conduit payments — to the investment banks that are now solvent. We [taxpayers] didn’t get stock in those banks, they didn’t ask what was going on — this begs and cries out for hard, tough examination.

“You look at the governing structure of the New York [Federal Reserve], it was run by the very banks that got the money. This is a Ponzi scheme, an inside job. It is outrageous, it is time for Congress to say enough of this. And to give them more power now is crazy.

“The Fed needs to be examined carefully.”

Spitzer resigned as governor of New York in March, 2008, after news reports stated he had paid for a \$1,000-an-hour New York City call girl.

At the time, Spitzer had been [raising the alarm](#) about sub-prime mortgages. In the wake of the economic meltdown triggered last fall by sub-prime loans, some observers have

suggested that Spitzer may have been targeted by law enforcement because of his high-profile opposition to Wall Street financial policies.

Investigative reporter Greg Palast [wrote](#) that federal agents' revealing of Spitzer's identity as a call-girl customer was no coincidence.

Palast wrote that the principle of "prosecutorial discretion" is often used to keep the names of high-profile persons out of the media when they are tangentially linked to a criminal investigation. In the case of Spitzer, the Justice Department chose not to invoke prosecutorial discretion.

Funny thing, this 'discretion.' For example, Senator David Vitter, Republican of Louisiana, paid Washington DC prostitutes to put him in diapers (ewww!), yet the Senator was not exposed by the US prosecutors busting the pimp-ring that pampered him.

Naming and shaming and ruining Spitzer - rarely done in these cases - was made at the 'discretion' of Bush's Justice Department.

Spitzer recently [told](#) Bloomberg News that President Obama's regulatory reforms of the financial sector are "irrelevant" because regulatory agencies have not been enforcing corporate laws to begin with.

"Regulatory agencies already had the power to do everything they needed to do," he said. "They just affirmatively chose not to do it."

The following video was broadcast on MSNBC's Morning Meeting, Friday, July 24, 2009, and uploaded to YouTube July 25, 2009:

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