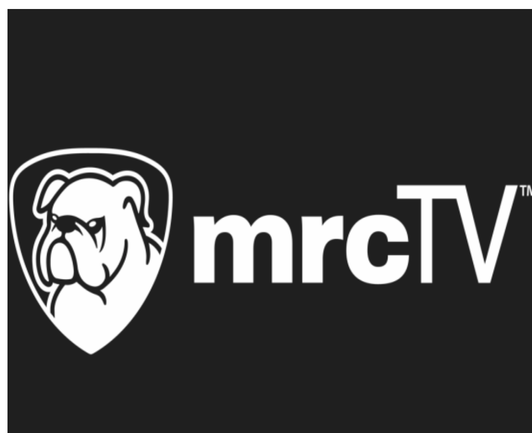

Fed-FDIC-Treasury Bailouts Help Big Banks While Choking Small Banks and Crypto

P. Gagardner Goldsmith

March 27, 2023

There appears to have been something prophetic about last week's report on Senator James Lankford (R-OK) confronting Treasury Secretary Janet Yellen over the new "Bank Term Funding Program" (BTFP) that the Treasury, Federal Reserve, and government-created Federal Deposit Insurance Corporation (FDIC) recently formed to "fully cover" – i.e. *bail out* – certain banks.

As we noted, Senator Lankford correctly expressed worry that Yellen and the BTFP focus on big banks with large depositors (often holding a lot more than the already reckless $250,000 per deposit that the FDIC unconstitutionally "insured") would inspire the unintended consequence of depositors at small banks shifting to the bigger, government-favored institutions.

Lankford's worry was just part of the larger "concern constellation"; he seems to have been proven right – and there is much more trouble to report.

Tom Ozimek observes for NTD:

"Deposits at America's small banks fell by a record amount in the week ending March 15 as the collapse of Silicon Valley Bank (SVB) spooked depositors and led many to withdraw their savings."

That's a hefty statement, with powerful implications, so let's define terms:

“Data from the Federal Reserve shows that deposits at small banks—defined as those smaller than the biggest 25—dropped $119 billion to $5.46 trillion, more than twice the previous record drop.”

Of course, it’s possible that this drop is just a symptom of a larger economic problem, so, logically, one would want to compare this change to any changes in how people are dealing with larger banks.

“Deposits at large U.S. banks, meanwhile, rose $67 billion in the week ended March 15, reaching $10.74 trillion.”

This comes not only after the demonstrable favoritism of the Yellen-Fed-FDIC nexus, it comes as Yellen tells Lankford that the new BTFP will pick and choose which banks to favor in the future, and that they will base their calculus on what she has called the “risk of contagion” that a bank might pose for the whole economy.

Which does not necessarily mean that the banks they claim are “risks of contagion” always will be allowed to continue operating, and, more important, it does not even mean that the banks that Yellen and the BTFP target for closure actually represent “risks of contagion.”

This is a new weapon in the already too large, already unconstitutional, federal-banking-corporate arsenal that one might see as the flipside to what Congress allowed the Federal Reserve to do starting with the 2020 CARES Act. In that act, the Federal Reserve is allowed to buy the bonds of any corporation its Fed Board desires, without telling anyone what the Fed is buying, or divulging the underlying fundamentals of that corporation. And, clearly, this is an open door to favoritism and corruption, further turning what once was a “free-er” market in the U.S., circa, say, the late 19th Century, into an even more fascist beast full of cronies.

The manner in which BTFP can act as the flipside to the CARES-Federal Reserve power can be seen by considering that term “risk of contagion” and analogizing that to the better-known realm for such a term: medicine.

As close-observers are aware, for much of the so-called “pandemic” – beginning in early 2020, medical establishments and government bureaucracies employed the Polymerase Chain-Reaction Test, or “PCR Test,” to determine whether a patient had contracted COVID-19. But even the inventor of the PCR Test warned against using it as a diagnostic arbiter. The test takes a small sample and “cycles” it, exponentially multiplying the contents and, as a result, providing for easy false-positives. The government then incentivized medical centers to affix the “died FROM COVID” label to patients who might have tested positive but did not die from COVID-19, thus pushing up the “pandemic lethality” numbers and generating more fear of “contagion” and death.

Now consider the term “systemic economic contagion risk” being left in the hands of the government and its federally-created cohorts at the Federal Reserve and FDIC.

And consider these two pieces of important breaking news.

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First: while they love the idea of a Central Bank Digital Currency (CBDC) controlled by the government or its proxy, the Federal Reserve, the federal “money” police appear to really, really, dislike private, anonymous cryptocurrency like Bitcoin. Jesse Coghlan writes for Cointelegraph that Coinbase, a crypto-trading exchange that helps facilitate use of digital currency like Bitcoin and others, recently was targeted by so-called federal “regulators”.

“On March 22, the crypto exchange became the latest crypto firm to receive a ‘legal threat’ — a Wells notice — just a month after stablecoin-issuer Paxos received its own in February. Some suggest there could be more to come.”

A Wells Notice is a formal message from the Securities and Exchange Commission (SEC -- enjoy the search for THAT in the U.S. Constitution) is preparing to start, or has just finished, an investigation into a financial trader or firm, “allowing” the target to send a letter of defense explaining why the SEC is wrong to investigate, or, if the “investigation” has been conducted, arguing why SEC legal action is unjustified. The Wells Notice assumes not only that the SEC has this kind of arbitrary mobster power, but also that the SEC fits into the invisible-ink-section of the Constitution.

“Mati Greenspan, the chief of crypto research firm Quantum Economics, said he believes U.S. regulators have been unfriendly to crypto ‘since the beginning.’

The recent collapses of crypto and startup-friendly banks, including Silvergate, Silicon Valley Bank and Signature Bank, have been viewed by some as being part of a scheme by regulators to un-bank the crypto sector, dubbed ‘Operation Choke Point 2.0.’”

Operation Choke Point being the 2014 Obama Administration use of federal agencies like the Department of Justice, the FDIC, and the Office of the Comptroller of Currency to “choke” off conservative-oriented businesses like gun sellers from being able to engaging in banking.

Two massive new reports -- one from Nicholas Anthony, of the Cato Institute, and the other from writer/engineer and radio host David Knight outline how this pattern appears to be the template for a Bidenista “Operation Chokepoint 2.0” against crypto users and traders.

And Ozimek adds more evidence:

“Meanwhile, a March 20 economic report from the White House turned into a scathing review of the merits of crypto assets, with the paper spending almost an entire chapter debunking crypto’s ‘touted’ benefits.”

Similarly, on March 18, Alex Thorn reported for CoinDesk that the International Monetary Fund (IMF) is not neutral on crypto. In fact, the IMF position against crypto is so obvious – running so contrary to another of its most recent positions, that one could reasonably conclude that its member states have an agenda: to claim private crypto is not an asset and then destroy its popularity.

The IMF, he explains, is starting to use its “loan-offering” power to turn nation-states away from allowing crypto. For example:

“Most recently, Argentina has agreed to ‘discourage’ the use of cryptocurrency as a condition of a $45 billion loan from the IMF. The announcement comes less than a year after El Salvador’s plan to use bitcoin as legal tender met with vocal complaints from the IMF ahead of negotiations on a loan with that country.”

A generous and trusting person might think that the IMF is doing this because its members think that private crypto is “risky” and that nations with large crypto-user bases could run the risk of asset-imbalance and collapse.

But the IMF just announced a $15.6 BILLION loan to Ukraine, a warring nation-state that may not even exist in its current form 18 months from now.

Which is the greater risk of default – a nation with crypto users in its banking system – i.e. people often using Bitcoin, which is not inflatable and rises in value year-to-year relative to the U.S. Federal Reserve Note – or UKRAINE?

Consideration of which brings us back to Yellen, the Fed, the FDIC, their new BTFP power-broker cabal, and that term “contagion.”

The flipside to the Fed’s “CARES” bond-buying power is the BTFP power to simply label any bank “a risk of contagion,” applying their own version of the PCR Test through their own claim that crypto like Bitcoin is not a real asset, and to shut it down.

Despite the IMF tipping its deceptive hand by shoving cash at Ukraine even as the IMF big-wigs claim crypto is not an asset, the members of the BTFP can – and likely WILL – use similar

rhetoric as they target crypto-dealing banks for shut-down and push more of the financial industry towards consolidation.

That consolidation will not be welcoming to real cryptocurrency that we can control ourselves. It will welcome a central bank, government-controlled, privacy-invading CBDC.

More and more economists and financial experts are starting to warn us.

And Yellen’s language indicates that they want this consolidation. And control.