Trump calls for more cheap money for financial markets

Nick Beams
8 April 2019

The Trump administration is stepping up its push to have the US Federal Reserve ease monetary policy and provide a further boost to financial markets amid controversy over proposals to fill two vacancies on the Fed's governing board.

On Friday Trump followed an earlier call by White House economic adviser Larry Kudlow for a 0.5 percentage point cut in interest rates, telling reporters the Fed should resume financial asset purchases, the policy of "quantitative easing."

Following the release of new data showing that jobs grew by 196,000 last month, Trump said the economy could have grown faster without the Fed's interest rates rises last year as it attempted to "normalise" monetary policy.

"I personally think the Fed should drop rates; I think they really slowed us down," he said. "There's no inflation. In terms of quantitative tightening it should actually now be quantitative easing. You would see a rocket ship."

Trump's comments come in the wake of the Fed's pullback from its planned interest rate increases this year and its decision to end the winddown of its financial asset holdings, accumulated in the wake of the financial crisis, by September.

This followed the market turbulence last December and denunciations of the Fed by Trump who said it had gone "crazy" and "loco," amid reports he was considering whether he was able to sack Jerome Powell as Fed chairman.

In the immediate aftermath of the financial turmoil, Powell indicated in January that the Fed had received the market message. At its March meeting, the FOMC (Federal Open Market Committee) indicated there would be no further interest rises this year.

Equally significant was its decision to maintain its holdings of bonds and other financial assets at around $3.5 trillion—compared to around $800 billion before the global financial crisis—effectively signalling the end of any attempt to return to pre-crisis monetary policy.

Clearly encouraged by the Fed's latest moves, Trump has decided to press ahead. He has signalled that he is considering the appointment of two political supporters to fill vacancies on the Fed's board of governors.

Last month, the president announced he was looking to former campaign adviser Stephen Moore for one of the positions. During the period of quantitative easing under Obama, Moore attacked the Fed for its asset purchases. Now under the Trump administration he has switched course.

Last December, in the midst of the market downturn following the last Fed interest rate rise, Moore denounced Powell as "totally incompetent." "The Fed is a disaster," he said in an interview with the *Wall Street Journal*. "We should have a discussion in this country about whether we really need a Fed."

In a further radio interview at the time, Moore attacked the notion of central bank independence saying that if the Fed chair was not responsive to the president then who was he responsive to?

"The law says he [the president] can replace the Federal Reserve chairman for cause. I would say, well, the cause is that he's wrecking the economy."

Trump has followed up his touting of Moore with a move to appoint Herman Cain to the other position. Cain, a former Republican presidential contender and a pizza restaurant chain executive, is a vocal supporter of Trump. He chairs a political action committee that aims to combat "disrespectful, dishonest and destructive news" about the president.

Cain, however, may be in doubt because of sexual harassment accusations against him that caused him to

© World Socialist Web Site

drop his presidential campaign in 2011.

Both men received endorsements from Kudlow who said they were "very capable people" who would "balance perhaps some of the other views on the Federal Reserve Board."

Kudlow said the administration was vetting Cain before sending formal documents to the Senate for confirmation. Speaking to "Fox News Sunday," White House Acting Chief of Staff Mick Mulvaney said he thought Cain would be "a great member of the Fed."

Last Thursday Trump said that he intended to nominate both Cain and Moore, saying of Cain "That's the man."

Given that nominations have to go to the Senate for confirmation, the administration may decide not to go ahead. But Trump's moves have provoked alarm in financial circles. Economists at the Barclays bank said: "The experience of each candidate does not seem to be the main reason the Trump administration is considering their nominations."

In an editorial published on Saturday, the *Financial Times* insisted that Trump had to be stopped from "packing the US Federal Reserve."

It said neither Moore nor Cain "is remotely qualified to sit in the monetary cockpit of the world's reserve currency." Both had auditioned for the position by supporting Trump's call for monetary loosening and would be a thorn in the side of Powell.

"Knowing that, Mr Trump's selections surely qualify as sabotage. It is one thing for the US president to pack Washington's regulatory boards with cronies. Every president does it, though Mr Trump far more blatantly than most. It is quite another to vandalise the integrity of the world's dominant central bank."

With the world economy moving towards greater financial turbulence amid what the International Monetary Fund has called a "synchronised slowdown," the editorial pointed to wider concerns.

"Even more is at stake than sound management of the world's premier reserve currency. Populists everywhere are demonising expertise and eating away at the foundations of liberal democracy," the editorial said. While it took decades to build an institution's independence, it noted, "it takes far less to destroy it."

In other words, Trump's drive to boost the financial markets with an unrestrained flow of cash in the interests of the financial oligarchy and to install political appointees, runs the risk of completely discrediting one of the key institutions of the global capitalist system.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site