Secret Business of the Fed Underworld

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On January 6th a federal district judge in New York City signed a protective order blocking the public release of details in a case against JP Morgan Chase gathered by an internal whistle-blower. The order also states that the material may never be released to the public regardless of the court's decision.

Shaquala Williams had worked in compliance at JPM Chase to ensure that the company adhered to a non-prosecutorial agreement in a 2016 case involving Chase hiring the children of prominent Chinese officials in exchange for favorable business deals. For avoiding prosecution Chase had agreed to institute controls over third-party payments. Williams exposed the 'controls' as a sham for which she was fired on 2019. Chase applied the old double ledger trick – one fake showing compliance, the other reflecting real business practices.

The twelve federal reserve banks are not the owned by the government to arrange and secure financial practices in the interest of the public at large; they are owned by the big banks in their locale. The NY Fed is the dominant bank of the dozen because the nations' biggest banks are there; thus Chase, a bank with 5 confessed felony charges, is the biggest individual player in the nation's economy. But to be fair it hasn't been quite so shameless as the Dallas and Boston banks.

The presidents of both banks were forced to resign when it was discovered that they were trading in the futures market. Guessing correctly about financial policy changes is how speculators thrive. Being an insider in the decision making process removes the guess work and makes investing a fun game if you don't mind cheating.

The reason capitalism is prone to financial collapse is that it's not a system based on nuts and bolts reality. That it plays a part in worthwhile endeavors is secondary to its main objective which is to profit from them in order to increase their wealth by an endless chain of reinvestments. The real economy cannot support such a business practice because the productive class cannot earn or borrow enough to purchase the goods and services available to them.

At this point the capitalist should realize that his place in historical development is up – he should take his bows and leave the stage. Instead they have descended into a kind of madness where they leave the lower level of their class to make do in the real economy while they speculate in an artificial world that is barely tied to reality. Their state entity, realizing that such practices can doom the system, does what it can to cure their madness by separating the real from the fake. But the system is unilinear – it cannot retrace is steps except by collapsing back to the fundamentals.

The Fed announced that it would begin liquidating some of its balance sheet in March because of inflationary risks. Last month the PCE rate (Personal Consumption Expenditure) – what is regarded as the most concerning inflationary sector – rose to 4.9% in December – the highest its been since 1983. But this is not the inflation of a robust economy. Costs are up for largely unhealthy reasons – literally the pandemic but also because the economy was failing prior to the arrival of Covid. The crisis began September 17, 2019 and by January 20, 2020 the Fed had made over $6 trillion in cumulative loans to the streets trading houses. By pursuing a hawkish policy it may end inflation by undermining the only support the economy has. And then it will all start again as if nothing happened – but only if mass passivity remains in place.

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