

# Federal Reserve Financial Mismanagement

By [Stephen Lendman](#)

Global Research, May 18, 2020

Region: [USA](#)

Theme: [Global Economy](#)

*The misnamed Federal Reserve isn't federal. It's owned and controlled by major Wall Street banks.*

*It serves their interests at the expense of sound economic policy, ignoring its congressional mandate to "promote effectively the goals of maximum employment, stable prices, (low inflation), and moderate long term interest rates."*

The Fed transformed monetary policy into a tool for elevating stock prices to more greatly enrich America's privileged class at the expense of protracted Depression conditions, high unemployment, and far greater underemployment throughout most of the new millennium.

Its mismanagement is greatly exacerbated by the current economic collapse, a likely protracted economic death cycle for most Americans.

Tens of millions are unemployed. Millions with jobs are working reduced hours for poverty-level pay and few or no benefits.

Countless millions lost healthcare coverage at a time when it's most needed.

GDP, retail sales, industrial production, unemployment, and other economic data plunged to record low levels while food prices are surging — risking a 2nd epidemic of hunger and malnutrition.

Real unemployment isn't the phony Labor Department's 14.7%.

When calculated according to its pre-1990 model, it's 39.6% and rising, according to economist John Williams.

By comparison, unemployment during the depths of the Great Depression was around 25%.

Noted Wall Street analyst Jeremy Grantham earlier slammed what he called "ruinous" Fed policymaking, saying:

"If I were a benevolent dictator, I would strip the Fed of its" wrongheaded policymaking, "limit(ing) its meddling to attempting to manage inflation," adding:

"I would limit (Fed) activities to making sure that the economy had a suitable amount of liquidity to function normally - a Goldilocks formula, not too hot, not too cold, just right."

"I would force it to swear off manipulating asset prices through artificially low rates and asymmetric promises of help in tough times" — the so-called Fed

put, believing its policymaking will reverse stock prices if fall too far.

The so-called Reagan era-established Plunge Protection Team operates by manipulating stock, bond, commodity, and currency markets.

There's nothing random about market movements, one of many Wall Street myths.

Grantham also explained that abnormally low interest rates for protracted periods encourage destabilizing speculation, adding:

Fed governors know that "low rates and moral hazard encourage higher asset prices and increased speculation, heading, when unchecked, to bad endings," small investors and ordinary people hurt most.

Policies of Greenspan, Bernanke, Yellen, and now Powell elevated markets to unsustainable bubble levels.

Artificially low interest rates like now also transfer wealth from savers and retirees to corporate America and high-net-worth individuals.

Quantitative easing has nothing to do with reviving economic growth — everything to do with providing investors with low-cost or near-free money for speculation.

It lets corporations buy back shares to artificially elevate their valuations.

Despite decades of Fed policy errors, it failed to learn from its mistakes and correct them.

It's more off-the-rails under Powell than his predecessors, handing trillions of dollars of virtual free money to Wall Street banks and other corporate favorites at a time when policymaking should focus like a laser on helping ordinary Americans by creating jobs and reviving economic growth.

Instead, neoliberal slow-motion train wreck Fed, White House, and congressional policies keep worsening conditions at a time when vital aid is needed for most Americans.

Instead of contributing to the solution, the Fed is a key part of the problem.

Even the late free market economist Milton Friedman called for abolishing the Fed, saying:

It has a "very poor record, and it's done more harm than good" by creating financial crises.

"We don't need the Fed," he said, adding:

"I have for many years been in favor of replacing the Fed with a computer (that) would print out a specified number of paper dollars" to augment the money supply — the "same number, month after month, week after week, year after year."

"The Fed has had very few periods of relatively good performance. For most of its history, it's been a loose cannon on the deck, and not a source of stability."

"I do not believe the Fed ought to let its monetary policy be determined by the

stock market.”

“The Fed ought to devote its attention solely to keeping a relatively stable price level of goods and services” and working for full employment.

Since established in 1913 by federal law at the behest of monied interests, time and again the Fed failed to achieve its mandated obligations.

Sunday on CBS News 60 Minutes, Fed chairman Jerome Powell was interviewed.

Instead of apologizing for failed policies and vowing to change his ways for the betterment of the economy and ordinary Americans, he falsely blamed dire economic conditions on COVID-19.

He ignored the longtime house of cards US economy. If coronavirus didn't trigger collapse, it would have been something else — notably because of Fed mismanagement.

He maintained the myth that “the the economy...can start getting better fairly soon,” ignoring its rotting underbelly because of wrongheaded Fed, congressional, and executive branch policymaking.

Rome burns while he, Trump, and congressional leaders pretend otherwise.

At the same time, Powell admitted that recovery “could stretch through the end of next year. We really don't know.”

He failed to explain that since economic collapse began this year, over 100,000 US small and medium-sized business shut down permanently, millions of jobs gone, according to a National Bureau of Economic Research study.

He largely ignored record high plunges of key economic data, notably unemployment that way exceeds the worst of the Great Depression with no near-term prospect for turning things around.

If a second coronavirus outbreak occurs, all bets are off. It could be worse than what's ongoing, perhaps lasting well into next year or longer — exacerbating a collapsed economy and human misery more greatly than already.

Throughout the 60 Minutes interview, Fed mismanagement was ignored, Powell's feet not held to the fire.

Nor were the economically harmful policies of his most recent predecessors.

Instead of challenging Powell's false claim that millions of Americans were only laid off “temporarily,” the deception wasn't corrected.

Nor was his projected max 20 – 25% unemployment challenged when it's already near-40%.

Powell also deceptively claimed that “we had a very healthy economy two months ago” — ignoring its house of cards status, a bubble economy burst by a public health crisis.

A litany of misinformation and disinformation was offered viewers throughout the interview.

At no time was Powell's feet held to the fire.

Nor was anything said about how Wall Street manipulators transformed America into an unprecedented money making racket, facilitated by government collusion at the highest federal, state and local levels — at the expense of the general welfare.

Notably since the neoliberal 90s, ordinary Americans have been scammed of their savings, jobs, homes, and futures to let privileged elites get richer and more powerful.

Money power runs America and the world. The Wall Street owned Fed does it by controlling money, credit and debt, along with manipulating markets for corporate and private enrichment without oversight or supervision.

Fed money printing madness defrauds the public, instead of constructively sustaining prosperous, inflation-free, growth that colonial America enjoyed for a generation — long before the Fed existed.

Markets today work by manipulating them for special interests to profit hugely at the expense of an economy that works for all Americans.

None of the above was discussed during the CBS interview with Powell.

Like most everything aired and published by establishment media on major issues, Sunday's broadcast was a exercise in mass deception.

Viewers were left uninformed about the economy's dismal state that's likely to sustain harder than ever harm times for the vast majority of Americans longterm.

\*

Note to readers: please click the share buttons below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

*Award-winning author Stephen Lendman lives in Chicago. He can be reached at [lendmanstephen@sbcglobal.net](mailto:lendmanstephen@sbcglobal.net). He is a Research Associate of the Centre for Research on Globalization (CRG)*

*His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III."*

*<http://www.claritypress.com/LendmanIII.html>*

*Visit his blog site at [sjlendman.blogspot.com](http://sjlendman.blogspot.com).*

The original source of this article is Global Research  
Copyright © [Stephen Lendman](#), Global Research, 2020

---

**[Comment on Global Research Articles on our Facebook page](#)**

**[Become a Member of Global Research](#)**

Articles by: [Stephen Lendman](#)

## About the author:

Stephen Lendman lives in Chicago. He can be reached at [lendmanstephen@sbcglobal.net](mailto:lendmanstephen@sbcglobal.net). His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III."

<http://www.claritypress.com/LendmanIII.html> Visit his blog site at [sjlendman.blogspot.com](http://sjlendman.blogspot.com). Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network. It airs three times weekly: live on Sundays at 1PM Central time plus two prerecorded archived programs.

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)