



## Central Bank Digital Currency plan exposes new bailout strategy

By Elisa Barwick

The US Federal Reserve is working on a scheme which would render commercial banks a relic of the past and put government spending via stimulus programs under Fed control, with digital money—"personal QE"—injected directly into individual Fed bank accounts, and investment programs deployed by Wall Street investment banks. A secondary, but equally important aim, is the surveillance capability afforded by the scheme.

Ahead of the annual Jackson Hole central bankers' summit in August 2019, the world's largest asset management fund BlackRock, led by several ex-central bankers, proposed a new stimulus strategy, delivered by a historically unique "coordination of monetary and fiscal policy", a.k.a. "monetary regime change". This would give the central bank control of fiscal as well as monetary policy, privatising a crucial function of government. This year's online summit carried that agenda forward, as reported in "Jackson Hole: full speed ahead with bank bailouts", AAS, 2 September. Already, earlier this year BlackRock was brought on board in a no-bid contract to administer Fed bond buying programs as part of its coronavirus financial response.

In a seemingly separate proposal at the 2019 summit, then Bank of England head Mark Carney proposed a global Central Bank Digital Currency (CBDC) to replace the US dollar. Since then all major central banks have been intensively studying the prospect. Recent revelations about what those studies involve make clear that a CBDC will provide the mechanism for fiscal injections (both on a personal and on a government scale), via the Fed, to save banks, and as such is a crucial factor in securing the desired financial regime change.

On 23 September Cleveland Federal Reserve Bank President Loretta Mester gave a speech titled "Payments and the Pandemic" at the annual Chicago Payments Symposium held by the Federal Reserve Bank of Chicago. "The experience with pandemic emergency payments has brought forward an idea that was already gaining increased attention at central banks around the world, that is; central bank digital currency (CBDC). ..." Mester said. "Legislation has proposed that each American have an account at the Fed in which digital dollars could be deposited, as liabilities of the Federal Reserve Banks, which could be used for emergency payments."

This currency would be electronically registered to the account owner and its every use would be traceable. By this Big Brother form of "bank lending", the Fed could make the entire commercial banking system obsolete, as a June Philadelphia Federal Reserve working paper, "Central Bank Digital Currency: Central Banking for All?", revealed. Central bank runs being less likely than commercial ones, "it will attract all deposits in the market away from the commercial banking sector", stated the report. Additionally, it would employ investment banks to spend the money it creates—i.e. gambling specialists like JPMorgan and Goldman Sachs: "since a central bank is not an investment expert, it cannot invest in long-term projects itself, but relies on investment banks to do so."

Mester described the research and testing the Fed is engaged in, indicating unsurprisingly that it is under the oversight of the central bank of central banks, the Bank for International

Settlements: "The Federal Reserve Bank of New York has established an innovation centre, in partnership with the Bank for International Settlements, to identify and develop in-depth insights into critical trends and financial technology of relevance to central banks."



Bankers are pushing the CBDC strategy: from the Fed's Loretta Mester, left, to Blythe Masters, right, formerly of JPMorgan Chase. Photos: Wikipedia

On 13 August in a San Francisco Fed webcast, Federal Reserve Governor Lael Brainard had announced that the Fed is "studying" a CBDC for "direct payments" to personal or business bank accounts. The Boston Fed, she said, "is collaborating with researchers at the Massachusetts Institute of Technology in a multiyear effort to build and test a hypothetical digital currency oriented to central bank uses." On 1 August two well-known long-time Federal Reserve economists, Julia Coronado and Simon Potter, proposed "recession insurance bonds" which the Fed would wire directly to Americans' savings accounts in the form of deposit of a digital currency. In a Bloomberg interview they discussed the idea that decisions on spending be a collaboration between the Treasury and Fed.

Fed studies cite "digital-currency investment firms" as vehicles to invest in the economy as commercial banking is eliminated. Further proving this will be investment of, by and for big banks, the Wall Street figure prominently involved in setting them up is a former JPMorgan Chase investment banker, Blythe Masters. She worked at the Wall Street bank's Global Commodities Trading desk which was charged in 2012 with market rigging and is said to have invented the credit default swap, the derivative which triggered the 2008 global financial crisis. Her latest project is "digital technology for financial services and investment" as CEO and board member of the newly and heavily funded Digital Asset Holdings and Motive Partners firms, reported *Forbes* in December 2019. Blythe was one of the speakers at a 3 September Brookings Institution forum on "The future of cryptocurrencies and stablecoins", at which Bank of England Governor Andrew Bailey spoke on the potential for cooperation among central banks in the creation of a digital payments system.

The big question is, even if all this did happen, would any of the money find its way into the economy? Look at the Fed's Main Street Lending program which was supposed to crank up the economy during the COVID crisis: only US\$39 billion in loans, or just 0.5 per cent of its US\$7.1 trillion book of otherwise Wall Street and foreign central bank assets has flowed into that program. Instead, there is already a bill in Congress for a National Infrastructure Bank which the Treasury could capitalise with existing bonds to fund infrastructure and vital services with very low interest, long-term loans to states, cities and productive enterprises.

*This article includes reporting by Paul Gallagher, EIR News Service.*