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American bailouts, a tradition unlike any other

The US coronavirus relief bill is not a bailout for the coronavirus. It's a bailout for twelve years of corporate irresponsibility

Twelve years ago, banks asked for a bailout after years of irresponsible, highly leveraged lending. The Treasury Department put out a three-page term sheet seeking money from Congress with no strings attached, even eliminating judicial review. Democrats balked, called it a slush fund and worse, then agreed after a few mostly meaningless bits of oversight and some promises to help ordinary people. That USD 700bn bailout was window dressing for trillions that came from the Federal Reserve, but it kept Congress quiet, hooking them into the rescue of the system.

Twelve years later, virtually the same course of events is taking place. After just a couple weeks of extreme social distancing measures, the Treasury Department asked for a large bailout, this time of the entire corporate sector. The bill as written initially would have made all bailout activities secret for six months. Democrats balked, called it a slush fund and worse, and then agreed to a few mostly meaningless bits of oversight and some promises to help ordinary people. In fact they're the same bits of oversight from the 2008 TARP bailout: a five-member oversight panel and an inspector general for the program.

The enormity of this bailout is being under-reported. The number you're hearing is USD 500bn. Of that, USD 75bn goes to the airline industry and the mysteriously named 'businesses critical to national security.' The other $425bn helps capitalise a USD 4.25 trillion, with a T, leveraged lending facility at the Federal Reserve. The taxpayer dollars would soak up any losses from that lending program. The loans won't be secret anymore, but the oversight is largely after the fact, without subpoena power, and mainly reduced to writing reports. How exactly do you expect a small, underfunded panel to find fraud in a USD 4.25 trillion lending facility! Especially when the current administration explicitly believes they are not required to turn over anything to Congress.

Rubber-stamping an unequal system

So it's not a USD 2 trillion bill, it's closer to USD 6 trillion, and USD 4.3 trillion of it comes in the form of a bazooka aimed at CEOs and shareholders, with almost no conditions attached. There's apparently only a buyback ban for the term of the loan. The money cannon can therefore go to executive compensation or mergers or wholesale purchases of distressed businesses or whatever other financial engineering the accounting department can muster. And once the company returns to health, it can leak out cash to investors (and during the loan too, in dividends). There's no requirement to keep workers hired; in fact, the (necessary) provision to boost unemployment insurance for four months to 100 per cent of median salary (including furloughed workers, gig workers and freelancers) means that these companies can fire with relative impunity. Members of Trump's family can't get bailout funds, so, yay.

Small businesses get their own programme and can't participate in the USD 4.3 trillion bonanza.

This is a robbery in progress. And it's not a bailout for the coronavirus. It's a bailout for twelve years of corporate irresponsibility that made these companies so fragile that a few weeks of disruption would destroy them. The short-termism and lack of capital reserves funnelled record profits into a bathtub of cash for investors.

That's who's being made whole, financiers and the small slice of the public that owns more than a trivial amount of stocks. In fact they've already been made whole; yesterday Wall Street got the word that they'd be saved and stocks and bonds went wild. BlackRock, the world's largest asset manager, is running these bailout programs for the Fed and could explicitly profit if the Fed buys its funds, which it probably will.

This is a rubber-stamp on an unequal system that has brought terrible hardship to the majority of America. The people get a USD 1,200 means-tested payment and a little wage insurance for four months. Corporations get a transformative amount of play money to sustain their system and wipe out the competition.

Progressives are apoplectic

Small businesses get their own programme and can't participate in the USD 4.3 trillion bonanza. They get USD 300bn, so do the math on who's supported more. They get forgivable loans if they keep staff on payroll; there's no such requirements for the corporates. While the

Federal Reserve, which can transfer money from the cash cannon with ease, runs the corporate bailout, the hapless Small Business Administration will deal with the small businesses; they have been endlessly criticized for delays on their couple billion in loan guarantee programs, let alone USD 300bn. The monopolists get concierge service, the small businesses get to take a number. And the result will almost certainly be massive concentration of power.

This bill is an outrageous betrayal, a testament to how power works and saves itself.

There's also USD 150bn for state and local governments and USD 130bn for hospitals (though not much for actual equipment, it seems to fix certain existing problems with their businesses).

Progressives I've talked to on the Hill are apoplectic. 'Temporary survival money for workers, trillions in permanent economic inequality saving a bunch of executives and elites,' said one House Democratic aide. There's particular anger reserved for the big show made of the House Democratic bill, a sideshow that never was part of the Senate-side negotiation.

Democrats whining from the sidelines

'During this moment of unprecedented crisis, who's valued by Trump's cruel administration is becoming clearer than ever,' said Maurice BP-Weeks, Co-Executive Director of Action Center on Race and the Economy. That's true, but it's also true of the entire political system, not just Trump. 'Democratic leaders acceding to a Mnuchin managed slush fund reveal themselves to be too tired and spineless to be entrusted with power,' Jeff Hauser of the Revolving Door Project rightly states.

This bill is an outrageous betrayal, a testament to how power works and saves itself. And Congress is about to put itself on the hook for it. Schumer has the Senate under his thumb.

Democrats will whine from the sidelines as money is pushed into the hands of corporate elites. That's the way they like it: no agency and ineffectual grandstanding. Someday Larry Kudlow will write a book called *Firefighting* about how he saved the economy in between board meetings of the six companies left in the country. And we'll wonder how things got so off track. Don't wonder.

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