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This watchdog wants to 'demystify' America's COVID-19 bailout

BY: **AVERY ELLFELDT** | 08/24/2020 07:01 AM EDT

Bharat Ramamurti is a member of the oversight commission charged by Congress to monitor how the Treasury Department and Federal Reserve are managing COVID-19 recovery dollars. | Congressional Oversight Commission Media/YouTube

CLIMATEWIRE | A blunt observation captures the essence of Bharat Ramamurti's career as a dogged corporate watchdog.

America's economic troubles, he says, "come down to this question about the role of corporations and the rules that they play by."

As a member of the COVID-19 Congressional Oversight Commission, Ramamurti today helps Congress oversee the allocation of billions of dollars by the Treasury Department and the Federal Reserve aimed at stabilizing the economy during the worst health crisis in a century.

When Ramamurti, 38, was appointed to the newly created commission in April, the longtime adviser to Sen. Elizabeth Warren (D-Mass.) had media savvy. He also had a desire to speak frankly about how the Trump administration was distributing $500 billion in federal assistance to companies and local governments.

Right off the bat, he took to Twitter to trumpet his biggest concern. Instead of boosting hiring at small and medium-sized businesses, he warned in April, Treasury and the Fed had laid out a plan designed primarily to prop up large corporations without assurances that federal aid will make its way to workers.

Ramamurti graduated from Yale Law School in 2007, as the subprime-mortgage market was starting to unravel. Within a year, the banking sector was on the verge of a near-total meltdown. Lehman Brothers collapsed as Americans entered the final stretch of the 2008 presidential election, and Congress and Treasury officials under President George W. Bush scrambled to marshal a plan for one of the biggest financial bailouts in history. In early 2009, under the Obama administration, Congress passed economic stimulus legislation.

Bharat Ramamurti. | @BharatRamamurti/Twitter

Critics say the bank bailout and stimulus package failed in one spectacular way: It left millions of homeowners who would default on their mortgages in 2008 and 2009 without a lifeline.

In an interview, Ramamurti said the last crisis drives his present-day concern: Without strong oversight, an economic bailout in the COVID-19 era could bypass people who need it the most.

In that vein, Ramamurti has been an outspoken critic of the Fed's handling of a key loan program, accusing the central bank of expanding loan eligibility to accommodate struggling oil and gas companies.

Five months after the creation of the fund for businesses and local governments, passed by Congress in March as part of a $2.2 trillion stimulus package, Ramamurti said his original fears are "more severe now than even at the beginning."

He attributed that in part to the Fed's corporate bond-buying programs. They provide financial liquidity for big companies, he said, but not enough is being done to temper executive pay, restrict dividends and stock buybacks, and to ensure workers are kept on the payrolls.

What's resulted, Ramamurti said, is a taxpayer-backed corporate bailout that so far has had a "minimal or negligible" benefit for workers.

Climate risk

During the commission's first public hearing in early August, Ramamurti blasted the Federal Reserve's "Main Street Lending Program," which is run by the Boston Fed and targets small and medium-sized companies (*Climatewire*, Aug. 10).

Only a fraction of the initiative's $600 billion lending capacity had been used by that point, a sluggish pace for a program meant to boost a sector that represents millions of American jobs.

Also troubling, Ramamurti said, was evidence suggesting the Fed tweaked the program's parameters to accommodate reeling oil and gas companies.

In late April, the Fed increased the maximum expanded loan amount to $200 million. It also decided to no longer require borrowers to pledge in writing that they only need a loan due to the economic conditions brought on by the coronavirus crisis.

Those changes opened the Main Street program to bigger companies, including oil and gas producers that were heavily indebted and grappling with collapsing energy demand.

The program's expansion mirrored requests that had been made by Republican lawmakers, the Independent Petroleum Association of America and Trump administration officials. They all urged the Fed to revise the program to ensure fossil fuel producers would be eligible for lending (*Climatewire*, May 18).

Energy Secretary Dan Brouillette told Bloomberg TV in an interview after the Fed announced its changes that he and Treasury Secretary Steven Mnuchin worked "very closely" with the central bank to boost access to the program. "And that's what we've done," he said.

"I find it deeply troubling that the Fed would seem to be making changes in order to accommodate an industry that is politically connected, that the president is personally in favor of," Ramamurti told E&E News.

Federal Reserve Chairman Jerome Powell and Eric Rosengren, president of the Federal Reserve Bank of Boston, reject that read on events. "This is a broad-based program; it's been a broad-based program from the start," Rosengren said during the commission hearing earlier this month. "It's not targeted at specific firms or specific industries."

Ramamurti acknowledged that eligible companies, oil and gas among them, have demonstrated little appetite for the Main Street loans so far. But in the case that interest did surge, and the industry overcame any remaining barriers to accessing the program, he's not convinced it would boost the sector's long-term health, or keep its workers employed.

"There's no requirement that the companies use this money to maintain their payroll," he said. "In fact, with the change that allows them to use the money to repay old debts, what this is really going to end up doing ... is allow these oil and gas companies to pay off the financial firms that have lent them money before. So it's a bailout of those creditors, those big Wall Street companies."

Lee Reiners, executive director of the Global Financial Markets Center at Duke University, said the attention that Ramamurti gave the oil and gas sector is critical to an analysis of federal support for volatile commodity markets that contribute to climate change.

In 2019, Ramamurti left Warren's Senate staff to join her presidential campaign as a deputy policy advisor. In that role, he worked on policy plans that included proposals for addressing Wall Street financing of coal, oil and natural gas projects, which contribute to climate change.

The Fed in early August disclosed it had purchased $316 million in energy sector bonds through one of its corporate debt-buying programs.

Asked about what the coronavirus pandemic shows about the economic implications of a warming world — and the United States' ability to prepare for future impacts — Ramamurti's answer was twofold.

"Investments in minimizing the impact of these types of events save money in the long run and can avoid a lot of needless death and suffering," he said.

"As long as there is a major American political party that disdains science," he added, "we will continue to handle these risks worse than almost any other country in the world."

'Only one Elizabeth Warren'

Ramamurti wants to follow the money. He says his top priority is to "explain as clearly as possible to the public, 'Here is what is happening to your money — and here is how it is affecting you.'"

His main concern isn't just who is receiving aid; he's also fixated on determining who isn't.

"Some of this stuff is very difficult and not necessarily intuitive if you don't have a deep background in securities markets or these kinds of transactions," he said. "And I think trying to demystify and explain, that is the first step to doing proper oversight, because you need to do that in order for the public to understand."

Ramamurti says it's an approach informed by his experience in Warren's office as the senior council for banking and economic policy. He spent nearly six years there, where much of his work revolved around shepherding Warren's top priorities: to "rein in the power of corporations" and to "fundamentally reform corporate governance in America."

Notably, in the aftermath of the 2007-2008 financial crisis, Warren, too, sat on a congressional oversight panel charged with monitoring the bailout that ensued. "There's only one Elizabeth Warren," Ramamurti said, but he said he aims to follow the "power of her example" as a member of the five-member commission (only four members have been appointed) and at the Roosevelt Institute, where he directs research on corporate power.

Gregg Gelzinis, an economic policy adviser at the left-leaning Center for American Progress, said Warren's former aide brings economic expertise and political agility to the job. Perhaps most importantly, he said, is Ramamurti's focus on people who have lost their jobs or whose jobs are in jeopardy. "I think that view is absolutely critical," Gelzinis said. "It's been his north star."