Obama, Bernanke, Wall Street Commit Crime of the Century

by Paul Gallagher

Dec. 16—The economy is again facing the prospect—or threat—that the Federal Reserve may make another attempt to begin to "exit" from its years-long "quantitative easing" (QE) which has made all markets in the world dependent on an inherently hyperflationary, and actually "no-exit" policy. That policy has already constituted a crushing blow to the U.S. economy, and a crime against the U.S. Constitutional policy of national banking and credit which was known as the Hamiltonian, or "American System of economy."

Over the past five years, the Federal Reserve and the "Big Six" Wall Street banks, in collusion with the Obama White House, its economic advisors, and particularly its Treasury Secretaries, have let loose mass unemployment and killer austerity. But these crimes result from the Fed's fundamental crime of creating a $4 trillion "fake money" machine which has starved the U.S. economy of real credit since Obama took office.

Since that time, the Fed's QE policy has pumped more than *$3 trillion* of new "money" into the biggest banks on Wall Street and those in Europe. This, not any other factor, has made the U.S. Big Six "too-big-to-fail" banks 40% bigger now, than they were at the time of the 2007-08 crash. Since the end of 2008, *all* of the $2.2 trillion increase in deposits in the biggest Wall Street banks has resulted, and can be tracked precisely, from the Fed's money-printing, as shown in the central bank's own data on "excess bank reserves." The banks' own reports also admit it.

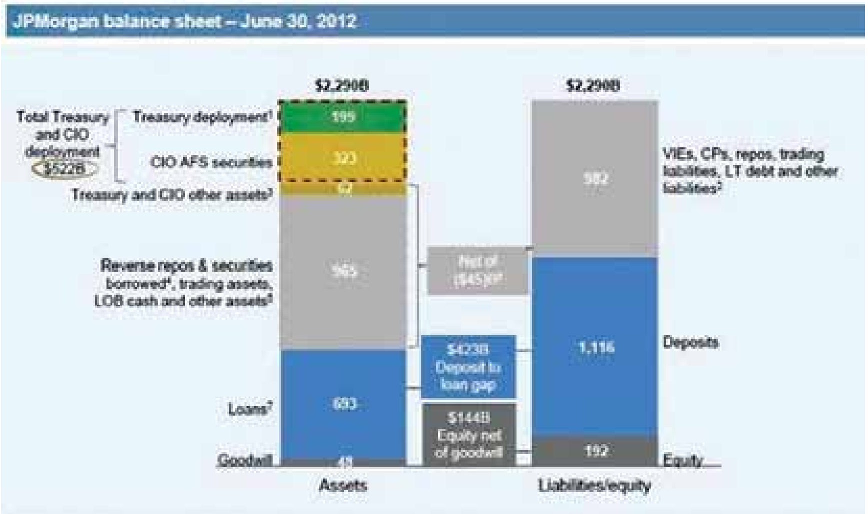
Conversely, *all* of the Fed's $3-plus trillion QE "money" has gone to these Wall Street banks, and others equally as big in Europe. *None* of it has gone into great projects; none into new infrastructure platforms; none into investments in manufacturing and farming; none into the real U.S. economy.

And *none* of this mass of money printed for the biggest banks, has been loaned out. The six biggest U.S.-based banks' lending has fallen in five years by $700 billion, even while their so-called "excess reserves" have increased by over $2 trillion—and their lending is still falling, quarter by quarter. So, while these six banks now have 65% of all the deposits of the banking system of the U.S., thanks to the Fed, they have turned this into speculative money: in financial derivatives, securities, swaps, repo loans to other banks, and financial companies and funds. JPMorgan itself has a trillion and a half dollars in such speculations; they dwarf the bank's total lending to businesses and households.

The glaring example of perpetrator JPMorgan Chase is illustrated (**Figure 1**), in an analysis of the bank's reports *already 18 months ago* by the financial website ZeroHedge.com. The left-hand bar of "Assets" shows how large a chunk of the giant bank's assets (dotted line) were part of the single, huge "London Whale" derivatives bet; and how small a portion of its assets were involved in loans.

Are these now banks at all? Or are they gigantic high-risk pools, being hyperinflated by the printing of

FIGURE 1



trillions of dollars in what is essentially "fake money" by the Fed?

To Stop the Crime

The new "Volcker Rule," even when it takes effect in mid-2015 or later, will not change the behavior of the monster-bank creations of the Fed. Ending it requires breaking them up by restoring Glass-Steagall, and a different—Hamiltonian—central bank entirely. As George Washington wrote of Hamilton's credit policy in 1791, in a new nation which had been completely bankrupt and lacking in credit a few years earlier: "The country appears to be in a very improving state, and industry and frugality are becoming much more fashionable than they had hitherto been. The farmer finds a ready market for his produce, and the merchant calculates with more certainty on his payments. Our republic's credit stands on a ground which three years ago, it would have been considered as a species of madness to have been foretold. The astonishing rapidity with which the newly instituted National Bank was filled, gives an unexampled proof of the resources of our countrymen and their confidence in our public measures."

We need such "madness" now.

Hamilton's national banking system was relaunched in virtually identical form by Lincoln's "Greenback" reforms of 1861-63. The following half-century made the U.S.A. the economic and industrial model of the world. After the 1930s crash, this program was approximated by FDR's national credit policies, and his pushing the Fed to do real commercial lending. Ben Bernanke's policy has refused this for five terrible years. It has created a completely insular, multi-trillion-dollar "triangular trade of monopoly money" among the Fed, Wall Street, and the Treasury.

That trade has produced record profits of banks and large corporations, mass unemployment, and deadly austerity in an economy starved for credit.

The share of GDP which represents the costs of labor, supporting employed Americans and their families, has fallen in the past ten years, from 66% to 57%. At their expense, the share of profit in GDP has risen. The real wages of manufacturing workers have fallen by 3% just since Obama took office. In the same five years, manufacturers' after-tax profits have more than tripled. Last year, the number of Americans officially living in poverty passed 50 million. The number of employed Americans working in officially defined "low-wage employment" reached 40% of all employment. Six weeks ago, 48 million Americans suffered cuts in food stamps by 5%; in January, they will be cut again.

Within the last week, four groups, each comprised of tens of thousands of Americans, lost their pensions and/or health insurance plans, or had them cut: the public employees of Detroit (who also are having their wages cut); the public workers of Illinois; the employees of the big Delphi Auto Parts Co.; and all U.S. Federal employees, in the new budget. The court-sanctioned bankruptcy of Detroit has flashed a green light to slashing public workers' pensions and health benefits nationwide.

On Dec. 11, the U.S. Conference of Mayors reported that 20% of the need for emergency food assistance to American families, went unmet in 2013. Two weeks from now, about 1.5 million long-term unemployed Americans will lose the unemployment benefits they are receiving. Senior citizens' access to health care has declined for three consecutive years; and that denial of care is spreading to the population as a whole, particularly through "Obamacare."

Wall Street's "monopoly money" crime is becoming murderous, and must be ended.