Federal Reserve chairman outlines class war policy

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Ben Bernanke, chairman of the United States Federal Reserve, held a press conference Wednesday where he signaled an intensification of the US ruling class's predatory economic policy: the devaluation of the US dollar, high unemployment, and an expanding attack on the working class.

Wednesday's news headlines presented the results of this policy: the stock market hit its highest level in ten years, the price of gold hit a new record, and the US dollar came within sight of its lowest level ever.

Bernanke's press conference, the first time that the fed chairman took extended questions from the media, followed a two-day meeting of the Federal Open Market committee, which published a statement earlier in the day stating its commitment to wrap up the central bank's extraordinary purchase of securities, called QE2, by June, as it had earlier announced.

The committee also downgraded its economic outlook for 2011, expecting more unemployment, higher inflation, and slower growth than it had previously envisioned. Economists expect the commerce department to announce Thursday that the US economy grew at an annualized rate of 2 percent in the first quarter of 2011, compared to 3.4 percent in the fourth quarter of last year and 4.5 percent in the third quarter.

Bernanke gave a number of causes for the expected slowdown, including weaker exports, inclement weather, and the continued slump in the housing market. He notably did not include federal, state, or local budget cuts in the list of causes. He later said explicitly that, in his opinion, the effect of government spending cuts on economic growth had been negligible.

Bernanke, usually reserved in his calls for fiscal austerity, unequivocally praised the budget-cutting schemes being discussed in Congress. He said that addressing the deficit is the "most important" problem for the country, and said he was grateful that Congress had taken up the issue seriously.

He had nothing but praise for the move last week by Standard & Poor's, the debt rating agency, to downgrade the outlook on the United States' sovereign debt, saying he hoped that the downgrade would pressure lawmakers to reduce the federal deficit.

Responding to Bernanke's statement, a reporter said, “In the past there have been times when fiscal policy has tightened and the Federal Reserve has chosen to ease its policy in response.” The reporter pointed to the disastrous impact of austerity measures on the British economy, and asked if the Fed could do anything to prevent a similar outcome.

Bernanke answered categorically, “The cuts that have been made so far don't seem to us to have had significant consequences for short-term economic activity,” a statement that stood in stark contradiction to the economic slowdown that Bernanke said would be reflected in first-quarter figures. Fed officials said they expect the US gross domestic product to grow by 3.1-3.3 percent in 2011, significantly less than their earlier estimates of 3.4-3.9 percent. They also said they expect inflation to be 2.1-2.8 percent this year, compared to their previous estimate of 1.3 to 1.7 percent.

Bernanke presented all of his actions within the framework of preserving the “dual mandate” of the Federal Reserve: low unemployment and stable prices. But In reality, low unemployment couldn't be further from the Fed chairman's mind. His real aim is to prop up financial profits with easy money, impoverish workers with unemployment and inflation, and carry out trade war measures against America's rivals by devaluing the dollar.

When asked by a reporter why the Fed had been unable to lower the unemployment rate faster, Bernanke said that the Federal Reserve's response had been “very aggressive.” This statement was nothing but an false amalgam between the trillions of dollars in bailout money given to the banks and the nominal goal of lowering unemployment. But instead of hiring, corporations have taken the Federal Reserve's money and either hoarded it or used it to gamble on commodities and stocks.

The press conference took place amid a drastic rise in food and gas prices. World food prices have risen by 36 percent over the past year, according to the World Food Organization, and the price of gasoline at the pump in the US has risen by a dollar during the same time.

Total US inflation over the past twelve months was 2.7 percent, according to Consumer Price Index figures from the Bureau of Labor Statistics, which have come under growing criticism for undervaluing the increase of food and energy prices.

Bernanke said that “almost all” of the increase in oil prices over the past few years was attributable to two causes: the political turmoil in the Middle East and growing demand from the developing countries. In effect, Bernanke ruled out any contribution by the Federal Reserve's expansionary monetary policy, which has flooded the world economy with cash and has facilitated a worldwide upturn in speculation.

The US dollar has fallen almost 17 percent against other currencies since June, hitting a two-and-a-half year low Wednesday and coming within sight of its lowest price ever. Bernanke sought to downplay accusations that the Federal Reserve was competitively devaluing the dollar as a predatory stimulus to US industry, saying, “The Fed believes that a strong and stable dollar is in America's best interests and in the interests of the global economy.”

In November 2010, the Federal Reserve announced that it would purchase $600 billion of treasury bonds, in addition to the assets already on its books, in an effort to expand the money supply beyond the “floor” created by the near-zero federal funds rate. The Federal Reserve had earlier indicated that it would conclude the program in June, and confirmed this plan with the release of the Federal Open Market Committee statement.

Bernanke insisted that the scheduled completion of the fed's asset-purchasing program did not constitute a form of fiscal tightening, since the fed would not sell the assets it had purchased, but would continue to hold them on its books. He said that, in the event the fed would wish to tighten the money supply it could do so by selling the mortgage-backed securities and treasury assets it had purchased. The fed chairman refused to specify when he thought such monetary tightening was likely to occur.

Bernanke's press conference signals a continuation of the parasitic policies of the American ruling class. The US will continue to flood the world economy with cash, fueling global inflation, skyrocketing food and energy prices, and all the social misery this brings.

Meanwhile the US will continue to try to extricate itself from the economic crisis at the direct expense of its neighbors through a devaluation of the dollar. For all Bernanke's bluster about a “strong dollar,” the end result of the Federal Reserve's policy is an effective export subsidy to American corporations through the relative cheapening of US-made goods.

At the same time, Bernanke has, more explicitly than any other US central banker before him, come out in favor of austerity, even though the very plans he supports threaten to plunge the US economy into a second recession, throwing millions more people out of work and causing untold social misery.