Interest Rate Hikes, America's Economy in Crisis: Trump Considers Replacing Federal Reserve Chairman Powell?

By Stephen Lendman
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According to Bloomberg News, Trump is furious about Powell's rate hikes while financial markets are slumping badly. More on this below.

In 2016, presidential aspirant Trump said Fed Chairwoman Janet Yellen should be "ashamed" of herself for keeping short-term interest rates too low.

Months earlier, he said low rates are "the best thing going for us," calling any increase "scary." In December 2008, the Fed cut its benchmark interest rate to near-zero (a range of zero to 0.25%).

From then to December 2015, the Fed funds rate remained at near-zero. After seven years of unprecedented accommodative monetary policy, including a tsunami of quantitative easing (QE easy money) for years, an October 29, 2014 Fed press release said the following:

The Open Market Committee (FOMC) "decided to conclude its (QE) asset purchase program this month."

It's "maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction."

> "This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions."

Months earlier, former Reagan-era Office of Management and Budget (OMB) Director David Stockman called QE "high grade monetary heroin," adding "(o)ne day, it'll "kill the patient," adding:

Over the last quarter of a century,

> "(w)hat has been growing is the wealth of the rich, the remit of the state, the girth of Wall Street, the debt burden of the people, the prosperity of the beltway, and the sway of the three great branches of government which are domiciled there – that is, the warfare state, the (corporate) welfare state and the central bank."

> "What is failing…is the vast expanse of the Main Street economy where the great majority has experienced stagnant living standards, rising job insecurity,

> failure to accumulate any material savings, rapidly approaching old age and the certainty of a Hobbesian future where, inexorably, taxes will rise and social benefits will be cut."
>
> "And what is positively falling is the lower ranks of society whose prospects for jobs, income and a decent living standard have been steadily darkening."

The above remarks describe the dystopian new normal. Wall Street, other corporate favorites, and high-net-worth individuals never had things better – while ordinary Americans struggle to get by, a few missed paychecks from possible homelessness, hunger and despair, what years of thirdworldizing the nation is all about.

Monied interests run things. The president, Congress, and the courts serve them. Until rolling back QE began, along with raising interest rates, years of unrestrained monetary heroin showed how far off the rails the Fed strayed.

Money printing madness doesn't stimulate growth or create jobs when used for speculative investments, mergers and acquisitions, high salaries, and big bonuses – while wages for ordinary Americans fail to keep pace with inflation and vital benefits erode.

Helicopter Ben Bernanke dropped lots of money on Wall Street and into the pockets of wealthy investors. Virtually none went to Main Street where it's vitally needed.

When people have money they spend it. A virtuous cycle of prosperity follows. America once was sustainably prosperous growth. Today the nation is in decline. It's heading for third world status. It's more a kleptocracy than democracy.

America's super-rich got fabulously richer by investing their wealth to create more of it. During the height of the 2008-09 financial crisis, a popular slogan was: "Banks got bailed out." Ordinary people "got sold out."

Fed chairmen Alan Greenspan and Ben Bernanke were maestros of misery, creating financial bubble conditions. America's 1% profited hugely at the expense of the vast majority of ordinary people.

As Fed chairman, Bernanke handed speculators over $20 trillion, mostly interest-free, amounting to legalized bank robbery, creating unsustainable bubble conditions.

From December 2015 under Fed Chairwoman Yellen to December 19, 2018 under Jerome Powell, succeeding her on February 5, 2018, the Fed raised its benchmark short rate nine times.

It's currently at 2.25 – 2.50%, historically low, no drag on economic growth. Powell signaled fewer hikes in 2019, perhaps two instead of four this year.

According to Bankrate's chief financial analyst Greg McBride, "(t)he Fed downshifted (its) projections of 2019 economic growth, inflation, and interest rate hikes – not in a big way but enough to remove the urgency of repeated rate hikes."

Powell signaled that future moves will be data-dependent. When economic contraction occurs, rates will be cut, perhaps along with resumption of QE.

Trump railed against Powell's latest rate hike. According to Bloomberg News, he "discussed firing (him) as his frustration with the central bank chief intensified following this week's interest-rate hike and months of stock-market losses, according to four people familiar with the matter," adding:

> "Advisers close to Trump aren't convinced he would move against Powell and are hoping that the president's latest bout of anger will dissipate over the holidays, the people said on condition of anonymity."
>
> "Some of Trump's advisers have warned him that firing Powell would be a disastrous move. Yet (he) privately spoke about firing Powell many times in the past few days, said two of the people."

What unfolds in the post-holiday period remains to be seen. Presidents, congressional members, their appointed bureaucrats, and the courts are servants of money power running America.

The Federal Reserve isn't federal. It's privately owned and controlled by major Wall Street bankers. They decide who runs it.

It's been this way since enactment the 1913 Federal Reserve Act, creating the Fed, a coup d'etat by powerful Wall Street bankers. The same year's Revenue Act imposed a federal income tax for the public to pay interest on the federal debt.

As long as giant Wall Street banka control the nation's money, ordinary people will be entrapped in a "web of debt," Ellen Brown explained – amounting to permanent debt bondage, the national wealth increasingly transferred from the public to private bankers, most people none the wiser.

If Congress controlled the nation's money as mandated under the Constitution's Article I, Section 8, none of this would have happened.

Bankers choose Fed chairmen and governors. It's always been this way. Presidents have no say. They announce pre-selected choices while pretending otherwise.

Wall Street bankers chose Powell as Fed chairman. They'll decide if he stays, goes, and who'll replace him one day.

Longterm speculative excess is mainly behind current market turbulence, not current interest rates, still historically low, hugely benefitting investors at the expense of savers, the nation's elderly harmed most.

It's unclear whether sharp equity price declines signal a more protracted erosion of valuations, or if the current selloff is short-term – the fullness of time to tell.

What's going on now will be best be understood in hindsight. Before his untimely passing in June 2012, International Forecaster owner and editor Bob Chapman said America is in terminal decline.

Powerful interests went too fair, and they know it, he stressed, adding they're waging a losing rear guard action. It never worked before and won't now.

Money printing madness assures bad endings. Chapman's advice to investors was sound. He predicted a major day of reckoning ahead, its timing to be determined by events.

If the moment of truth arrived, Chapman's warning will be borne out. If not now and coming later, the fullness of time will explain what's only guesswork now.

Award-winning author Stephen Lendman lives in Chicago. He can be reached at 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

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About the author:

Stephen Lendman lives in Chicago. He can be reached at 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. 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.