

# US Fed Chairman demands plan to cut social programs

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Testifying Wednesday before the Budget Committee of the House of Representatives, Federal Reserve Board Chairman Ben Bernanke demanded that Congress and the Obama administration map out a program of austerity measures to bring down record budget deficits. Bernanke made clear that the heart of this program should be sharp cuts in social spending, including basic entitlement programs such as Social Security and Medicare.

"Maintaining the confidence of the financial markets," Bernanke said in prepared remarks to the committee, "requires that we, as a nation, begin planning now for the restoration of fiscal balance."

The phrase "confidence of the financial markets" is a euphemism for the interests of Wall Street and major international banks and investors. In demanding the preparation of austerity measures to be imposed on the American people, Bernanke was speaking in behalf of the financial elite whose massive taxpayer subsidies have been the major cause of the explosive growth over the past year of the federal deficit and the US national debt.

Even as he called for plans to slash social programs, Bernanke said that the economic "recovery," which he predicted would begin later this year, would be preceded by a continued surge in unemployment that would last for a protracted period. Acknowledging that nearly 6 million jobs in the US have been lost since the beginning of 2008, he said "sizable job losses and further increases in unemployment are likely over the next few months."

Even when the economy stops shrinking—currently at an annual rate of 6 percent—"businesses are likely to be cautious about hiring, and the unemployment rate is likely to rise for a time," he said.

The Congressional Budget Office estimates that the fiscal 2009 federal deficit will top \$1.8 trillion, more than four times the deficit for 2008. Bernanke told the committee that the ratio of federal debt held by the public to the gross domestic product (GDP) will likely rise from 40 percent before the onset of the financial crisis to 70 percent in 2011.

Warning that a continuation of such levels of debt could drive up the cost of government borrowing—a disastrous prospect for an economy dependent on a continuous stream of loans from China, Japan and other countries—Bernanke said that the deficits would have to be reduced substantially either through tax increases or budget cuts. "The Federal Reserve will not monetize the debt," he declared.

He made clear that his prescription for “fiscal balance” was dramatic cuts in what remains of social programs, rather than tax increases. He zeroed in on the basic programs upon which tens of millions of Americans depend—Social Security and Medicare.

Noting projections of rising outlays for these entitlement programs as millions of baby boomers retire, he said “we will not be able to continue borrowing indefinitely to meet these demands.” Speaking of “difficult choices,” he said, “Congress, the administration and the American people must confront how large a share of the nation’s economic resources to devote to federal government programs, including entitlement programs.”

He said that if these programs were not reined in, taxes would have to be raised, and then made clear his preference, calling for “spending and budget deficits” to be “well controlled.”

Bernanke’s call for austerity policies is entirely in line with the program of the Obama administration. Obama has pledged to slash the budget deficit by half by the end of his term, placing a reduction in health care costs and entitlement “reform” at the center of his fiscal policy. This week, his treasury secretary, Timothy Geithner, in a two-day visit to China, pledged to reduce the US budget gap from the current 12.9 percent of GDP to 3 percent. In a speech at Peking University, he spoke of a permanent reduction in the “discretionary spending” of the American people.

At Wednesday’s Budget Committee hearing, the ranking Republican, Congressman Paul Ryan of Wisconsin, articulated even more openly than Bernanke the ruthless policy of the US ruling elite toward the working class. He said he was concerned about political pressure on the Fed to delay tightening credit in the face of long-term high unemployment, and urged the Fed chairman to adhere to the central bank’s “commitment to price stability”—in other words, to pursue a deliberate policy of keeping unemployment high in order to bludgeon the working class into accepting wage cuts and other concessions.

House Majority Leader Steny Hoyer, speaking for the Democrats, sounded a similar note. He told reporters that Bernanke is “absolutely right, we need to be very concerned about incurring additional indebtedness.” He said the Democratic-controlled House planned to pass legislation before its July 4 recess to establish “pay-as-you-go” rules, which, he said, would require that any increase in spending be offset by cuts in other programs.

In addition, he said, “We need to address entitlements.”

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