

NY Fed – Finger in the Dike

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Since the great GFC slump the ruling class dug deep to hype some element of the economy that seemed to indicate 'green shoots' toward a blooming if not booming economy. The first was the steady drop in the unemployment rate. That can't be taken as anything but positive, except that it isn't really when the decline is due to a huge fall in the Labor Force Participation Rate rather than any great increase in employment. And then there was the prevailing quality of the jobs. Few were full time good paying jobs. Most were low hours, low wage, unstable, and of the gig variety.

Fortunately, before the full phoniness became widely known and accepted, the huge run-up of the markets thanks to the huge company stock buy backs and much assistance from the Fed became hard to resist as something positive. Booming markets and repeated market valuation records had to be a good thing. But then the covid pandemic struck sickening and killing many times more Americans per capita than other advanced economies thanks to our for profit, most expensive, yet still the worst, health care system in the world.

So now we have a flagrant anomaly: an economy that is certifiably in the toilet, and markets still setting new highs. The tricksters behind this magic are the US Treasury and Federal Reserve bank system.

Many people think the 12 bank Federal Reserve system is a government entity. It is not. Those 'national' are owned by the largest private banks in the country. The Federal Reserve Board is technically part of the Federal government but with its members mostly selected by the banks. The Treasury Secretary is always someone closely connected to the banking system and at times a former head of a large bank - like Paulson of Goldman Sachs during the GFC.

Of the 12 banks the NY Fed is by far the most powerful because it located in the financial center of the country. Thus when Wall Street experiences a financial crisis the NY Fed is on site to deal with it. The US has 8 Global Systemically Important Banks. They along with other major banks in the most powerful capitalist states work collectively to keep what is now a perpetually shaky system from collapsing.

Five of those GSIBs are in New York: JP Morgan Chase, Citigroup, Morgan Stanley, Goldman Sachs, Bank of New York Mellon -- and they together own two thirds of the New York Fed. The remaining three GSIB: Bank of America, Wells Fargo, State Street, have large stakes respectively in the Richmond, San Francisco, and Boston Feds.

During the GFC the New York Fed was granted the emergency authority to generate \$29 trillions of fictitious money to bail out a collapsing banking system. The 'money' was used for bank loans collateralized with junk securities or to buy outright assets that had turned to garbage which it did with its own specially made garbage collector.

Following the 1929 crash the Fed loaned from 1932 to 1936 a grand total of \$25.5 million in today's dollars to bail out banks. Now such a pittance wouldn't be enough to pay for the Feds annual Jackson Hole soiree. Trillions have been doled out this year as a preventative measure to keep 2008 from repeating itself because, judging by post George Floyd events, without having a real recovery, we will probably see a universal uprising.

Economic Info

– Northern China has a water shortage. 80% of the nations' water is in the South and nothing has been done to spread the water wealth to areas in short supply.

In China one cannot simply dig a well where one lives and drill for water without approval of the state which officially owns all the nations water. To help remedy the dearth of water the government has opened a water trading system. But doesn't the state own all the water? Yes, but only in or on the ground – the water being traded is rainwater collected by area property managers and sold to traders on the water exchange. In one transaction 20,000 cubic meters of water collected over 3 years had been purchased from collectors for 11 cents per cubic meter and sold 12,000 cubic meters to a landscaping company for 60 cents per cubic meter.

Quite a profitable deal for these relatively fresh capitalists. Before long China will have outfits like the Chicago Mercantile Exchange which recently began futures trading in California water. California is a water short source of much of the nations' agricultural production.

Now farmers, instead of only having nature to worry about when it comes to water, will also have to trust a purchase from a futures trader who sold a contract for which he hadn't been able to complete the payment. At least nature when it comes to water is fairly predictable. When it's capitalized it can be vaporized in an instant.

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