



Written by [Alex Newman](#) on April 4, 2011

Rep. Paul Plans Hearing on Fed's Foreign Bailouts

Constitutionalist Rep. Ron Paul (R-Texas), the Chairman of the House Financial Services Subcommittee on Domestic Monetary Policy, is planning to hold hearings about the Federal Reserve's bailouts of foreign-owned banks during the economic crisis.



The Fed was recently [forced by the Supreme Court](#) to hand over details and documents related to its "emergency" bailouts through the discount window, a facility which provides cash for banks that can't find it on the open market. On March 31, following years of litigation and appeals, the central bank [finally released the records](#).

"What I had suspected is now confirmed — the Fed gave money to foreign banks during and since the crisis of 2008," Rep. Paul [said](#) in a statement released on April 2. "I was surprised and deeply disturbed, however, to learn the staggering amount of money that went to foreign banks."

But there are still a lot of questions. And Rep. Paul wants answers.

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Reuters [reported](#) over the weekend that his spokeswoman Rachel Mills confirmed that the Congressman would be holding a hearing into the Fed's discount-window lending to foreign banks. Details are still being worked out, but the hearing should take place sometime in May. A deputy of Fed boss Ben Bernanke, at least, would likely be expected to attend.

What the new disclosures have revealed so far is that the Fed [provided](#) at least hundreds of billions of dollars in bailouts to foreign banks through its discount window. And at least one of those institutions, Arab Banking Corp., was partly owned by Libyan dictator Muammar Kaddafi's central bank.

"How erratic the US must appear when we shower a dictator alternately with dollars and bombs!" Paul [wrote](#) in an April 4 column, noting that Libya was under strict U.S. economic sanctions. "Also, we must consider the possibility that those loans are inadvertently financing weapons Gaddafi is using against his own people and western militaries."

The central bank also made a mockery of America's supposed foreign policy objectives. "This would not be the first time the covert activities of the Fed have undermined not only our economy and the value of the dollar, but our foreign policy as well," Rep. Paul [stated](#).

Others foreign banks that [benefited from the bailouts](#) included Bank of China, Société Générale, Royal Bank of Scotland, Dexia, Erste Group, Commerzbank, Depfa, Landesbank Baden-Württemberg, Norinchukin Bank and many others. American banks including Morgan Stanley also took advantage of the lending program.

"Upwards of 70% of Fed discount window lending went offshore at times," Rep. Paul [explained](#) in the



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statement. “These lending activities provided no benefit to American taxpayers, the American economy, or even directly to American banks.”

And not only did the bailouts not provide benefits, they often [actively ripped off U.S. taxpayers](#). The Libyan-owned bank and countless other American and foreign banks were [taking](#) loans with virtually zero interest from the Fed. And as collateral, they were putting up U.S. Treasury securities, which pay a much higher rate of interest than banks were paying to the Fed. So essentially the banks were profiting, with the help of the Fed’s bailouts, at the [expense of American taxpayers](#).

The discount window, of course, was just one of many facilities the Fed was using to transfer American wealth to big banks. Under a watered-down “audit” provision approved last year, the central bank was forced in December to [disclose](#) details of other bailout programs as well. [More than \\$10 trillion in “emergency” bailouts through those operations was exposed](#) - much of which went to foreign banks, too.

But it can’t go on forever. “As the world economy continues to falter in spite of - or rather because of - cheap money doled out by the Federal Reserve, its ability to deceive financial markets and American taxpayers is coming to an end,” Rep. Paul [noted](#) in his weekly column. “Rapid inflation will continue as trillions in new money and credit recently created by the Fed flood into the commodity markets.”

Congressman Paul, a fierce critic of the central bank and its policies, hopes to eventually abolish the institution altogether. He even authored a book entitled [End the Fed](#) which makes the case for a return to sound money.

“It is becoming more and more obvious that the Fed operates for the benefit of a few privileged banks, banks that never suffer for bad decisions they make,” Paul [wrote](#) in his most recent column. “Quite the opposite — as we have seen since October 2008, under our current monetary system politically-connected banks are paid to make bad decisions.”

Analysts, reporters and lawmakers are still combing through the almost 30,000 pages of documents just released by the Fed. And though some important information was redacted, more details about the central bank’s bailouts are expected to emerge in the weeks and months ahead.



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