Bush names another "free market" ally of Wall Street to succeed Greenspan at the Federal Reserve

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President Bush on Monday named Ben S. Bernanke to succeed Federal Reserve Board Chairman Alan Greenspan, who will step down January 31 after serving as the Fed chief since 1987.

Bernanke was quick to reassure Wall Street that his appointment would not signal any significant shift from the policies pursued by the Federal Reserve for the past 18 years. "My first priority will be to maintain continuity with the policies and policy strategies established during the Greenspan years," Bernanke told reporters following the White House announcement.

Stock prices shot up Monday on the news of Bernanke's nomination for the top Fed post, with the Dow Jones industrial average rising 169.78 points, or 1.7 percent, the biggest rally in six months. The appointment is seen by Wall Street analysts as a sign that there will be no diversion from the economic principles of the Greenspan era—policies which have led to unprecedented wealth accumulation for a tiny elite and growing levels of poverty for masses of working people.

The appointment comes at a time of growing nervousness in financial circles over the state of the US and world economy, and these concerns have been heightened by the prospect of Greenspan's retirement. Massive US budget, balance of trade and balance of payments deficits, soaring oil prices and an upsurge in inflation have roiled the stock market and fueled a sense of foreboding. These concerns were reflected in an editorial in Tuesday's *Washington Post* which, while praising Bernanke, noted, "... he has never had to manage the response to the default of a country, the collapse of the dollar or the implosion of a big hedge fund, all crises that may lie in his future."

The Hurricane Katrina disaster exposed the social devastation produced by more than a quarter century of unbridled capitalism, in which huge tax cuts for big business and the rich, the lifting of regulations on corporate profit-making, privatization and the gutting of the social safety net have undermined the country's infrastructure and the ability of government to carry out elementary functions essential to modern mass society. The desperate plight of hundreds of thousands of trapped and abandoned residents of New Orleans underscored the worsening plague of poverty in the midst of staggering levels of personal wealth.

Yet two months later, the appointment of Bernanke, another right-wing exponent of "free market" policies, to head the most powerful banking institution in the world testifies to the determination of the American ruling elite to pursue the same socially destructive agenda, subordinating all public considerations to the further accumulation of private wealth.

Ben Bernanke, 51, has been an academic for most of his career, most recently as the head of the Department of Economics at Princeton University. He was appointed by Bush in 2002 to the Fed's board of governors, where he served alongside Greenspan. This past June he was named by Bush to head the President's Council on Economic Advisers.

Bernanke's nomination was hailed in the media as a welcome contrast to Bush's naming of his long-time associate and crony Harriet Miers to the US Supreme Court. As important as the Supreme Court, a cornerstone of the bourgeois state, is for the US ruling elite, the Federal Reserve Board is regarded with even more deference within the upper echelons of the corporate and financial establishment. It exerts enormous power over decision-making bearing directly on the most fundamental economic and class interests of the ruling elite. In regard to this post, the forces that dominate American society are not inclined to permit the short-term political calculations or personal ties of a mere president to intrude. Hence Bush's decision to pass over his inner circle and name someone eminently acceptable to Wall Street.

Bernanke is, in any event, an avid supporter of the administration's pro-business economic policies. He spoke at length praising Bush's tax cuts in an October 11 address to the National Economists Club. In an editorial on Tuesday, the *Wall Street Journal* wrote, "As for Mr. Bernanke, he supports making the Bush tax cuts permanent as soon as possible. He's an ardent free trader, and we have heard him say favorable things about tax reform."

His nomination has prompted nearly universal praise from the financial and banking industry. In a note to clients, Goldman Sachs economist William Dudley described Bernanke as "highly competent and a monetary policy expert." A statement released by the Mortgage Bankers Association applauded his selection.

The response to Bernanke's nomination has been highly favorable across the official political spectrum, as indicated by Tuesday's editorial in the *New York Times*, the newspaper most identified with America's erstwhile liberal establishment.

The *Times* was nearly gushing in its praise, writing, "Mr. Bush may have just picked the best person for the job." As a governor at the Federal Reserve, the *Times* writes, Bernanke was "a superb monetary economist who won over financial markets." The editorial concludes: "Clearly, Mr. Bernanke will have a tough job filling Mr. Greenspan's shoes. But he is as close to the perfect choice as Mr. Bush could have made."

The bipartisan support for Bernanke in the Senate, which must confirm Bush's nominee, was signaled by Senator Charles Schumer, Democrat of New York and a member of the Banking Committee. Schumer said, "We need a careful, nonideological person who understands that the Federal Reserve's main job is to fight inflation, and Ben Bernanke seems to fit that bill."

The anti-working class offensive that has been the hallmark of the Fed under Greenspan has gained the outgoing Fed chairman the adulation of Democrats and Republicans, conservatives and "liberals" alike. As Greenspan approaches retirement, he is being hailed as an "icon." In its editorial Tuesday, the *Washington Post* referred to his "nearly mythical status."

In reality, in his 18-year tenure as Federal Reserve Board head—an unelected position, wielding vast power over the lives of millions in the US and beyond—Greenspan has presided over the greatest transfer of wealth in US history from the working population to the financial elite.

This growth of social inequality has been accompanied by obscene levels of self-enrichment on the part of corporate America and its widespread descent into criminality, undermining the financial stability of many companies. Corporate bankruptcies have mounted, wiping out billions of dollars in assets, hundreds of thousands of jobs, and the pensions and savings of millions of retirees and small shareholders.

This gouging of the economy in the interests of the wealthy began in earnest under Greenspan's predecessor, Paul Volcker, who was appointed Fed chairman by Democratic President Jimmy Carter in 1979. Under conditions of double-digit inflation, Volcker drastically drove up interest rates, creating conditions of recession and mass unemployment and undermining the wages struggles of workers.

Under the Republican administration of Ronald Reagan, the attack on the working class was intensified, with a wave of wage-cutting, factory closures and union-busting, inaugurated by the August 1981 mass firing of the air traffic controllers in the PATCO union. In 1987, Alan Greenspan was tapped by Reagan to head the Federal Reserve.

A review of economic indices in the years from Volcker's 1979 appointment to the present provides some measure of the growth of social polarization and inequality, a trend which the ruling class and its political representatives hope to perpetuate with the installation of Bernanke.

Since 1979, the after-tax income of the top 1 percent of Americans has increased by 201 percent. The top 20 percent has seen its income grow by 68 percent; the middle 20 percent by 15 percent. By contrast, the after-tax income of the bottom 20 percent has increased by a mere 9 percent.

Another statistic charts CEO pay at Fortune 100 companies as a multiple of the average pay of workers at the same firms. In 1980, CEO pay was 41 times that of the average worker; a decade later it was 85 times greater. By 2000, CEO pay at Fortune 100 companies was 531 times greater than that of the average worker. This astonishing figure was only slightly mitigated a year later, to a multiple of 411, as a result of the bursting of the stock market bubble.

According to the Bureau of Labor Statistics, workers' average weekly earnings (measured in 1982 dollars) have gone down in 15 of the 26 years from 1979 through 2004, including a .84 percent drop in 2004.

In 2004, the number of millionaire households in the US grew to 7.5 million, with this layer controlling $11 trillion in assets. The minimum wage, however, has plummeted in real terms. It is today 26 percent lower than in 1979. Only last week, the US Senate rejected a proposal to raise the national minimum wage from its current poverty level of $5.15 per hour.