

FIGURE 2.7
U.S. Financial Mercantilism: Bailouts, Debt, and the
Socialization of Credit Risk, 1982–2007

Year	Rescue	Government methodology
1982–92	Mexico, Argentina, Brazil debt crisis	Federal Reserve and treasury relief package to avoid domino effect on U.S. banks.
1984	Continental Illinois Bank aid	\$4 billion Fed, treasury, and FDIC rescue package.
Late 1980s	Discount window bailouts	Fed provides loans to 350 weak banks that that would later fail, giving big depositors time to exit.
1987	Post-stock market dive rescue	Massive liquidity provided by Fed, and rumors of Fed clandestine involvement in futures market.
1989–92	S&L bailout	U.S. spends \$250 billion to bail out hundreds of S&Ls mismanaged into insolvency.
1990–92	Citibank and Bank of New England bailouts	\$4 billion to help BEN, then government assistance in arranging a Saudi infusion for Citibank.
1994–95	Mexican peso rescue	Treasury helps support the peso to backstop U.S. investors in high-yield Mexican debt.
1997	Asian currency bailout	U.S. government pushes IMF for rescue of embattled East Asian currencies to save American and other foreign lenders.
1998	Long-Term Capital Management bailout	Fed chairman Greenspan helps arrange bailout for shaky hedge fund with high-powered domestic and international connections.
1999	Y2K fears	Liquidity pumped out by Fed to ease Y2K concern helps fuel final NASDAQ bubbling.
2001–5	Post-stock market crash rate cuts	Fed cuts U.S. interest rates to 46-year lows to reflect U.S. financial and real estate assets and protect the U.S. economy's newly dominant FIRE sector.
2007	Structured investment vehicle and subprime mortgage bailouts	Treasury Secretary Paulson proposes super-SIV fund to rescue top banks and negotiates subprime mortgage relief mechanism.