

Bailout of US corporations expands while workers see little relief

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Two weeks after the passage of the \$2.2 trillion coronavirus pandemic corporate bailout bill, grotesquely misnamed the CARES Act, it is clear that it was only the initial shot in the funneling of countless trillions of dollars to the corporate-financial aristocracy that rules America.

While billions have already flowed to the corporations and banks, the limited provisions of the act that were touted by both parties as a boon to working people hit by the shutdown of much of the economy have yet to kick in, and for millions they likely never will.

The act includes \$454 billion as a Treasury backstop to enable the Federal Reserve to provide some \$4 trillion in cheap loans to major corporations and banks, meaning the real scale of the bailout—thus far—is more than \$6 trillion.

The vast bulk of the money allocated goes to covering any losses suffered by major corporations and fueling a new surge in the stock market. That it has succeeded, at least for the present, in lifting the markets is seen in more than 10 percent surge in the Dow over the past several trading days. This has occurred in the midst of an ever-rising toll of death and suffering from the pandemic and grim projections by bankers and economists of a depression-level contraction in the economy and a catastrophic growth of unemployment.

The expanding scale of the bailout and euphoria on the financial markets, alongside the economic and social catastrophe facing the broad mass of the population, demonstrates that the interests of the ruling class and those of the working class are diametrically opposed. The response of the ruling elite and its two political parties to the crisis has from the onset been single-mindedly focused on defending the economic interests of corporate-financial oligarchy, no matter the cost in human life.

In just the last several weeks, the Federal Reserve Board has announced at least 12 major measures to rescue the financial markets and backstop big business. These include:

- Two emergency interest rate cuts, bringing the benchmark lending rate back down to near-zero

- A pledge to purchase at least \$500 billion in Treasury securities and \$200 billion in mortgage-backed securities and to continue the program for “as long as needed”

- Nearly unlimited sums in short-term loans to 25 large financial institutions that control the market for repurchase agreements, or repos, including \$1.5 trillion in the days following the announcement

- Foreign exchange swap lines, the purchase of short-term loans to US corporations in the commercial paper market, short-term loans to 24 large financial institutions, and, for the first time ever, direct purchases of corporate bonds and direct loans to corporations.

The *Wall Street Journal* quoted Jean Boivin, head of BlackRock Investment Institute, as saying, “The amount of measures taken in a short amount of time is surreal and unprecedented.”

“It’s kind of crazy how they’ve almost done as much in this week as they did in several months in 2008,” JPMorgan’s chief US economist Michael Feroli said last month. “Now they do have the advantage of just being able to dust off [former Fed Chairman] Bernanke’s playbook.”

Fed Chairman Jerome Powell gave a blanket guarantee of unlimited funds to corporate America, telling the “Today” show this week, “Where credit is not flowing, we have the ability in this unique circumstance to step in and provide those loans.”

Now both the Trump administration and the Democrats have committed to provide an additional \$250 billion to the so-called “Paycheck Protection Program.” That is the Orwellian name given by the two parties to the \$350 billion program ostensibly established to provide government-backed loans to small businesses, many of which face bankruptcy as a result of the shutdown of much of the economy, and save the jobs of their workers over *the next eight weeks*. (That this is farcically inadequate, even if

implemented in full, in the midst of the greatest economic crisis since the Great Depression, is self-evident).

The program is designed to provide a windfall for the big banks, which actually extend and administer the loans that are backed by the Small Business Administration (SBA). This ensures that Wall Street receives billions of dollars in fees and other charges.

On the eve of the official launching of the program last Friday, the law was amended, under pressure from the banks, to double the interest rate from 0.5 percent to 1.0 percent. Now the banks are demanding that the Fed buy any loans they extend to small businesses so as to remove them from their balance sheets. This will allow them to more freely engage in financial speculation and parasitic activities such as stock buybacks.

Moreover, the great bulk of the money will go not to mom-and-pop groceries, gas stations or eateries, but rather to large corporations that are included in the program. Thus, for example, the program was amended to include billion-dollar restaurant and hotel chains.

Small businesses desperate for cash are finding it difficult if not impossible to actually find lenders who will provide the loans, even if their applications are approved by the SBA. Banks, intent on maximizing profits, are turning down applications right and left.

Citigroup is refusing to participate. Bank of America is not accepting applications from companies that have borrowed from other banks. Wells Fargo says it has already reached “capacity.”

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Hundreds of thousands of businesses have applied under the program, but to date only a handful have received any money.

Meanwhile, congressional Democrats are pressing the Trump administration to expand the \$50 billion bailout of the airlines included in the CARES Act. This is, supposedly, another “jobs-saving” effort. Delta, for its part, has already laid off thousands of its employees.

There are no real restrictions in the law on how the corporations use the money they are given by the government. No one should doubt that the airline carriers, which spent some \$16 billion over the past three years to purchase their own stock—in order to further enrich their top executives and major investors by driving up the stock price—will use their bailout money to do more of the same.

The Trump administration, for its part, is reportedly considering such additional “stimulus” measures as a payroll tax cut—which would starve Social Security of funding—a capital gains tax cut, 50-year Treasury bonds and a waiver that would relieve businesses of liability for employees who

contract the coronavirus on the job.

Trump has moved to negate even the token congressional oversight of the bailout program mandated in the law. On Monday, he named a White House lawyer and Trump loyalist, Brian Miller, as inspector general of the Treasury Department’s \$350 billion small business (“Payroll Protection Program”), and on Tuesday he removed Glenn Fine as head of the Pandemic Response Accountability Committee, tasked with monitoring the entire \$2.2 trillion program. Trump replaced him with a “senior policy adviser” at US Customs and Border Protection, Jason Abend.

Workers are finding that the promised relief from the bailout law—which accounts for only a small fraction of the total cost of the measure—is uncertain if not entirely illusory.

The *New York Times* reported Monday that many Americans will not receive the promised relief check of \$1,200, plus \$500 for each child, until August or September. As many as 10 million low-income, childless adults who are eligible for the stimulus payment program may receive nothing because they have not filed tax returns. Millions more, including undocumented workers, prisoners, students and adult dependents are excluded.

As for the \$250 billion expanded jobless benefit part of the law, which is supposed to extend state benefits for 13 weeks and add \$600 a week in federal funds for up to four months, workers are finding it all but impossible to apply. Multiple state unemployment websites have crashed under the crush of millions of applicants, and scenes of hundreds of workers lining up, in the midst of a pandemic lockdown, to apply in person are proliferating around the country.



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