Senate confirms Janet Yellen as Fed Chair

Move signifies continued free money to Wall Street

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The US Senate confirmed Janet Yellen, President Obama's nominee to replace Ben Bernanke as chairman of the Federal Reserve Board, Monday evening. The move is a signal that the pro-Wall Street policies carried out by Yellen's predecessor, Ben Bernanke, will continue.

Yellen, who has served as the Fed's vice-chair since October 2010, is, after Bernanke himself, the figure most associated with the Federal Reserve's unprecedented money printing operations known as "quantitative easing." Through these programs, the central bank has purchased hundreds of billions of dollars in mortgage backed securities and US Treasury bonds, transferring cash into the hands of the banks and fueling a stock market bubble.

The direct and intended consequence of quantitative easing has been to vastly increase the wealth of the super-rich and inflate corporate profits, even as the conditions for the vast majority of the population remain dire.

Yellen was appointed by a vote of 56-26, with a low turnout due to severe weather travel delays.

The Senate had also scheduled a procedural vote to extend federal jobless benefits, which were cut off for 1.3 million people after Christmas. However, the Democratic leadership put the vote off until Tuesday as a result of the absences, even though the circumstance gave the Democrats a slight voting advantage. The nomination of Yellen, unlike providing over a million jobless people with a source of income, was considered urgent business and could not be put off because of the weather.

Yellen received the fewest confirmation votes ever for a Federal Reserve chair, slightly less than Bernanke, who was confirmed to a second four-year term in 2010 by a vote of 70 to 30. Bernanke will continue as Fed chairman through January 31, and he will preside at this month's Federal Open Market Committee (FOMC) meeting on January 28 and 29.

Democrats praised Yellen prior to the vote. Senator Sherrod Brown of Ohio proclaimed, "It is more important than ever that we have strong regulators like Governor Yellen who can recognize emerging threats to economic stability." He added, "In confirming her, we can look forward to a new era of recovery and growth."

Playing into the Obama administration's recent efforts to brand its right-wing policies as supportive of the "middle class," Yellen said at her confirmation that the Fed's monetary stimulus has "made a meaningful contribution to economic growth," adding that "the ripple effects go through the economy and bring benefits to, I would say, all Americans." In fact, the wealth of the US's billionaires has doubled since the 2009 crash, while the bottom 95 percent of the population has seen their incomes shrink.

Reflecting divisions within the ruling class over the long-term consequences of quantitative easing, including for the position of the dollar, Yellen's Republican opponents warned that the Fed's easing money policies were fueling a stock market bubble. "While the stock market has become addicted to easy money, the benefit to Main Street has been questionable at best," said Republican Senator Charles Grassley prior to the vote.

In a Wall Street Journal poll of over three dozen economists conducted late last year, sixty percent said that "Fed policy under Ms. Yellen won't differ much than if had Mr. Bernanke stayed," while all but one of the rest expect her to pursue even more aggressive easy money policies.

Yellen's selection was largely ensured when former

US Treasury Secretary Lawrence Summers informed Obama in mid-September that he was withdrawing his name from consideration.

Even though Obama had initially indicated a preference for Summers, a longtime servant of the banks and champion of deregulation, Wall Street made clear it backed Yellen due to concerns that Summers would not be sufficiently aggressive on monetary policy. A number of leading Democrats on the Senate Banking Committee said they would not vote for him.

While the Federal Reserve announced on January 18 that it would begin to "taper" the volume of its monthly asset purchases, from $85 billion to $75 billion, Bernanke later made clear that the Fed will virtually guarantee near-zero interest rates for at least another year. Stock markets rallied at the announcement.

The official statement of the FOMC said that "It likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6.5 percent." This means the US central bank will continue to make credit available to the major banks on a virtually unlimited and free basis.

Speaking last week before the American Economic Association in Philadelphia, Pennsylvania, Bernanke reemphasized that' "to modestly reduce the pace of asset purchases at its December meeting did not indicate any diminution of its commitment to maintain a highly accommodative monetary policy for as long as needed."

Since late 2008, the Fed's asset holdings have ballooned from $870 billion to nearly $4 trillion as a result of various quantitative easing programs. All three major US stock indexes have more than doubled in value since 2009, following the Wall Street crash of September 2008. In 2013, the DOW Jones Industrial Average rose by over 25 percent, smashing through the record high of 16,000, while the NASDAQ has increased by more than 40 percent.