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The Senate's Coronavirus Relief Package Must be Stopped!

MIKE WHITNEY • MARCH 26, 2020 • 1,900 WORDS • 7 COMMENTS



The Senate's \$2 Trillion Coronavirus Relief Package is not fiscal stimulus and it's not a lifeline for the tens of millions of working people who have suddenly lost their jobs. **It's a fundamental restructuring of the US economy designed to strengthen the grip of the corrupt corporate-banking oligarchy while creating a permanent underclass that will be forced to work for slave wages. This isn't stimulus, it's shock therapy.**

Who can survive on \$1,200 for one, two or three months time? And what happens to the millions of people who paid no taxes last year? Are they supposed to scrape by on nothing? Congress knows that most households live paycheck to paycheck. With no savings how will they pay the rent, the electric bill, the phone and the cable? Congress is quibbling over an extra \$600 per month unemployment for those who are lucky enough to get it, when most people are just trying to figure out how they're going to survive, how they're going to pay the mortgage, when they'll be able to go back to work, and whether their job will still be there when this nightmare is finally over?

Did you know that "if you don't already have direct-deposit information on file with the IRS from previous tax returns, you won't get the emergency funds for up to 4 months"? That means millions of people will have zero income for 4 months! What will become of them? Where will they go? Who will provide them with shelter and food? Shouldn't congress be asking these questions?

And what happens to the 50% of the American people who had less than \$400 saved before the crisis hit? What happens to them when they fall between the cracks and lose their apartments, lose their jobs, and lose their ability to maintain their tenuous standard of living? These people will never regain their financial footing. Never. It's a death sentence. We're going to see an explosion of homelessness, drug addiction, depression, alcoholism, suicide and crime unlike anything this country has ever seen before. Are the imbeciles in congress so blind that they can't see that they're condemning a large part of the population to permanent, inescapable, grinding poverty and desperation? Can't they see that?

Do you understand why this bill is being rushed through congress?

It has a lot to do with the falling stock market but more precisely with the hundreds of corporations that have been hawking bonds to gullible investors who thought they were buying the debt of responsible, well-managed companies that used the money to improve their product-line, train workers, or build new factories. But instead, greedy CEOs have been using the money to buy shares in their own companies to boost executive compensation and reward shareholders. It's a multi-trillion dollar scam that blew up in their faces causing a complete freeze-over in the corporate bond market. That's what's really going on, there's a massive credit crunch that has a stranglehold on the bond market and there are only two ways to fix the problem:

1. Let the failing corporations default and pick up the pieces after the dust settles or...
2. Launch a major \$4.5 trillion bailout for busted corporations that drove their companies off a cliff.

Those are the two choices. Naturally Treasury Secretary Mnuchin chose the latter which suggests that the real motive for giving working people the \$1,200 checks was simply to divert attention from the massive trillion dollar bailout to teetering corporations. That's the real objective of the so-called fiscal stimulus bill. It's another giant welfare check for the plutocrats.

The centerpiece of the new legislation is a provision for \$425 billion giveaway to big business. The New York Times explains what is going on in a recent article. Here's an excerpt:

“Republican senators have suggested **creating a fund of \$425 billion at the Treasury Department that the Fed could use to back emergency lending facilities** — which would enable such programs to grow far beyond that scale.

Because the Fed cannot take on substantial credit risk itself, the Treasury Department backs its emergency lending, using money from a fund that contains just \$95 billion. Treasury Secretary Steven Mnuchin on Sunday suggested that the new money in the Republican bill could be leveraged by the Fed to back some \$4 trillion in financing.

“We do have limited amounts of money we're using before Congress passes this bill, so we're not waiting on Congress,” Mr. Mnuchin said in an interview on CNBC on Monday. “As Congress gives us the authority, we'll be increasing the facilities substantially.” (**[“The Fed Goes All In With Unlimited Bond-Buying Plan”](#)**, New York Times)

What does it mean?

It means that Mnuchin is transforming the US Treasury into a hedge fund. That's what it means. It means that the Treasury is going to use the \$450 billion that is obliquely allocated in **the emergency bill, to create a Special Purpose Vehicle (SPV)—which is**

a sleazy, off-balance sheet operation that is used to conceal underhanded bookkeeping, that will leverage up by 10x (which means that the Fed will use the \$450 billion to borrow tens times more than the original amount or \$4.5 trillion) that will be stealthily **used to bail out underwater corporations, financial institutions and, yes, banks.** (Note—The fairy-tale about “well capitalized banks” is pure bunkum. These guys have serious exposure through “sponsored repo” which is lending to hedge funds via the repo market.) The Fed has already created one SPV for the Commercial Paper market under the Treasury’s Exchange Stabilization Fund (ESF) which is supposed to be used to mitigate volatility in global currency markets, not for bailing out failing corporations. It’s a complete misuse of funds. Unfortunately, targeted suspension of the Sunshine Act will prevent the public from figuring out who is getting money in what amount and for what purpose. This whole scam has been carefully worked out right down to legal provisions preventing transparency.

By the way, Mnuchin’s personal bio is worth reviewing. According to Senator Ron Wyden:

“Mr. Mnuchin’s career began in trading the financial products that brought on the housing crash and the Great Recession. After nearly two decades at Goldman Sachs, he left in 2002 and joined a hedge fund....

“In early 2009, Mr. Mnuchin led a group of investors that purchased a bank called IndyMac, renaming it OneWest. OneWest was truly unique. While Mr. Mnuchin was CEO, the bank proved it could put more vulnerable people on the street faster than just about anybody else around.

“While he was CEO, a OneWest vice president admitted in a court proceeding to ‘robo-signing’ upward of 750 foreclosure documents a week...between 2009 and 2014, a period during which the bank foreclosed on more than 35,000 homes. ‘Widow foreclosures’ on reverse mortgages – OneWest did more of those than anybody else. The bank defends its record on loan modifications, but it was found guilty of an illegal practice known as ‘dual tracking.’ One bank department tells homeowners to stop making payments so they can pursue modification, while another department presses on and hurtles them into foreclosure anyway.”
[\(“Stimulus Bill: The Fed and Treasury’s Slush Fund Is Actually \\$4 Trillion”, Wall Street on Parade\)](#)

Does that sound like someone who can be trusted in the distribution of \$4.5 trillion in government funds?

The media is not even trying to hide the sordid details of what’s going on behind the scenes. Take a look at this excerpt from an article at Bloomberg:

“The Federal Reserve could now have as much as \$4.5 trillion to keep credit flowing and make direct loans to U.S. businesses through the massive coronavirus stimulus bill being considered by U.S. lawmakers. The bipartisan agreement, which still needs to be passed by the Senate and House and signed into law by President Donald Trump, will include \$454 billion in funds for the Treasury to backstop emergency actions by the Fed to support the U.S. economy, Senator Patrick Toomey said on Wednesday.

The central bank will work with the U.S. Treasury to use that money as a backstop against credit risk as it supports markets for corporate and short-term state and local debt, while also loaning directly to large and medium-sized businesses....

“It is a very, very big thing; it is unprecedented,” the Pennsylvania Republican told reporters Wednesday on a conference call, adding it was an opportunity to lever up “the unlimited balance sheet of the Fed.”

Toomey’s comments suggest Fed facilities could be expanded with the new funds, in effect doubling the Fed’s current \$4.7 trillion balance sheet if necessary. On Sunday, Treasury Secretary Steven Mnuchin said the bill would provide up to \$4 trillion in liquidity through broad-based lending programs operated by the Fed.” (“Fed’s Anti-Virus Lending Firepower Could Reach \$4.5 Trillion”, Bloomberg)

Toomey is an idiot! Can’t he see what’s going on? Why does he say: “This is a very, very big thing.”... “an opportunity to lever up “the unlimited balance sheet of the Fed”??? Doesn’t he know that **the US Treasury has now accepted full liability and credit risk for the Fed’s emergency bailout operations.** Does he like the idea that the American people will now be on the hook for the CEOs who blew up their own companies to fatten their own bank accounts?? That’s what this means. Readers should parse these articles very carefully, word by word, phrase by phrase. The ugly truth is spelled out in black and white. Here’s the key phrase in the Times article:

“Because the Fed cannot take on substantial credit risk itself, the Treasury Department backs its emergency lending.”

And here’s the key phrase in the Bloomberg article: “The central bank will work with the U.S. Treasury to use that money as a backstop against credit risk as it supports markets for corporate and short-term state and local debt, while also loaning directly to large and medium-sized businesses.”

There it is: Credit risk, credit risk, credit risk. Who assumes the credit risk for this \$4.5 trillion dollar giveaway??

The American taxpayer. Look: The Fed has always had the ability to print as much money as it chooses. (Remember: “Unlimited QE”??) So why did the Fed need to link-up with the Treasury for this operation?

Because the Fed is unwilling to accept the credit risk. Who will ultimately be accountable for all the bad bets and worthless bonds that are being downgraded as we speak? Who is going to mop up the trillions in red ink created by crooked, scheming, cutthroat corporations (and their financial counter-party accomplices) who plundered their companies for the sole objective of enriching themselves and their shareholders?

Who?

The US Treasury backed by the American taxpayer.

This is really the endgame. Wall Street has subsumed the US Treasury and turned it into a massively leveraged hedge fund that is controlled by an unscrupulous charlatan who made his bones evicting families from their homes during the worse economic slump since the Great Depression.

We're truly fu**ed.

NOTE– As this was being written, stocks were shooting higher for a third consecutive day due, in large part, to the easing of credit spreads in the corporate bond market. According to [Matt Maley](#), chief market strategist at Miller Tabak, “They’ve been able to come into the credit markets and stabilize that area; we see credit spreads starting to tighten up a little bit.....The fact that they’re starting to stabilize gives people the kind of confidence they need to be able to dip their toes back into the market at a time when we absolutely need it.”

In other words, the bailout appears to be working for the investor class. Yipee.