Former Fed Official "Sorry" for QE Looting of Public to Enrich Wall Street

With the growing national outcry over the Federal Reserve's so-called "quantitative easing" (QE) scheme to enrich Wall Street by conjuring trillions of dollars into existence to prop up mega-banks, at least one former high-ranking official at the U.S. central bank issued a heartfelt public apology. Writing in the *Wall Street Journal*, Andrew Huszar, who managed the Fed's $1.25 trillion mortgage-backed security buying spree until 2010, explained in detail how the deeply controversial plot served mostly to enrich big bankers and financiers — all at public expense.

"I can only say: I'm sorry, America," Huszar wrote this week about his role in fleecing everyday Americans to shower the big banks with more loot. "The central bank continues to spin QE as a tool for helping Main Street. But I've come to recognize the program for what it really is: the greatest backdoor Wall Street bailout of all time." The Fed's marketing gimmicks used to make the heist seem palatable to the public — supposedly helping to keep cheap credit flowing to the American people amid the crisis — proved to be a bogus smokescreen used to conceal the real agenda.

Huszar, who has experience in banking and academia, had left his previous job at the Federal Reserve in early 2008 over frustration at the institution's increasing submission to Wall Street. The next year, he was asked to come back, this time to manage the centerpiece of the Fed's unprecedented bond-buying bonanza. He described the scheme as "a wild attempt to buy $1.25 trillion in mortgage bonds in 12 months." It would represent the "largest" so-called economic "stimulus" plot in American history, Huszar noted, dwarfing the massive banker bailout approved by Congress that so enraged the public.

Pointing out that the Fed had never purchased a single mortgage bond in its close to a century of existence before QE, Huszar suddenly found himself overseeing an unprecedented scheme that was "constantly" putting confidence in key financial markets at risk around the world. "We were working feverishly to preserve the impression that the Fed knew what it was doing," he argued, suggesting, implausibly, that the central bank's leadership did not really understand the consequences of its reckless activities. Eventually, though, Huszar became suspicious again.

"Despite the Fed's rhetoric, my program wasn't helping to make credit any more accessible for the average American," he wrote in his public apology, which has made headlines worldwide as public outrage over the central bank continues to grow. "The banks were only issuing fewer and fewer loans. More insidiously, whatever credit they were extending wasn't getting much cheaper. QE may have been driving down the wholesale cost for banks to make loans, but Wall Street was pocketing most of the extra cash."

Indeed, as *The New American* magazine reported in mid-2010, the Fed and the mega-banks were collaborating to rip off the public in so many different ways that it became almost impossible for analysts to keep up with them all. Among the many schemes: Taking low-interest loans from the Fed and shoveling the funds into Treasury bonds with higher yields at taxpayer expense, unloading garbage "assets" on an unsuspecting public in exchange for newly created currency, manipulating virtually every market, propping up foreign and domestic banks and currencies, and much more.

All of the machinations, of course, were being perpetrated from the shadows, with the New York Fed pointing out in court filings that it is a privately owned institution in a bid to shield itself from Freedom of Information Act requests. The central bank even hired lobbyists and began a public-relations offensive to ensure that it would not be properly audited by Congress. Amid what countless analysts have described as the largest wealth transfer in world history — with the wealth flowing from the poor and middle class to the mega-wealthy establishment — millions of everyday Americans were losing their jobs, life savings, and retirements. The banks, though, were doing great.

While some senior Fed officials began tepidly pointing out the devastating effects of so-called "QE" on the public, at the top of the pyramid, central bank bosses remained undeterred. "Now the only obsession seemed to be with the newest survey of financial-market expectations or the latest in-person feedback from Wall Street's leading bankers and hedge-fund managers," Huszar explained. "Sorry, U.S. taxpayer." The first round of QE schemes eventually ended in March of 2010, and the results confirmed that the Fed's outlandish bond-buying program "had been an absolute coup for Wall Street."

Huszar then goes on to describe some of the ways through which the Fed helped enrich its cronies. "The banks hadn't just benefited from the lower cost of making loans," he noted. "They'd also enjoyed huge capital gains on the rising values of their securities holdings and fat commissions from brokering most of the Fed's QE transactions." Indeed, the Fed's machinations were so successful at showering wealth on the banks that "Wall Street had experienced its most profitable year ever in 2009," Huszar explained, adding that 2010 "was starting off in much the same way."

Despite the increasingly obvious and disastrous effects of the first round of its wealth redistribution schemes, the Fed announced round two just months later. Germany's finance minister promptly lambasted the decision as "clueless." In Zimbabwe, strongman Robert Mugabe and his central bankers were probably smiling. For Huszar, though, enough was enough. "That was when I realized the Fed had lost any remaining ability to think independently from Wall Street," he wrote. "Demoralized, I returned to the private sector."

Huszar, who currently serves as a senior fellow at Rutgers Business School, then offers an update on the current status of the Fed's schemes. The U.S. central bank, he points out, is still shoveling some $85 billion into bonds every month, "chronically delaying so much as a minor QE taper." In all, the Fed has conjured some $4 trillion of new currency into existence over the last five years just to buy bonds. "Amazingly, in a supposedly free-market nation, QE has become the largest financial-markets intervention by any government in world history," he noted.

The results, however, speak for themselves. Citing the Fed's own best-case-scenario calculations, the lawless QE scheme has supposedly "generated" a few percentage points of economic growth, though those dubious claims are highly suspect at best. Other analyses cited by Huszar suggested that the real number could be a mere fraction of one percent — or even less. In reality, the worst devastation and economic havoc unleashed by the scheme has probably not even been felt yet. The bogus "growth" will almost certainly be exposed as a fraud at some point in the not-too-distant future.

"Both of those estimates indicate that QE isn't really working. Unless you're Wall Street," Huszar said. "Having racked up hundreds of billions of dollars in opaque Fed subsidies, U.S. banks have seen their collective stock price triple since March 2009. The biggest ones have only become more of a cartel: 0.2% of them now control more than 70% of the U.S. bank assets. As for the rest of America, good luck."

Indeed, as Huszar also points out, the Fed's QE ploy actually allowed policymakers to put off serious reforms to confront "a real crisis: that of a structurally unsound U.S. economy." Instead of fixing matters by restoring markets and honest money, the gargantuan economic distortions are only growing. Citing experts, Huszar pointed to "bubble-like" conditions, too. None of it is going to end well — at least not for the American people.

Fed boss Ben "Helicopter" Bernanke and his likely successor, Janet Yellen, despite acknowledging some "shortcomings" with QE, continue to stand by the radical schemes. "The implication is that the Fed is dutifully compensating for the rest of Washington's dysfunction," Huszar concluded. "But the Fed is at the center of that dysfunction. Case in point: It has allowed QE to become Wall Street's new 'too big to fail' policy."

Huszar seems to believe — or at least wants readers to believe — that the unprecedented fleecing of Americans by the central planners and mega-bankers at the Fed was all simply a well-intentioned, if severely misguided, scheme to get the economy back on track somehow. The facts, however, show something much more sinister. Of course, it is true that central planning schemes fail even in the historically unlikely event that the planners are actually well-meaning. That fact alone should be a good enough argument to shut down the Fed. But there is much more to QE than clueless policy.

A neutered audit of the central bank approved by Congress, for example, documented some $16 trillion in bailouts amid a dizzying array of conflicts of interest at the institution. Consider: The people in charge of bailing out the mega-banks were the leaders of the mega-banks themselves. As just one example highlighted by outraged lawmakers, the CEO of JP Morgan Chase was serving on the board of the New York Fed even as his firm gobbled up almost $500 billion from the central bank. The same bank was simultaneously helping to administer the Fed's secret bailouts, too.

Now, with the U.S. dollar and the banking cartel that controls it becoming increasingly discredited, the effort to create a global fiat currency to serve as the world reserve is accelerating. Just last month, the looming end of the dollar's reign was being trumpeted in headlines across the globe — even in the U.S. establishment press. The communist regime ruling mainland China also used its propaganda organs to openly call for a "de-Americanized" so-called New World Order featuring a planetary currency and an empowered United Nations.

If the American people and their representatives in Congress do not take urgent steps to rein in the Fed and the powers behind it, devastating consequences are all but guaranteed. With a vast majority of voters favoring a proper audit of the U.S. central bank, though — and a bi-partisan coalition of lawmakers determined to open up the Fed's books — it is not too late to stop the machinations in their tracks. Still, only an educated and activated citizenry will be able to do what it takes.

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