

The Federal Reserve is Secretely Bailing out Europe

By [Washington's Blog](#)

Global Research, December 29, 2011

[Washiington's Blog](#) 29 December 2011

Region: [Europe](#), [USA](#)

Theme: [Global Economy](#)

Former High-Level Federal Reserve Official: Fed Secretly Bailing Out Europe

Yes, We Are Bailing Out Europe

Federal Reserve chair Ben Bernanke [told Congress](#) that the Fed would not bail out Europe.

But he might have been less than forthcoming.

Former Vice President of the Federal Reserve bank of Dallas, Gerald O'Driscoll, says that the Fed is secretly bailing out Europe:

O'Driscoll [wrote](#) in a Wall Street Journal editorial:

America's central bank, the Federal Reserve, is engaged in a bailout of European banks. Surprisingly, its operation is largely unnoticed here.

The Fed is using what is termed a "temporary U.S. dollar liquidity swap arrangement" with the European Central Bank (ECB). There are similar arrangements with the central banks of Canada, England, Switzerland and Japan. Simply put, the Fed trades or "swaps" dollars for euros. The Fed is compensated by payment of an interest rate (currently 50 basis points, or one-half of 1%) above the overnight index swap rate. The ECB, which guarantees to return the dollars at an exchange rate fixed at the time the original swap is made, then lends the dollars to European banks of its choosing.

The two central banks are engaging in this roundabout procedure because each needs a fig leaf. The Fed was embarrassed by the revelations of its prior largess with foreign banks. It does not want the debt of foreign banks on its books. A currency swap with the ECB is not technically a loan.

The original source of this article is [Washiington's Blog](#)

Copyright © [Washington's Blog](#), [Washiington's Blog](#), 2011

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Washington's Blog](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca