Post-Republic "Weimar America", Here We Come! Virus Hysteria Adds $10 Trillion to the National Debt

By Mike Whitney
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There's no doubt that the Coronavirus is a serious infection that can lead to severe illness or death. There's also no doubt that 'virus hysteria' has been used for other purposes. Wall Street, for example, has used virus-panic to advance its own agenda and get another round of trillion dollar bailouts. In fact, it took less than a week to get the pushover congress to ram through a massive $2.2 trillion boondoggle without even one lousy congressman offering a peep of protest. That's got to be some kind of record.

In 2008, at the peak of the financial crisis, Congress voted "No" to the $700 billion TARP bill. Some readers might recall how a number of GOP congressmen bravely banded together and flipped Wall Street "the bird". That didn't happen this time around. Even though the bill is three times bigger than the TARP ($2.2 trillion), no one lifted a finger to stop it. Why?

Fear, that's why. Everyone in congress was scared to death that if they didn't rush this debt-turd through the House pronto, the economy would collapse while tens of thousands of corpses would be stacking up in cities across the country. Of course the reason they believed this nonsense was because the goofy infectious disease experts confidently assured everyone that the body-count would be "in the hundreds of thousands if not millions." Remember that fiction? The most recent estimate is somewhere in the neighborhood of 60,000 total. I don't need to tell you that the difference between 60,000 and "millions" is a little more than a rounding-error.

So we've had the wool pulled over our eyes, right? Not as bad as congress, but, all the same, we've been hoodwinked and we've been fleeced. And the people who have axes to grind have been very successful in taking advantage of the hysteria and promoting their own agendas. Maybe you've noticed the reemergence of creepy Bill Gates and the Vaccine Gestapo or NWO Henry Kissinger warning us that, "the world will never be the same after the coronavirus".

What do these people know that we don't know? Doesn't it all make you a bit suspicious? And when you see nonstop commercials on TV telling you to "wash your hands"or "keep your distance" or "stay inside" and, oh yeah, "We're all in this together", doesn't it leave you scratching your head and wondering who the hell is orchestrating this virus-charade and what do they really have in mind for us unwashed masses??

At least in the case of Wall Street, we know what they want. They want money and lots of it.

Have you looked over the $2.2 trillion CARES bill that Trump just signed into law a couple weeks ago? It's pretty grim reading, so I'll save you the effort. Here's a rough breakdown:

$250 billion will go for the $1,200 checks that most of us will receive in a couple weeks. And

$250 billion will be provided for extended unemployment insurance benefits.

That's $500 billion.

Working people will get $500 billion while Wall Street and Corporate America will get 3 times that amount. ($1.7 trillion) And even that's a mere fraction of the total sum because– hidden in the small print– is a section that allows the Fed to lever-up the base-capital by 10-to-1 ($450 billion to $4.5 trillion) which means the Fed can buy as many "toxic" bonds and garbage assets as it chooses. The Fed is turning itself into a hedge fund in order to buy the sludge that has accumulated on the balance sheets of corporations and financial institutions for the last decade. It's another gigantic ripoff that's being cleverly concealed behind the ridiculous coronavirus hype. It's infuriating.

So here's the question: Do you think Congress knew that working people would only get a pittance while the bulk of the dough would go to Wall Street?

It's hard to say, but they certainly knew that the economy was cratering and that $500 billion wasn't going to put much of a dent in a $20 trillion economy. In other words, even if everyone goes out and blows their measly $1,200 checks on Day 1, we're still going to experience the sharpest economic contraction on record, a second Great Depression.

Maybe they should have talked about that in congress before they voted for this trillion-dollar turkey? Maybe they should have thought a little more about how the money should be distributed: Should it go to the people who actually buy things, generate activity and produce growth, or to the parasite class that blows up the system every decade and drags the economy down a black hole? That seems like something you might want to know before you pass a multi-trillion dollar bill that's supposed to fix the economy.

It's also worth noting that the $5.8 trillion is not nearly the total amount that Wall Street will eventually get. The Fed has already spent $2 trillion via its QE program (to shore up the dysfunctional repo market) and Fed chair Jay Powell announced on Thursday that another $2.3 trillion in loans and purchases would be used to buy municipal bonds, corporate bonds and loans to small businesses. The allocation for small businesses, which falls under the, Main Street Lending Program, has been widely touted as a sign of how much the Fed really cares about struggling Mom and Pop businesses that employ the majority of working Americans. But, once again, it's a sham and a boondoggle. The program is on-track to get $600 billion funding of which the US Treasury will provide the base-capital of $75 billion. The rest will be levered-up by 9-to-1 by the Fed, which means it's just more smoke and mirrors.

What readers need to realize is that the Treasury has accepted the credit risk for all of the loans that default. **In other words, the American people are now on the hook for 100% of all of the loans that go south,** and there's going to be alot of them because the banks have no reason to find creditworthy borrowers. They get a 5% cut off-the-top whether the loans blow up or not. And, that, my friend, is how you incentivize fraud which, as Bernie Sanders noted, "is Wall Street's business model."

It also helps to explain why Trump has repeatedly rejected congressional oversight of the various bailout programs. He's smart enough to know a good swindle when he sees one, and this one is a corker. The government is essentially waving trillions of dollars right under the noses of the world's most ravenous hyenas expecting them not to act in character. But of course they will act in character and hundreds of billions of dollars will be siphoned off by scheming sharpies who figure out how game the system and turn the whole fiasco into another Wall Street looting operation. You can bet on it.

So, what is the final tally?

Well, according to Trump's chief economic advisor, Larry Kudlow, the first bailout installment is $6.2 trillion (after the Fed ramps up the Treasury's contribution of $450 billion.). Then there's the $2.3 trillion in additional programs the Fed announced on Thursday. Finally, the Fed's QE program adds another $2 trillion in bond purchases since September 17, when the repo market went haywire.

Altogether, the total sum amounts to $10.5 trillion.

You know what they say, "A trillion here, a trillion there, pretty soon you're talking real money."

Of course, no one on Capitol Hill worries about trivialities like money because, "We're the United States of America, and our dollar will always be King." But there's a fundamental flaw to this type of thinking. Yes, the dollar is the world's reserve currency, but that's a privilege that the US has greatly abused over the years, and it's certainly not going to survive this latest wacky helicopter drop. No, I am not suggesting the US would ever default on its debt, that's not going to happen. But, yes, I am suggesting that the US will have to repay its debts in a currency that has lost a significant amount of its value. You don't have to be Einstein to figure out that you can't willy-nilly print-up $10 or $20 trillion dollars without eroding the value of the currency. That's a no-brainer. Central bankers around the world are now looking at their piles of USDs thinking, "Hmmm, maybe it's time I traded some of these greenbacks in for a few yen, euros or even Swiss francs?"

So how does this end? **Can the Fed continue to write trillion dollar checks on an account that is already $23 trillion overdrawn?** Will Central banks around the world continue to stockpile dollars when the Fed is printing them up faster than anyone can count? And what about China? How long before China realizes that US Treasuries are grossly overvalued, that US equities markets are unreformable, that the dollar is backed by nothing but red ink, and that Wall Street is the biggest and most corrupt cesspit on earth?

Not long, I'd wager. **So, how does this end? It ends in a flash of monetary debasement preceded by a violent and destabilizing currency crisis. It's plain as the nose on your face. The Fed knows that when a nation's sovereign debt exceeds 100% of GDP, "there's almost no mathematical way to service that debt in real terms."** Well, the US passed that milestone way-back in 2019 before this latest drunken spending-spree even began. It's safe to say, we've now entered the financial Twilight Zone, the Land of No Return. If we add the Fed's bulging balance sheet to the final estimate, (after all, it's just another shady Enron-type Special Purpose Vehicle) the national debt will be somewhere north of $33 trillion by year-end, **which means that Uncle Sam will be the greatest credit risk on Planet Earth. Imagine how jaws will drop on the day that Moodys and Fitch slash the ratings on US Treasuries to Triple B "junk" status**. That should turn a few heads.

So what can we expect in the months to come?

First, the economy is going to slip into a deflationary period as people get back to work and slowly resume their spending. But once demand picks up and the Fed's liquidity starts to kick in, the economy will rebound sharply followed by steadily rising prices. That's the red flag that will signal a weakening dollar. Similar to 1933, when Roosevelt took the U.S. off the gold standard and printed money like crazy, economic activity picked up but the value of the dollar dropped by 40%. A similar scenario seems likely here as well. Economist Lyn Alden Schwartzer summed it up like this in an article at Seeking Alpha:

> "One of the common debates is whether all of this debt, counteracted by a tremendous monetary expansion by the Federal Reserve in response, will cause a deflationary bust or an inflationary problem.....**Fundamentally, evidence points to a period of deflation due to this global shutdown and demand destruction shock, likely followed in the coming years by rising inflation**....
>
> **In the coming years, the United States will be effectively printing money to fund large fiscal deficits**, while also having a large current account deficit and negative net international investment position. This is one of the main variables for my view that **the dollar will likely decrease in value relative to a basket of foreign currencies in the coming years**...." ("Why This Is Unlike The Great Depression", Seeking Alpha)

So, after decades of lethal low interest rates, relentless meddling and gross regulatory malpractice, the Fed has led us to this final, fatal crossroads: Inflate or default. From the looks of things, the choice has already been made. Wiemar America, here we come!

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