

# Senate hearing for Fed's Powell, Treasury's Mnuchin shows bipartisan support for bailout, back-to-work drive

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20 May 2020

US Federal Reserve Chairman Jerome Powell and Treasury Secretary Steven Mnuchin testified Tuesday before the Senate Banking Committee on the government response to the coronavirus pandemic. The event demonstrated the bipartisan support of Democrats and Republicans for the massive bailout of the banks and corporations as well as the back-to-work drive that threatens hundreds of thousands of workers with disease and death.

At the end of March, the Senate voted unanimously for the CARES Act, which nominally allocated \$2.2 trillion to cover the losses of wealthy investors and speculators, but actually authorized the pumping of more than \$6 trillion of virtually free money into the financial markets. That unprecedented transfer of wealth to the financial aristocracy halted the stock market plunge triggered by the spread of the pandemic and fueled a record 35 percent rise in the Dow Jones Industrial Average over the past seven weeks.

Over the same period, more than 36 million workers have been laid off, official unemployment has reached Depression levels, and mile-long food lines have appeared across the country. The failure of the government to organize comprehensive testing, tracing and quarantining has resulted to date in over 1.5 million infections and more than 91,000 deaths, and health experts agree that these official figures are a substantial underestimation.

Yet despite rising infections and deaths, all 50 US states have begun "reopening," manufacturing is resuming, and workers are being told if they do not return to work they will be cut off of unemployment and other benefits, threatening them with homelessness and destitution.

In the hearing, a number of Democrats and Republicans on the Banking Committee criticized Mnuchin for moving too slowly to distribute the bailout money allocated by the CARES Act to businesses, a few Democrats complained that not enough was being done to prevent layoffs and provide income to displaced workers, and others sought to nudge Powell to call on Congress to pass a new bill to provide aid to states and cities being bankrupted by the collapse of tax revenues. None of them, however, called for the repeal of the CARES Act or

opposed the ongoing corporate bailout, and none called for a halt to the premature return to work being imposed on the working class.

There were no proposals for a comprehensive, nationally coordinated program of testing, contact tracing, quarantining and treatment to contain and halt the pandemic and save lives. Nor did any senator oppose the push to provide legal immunity to private companies, including senior living facilities, from suits filed in behalf of workers sickened or killed due to a lack of protection from the coronavirus.

The unstated premise accepted by both parties as well as those giving testimony was the abandonment of any centrally directed effort to combat the virus and the rapid restarting of business operations to resume the extraction of corporate profit from the working class.

In a preview of his appearance before the Senate, Fed Chairman Powell gave an interview to the CBS *60 Minutes* program Sunday evening, in which he repeatedly stated that the central bank was ready to provide unlimited funds to prop up the financial markets and cover any losses suffered by the corporate elite.

Noting that "The asset purchases that we're doing are a multiple of the programs that were done during the last crisis," Powell said, "It may well be that the Fed has to do more. It may be that Congress has to do more."

Underscoring that the Fed would guarantee the wealth of the ruling elite, he said, "There's a lot more we can do ... I will say that we're not out of ammunition by a long shot. No, there's really no limit to what we can do with these lending programs that we have. So there's a lot more we can do to support the economy, and we're committed to doing everything we can as long as we need to."

He did not explain that the full cost of this huge expansion of debt is to be borne by the working class, in the form of savage cuts in social programs, job losses and wage reductions. He merely hinted at what is to follow the corporate bailout, saying, "The US has been spending more than it's been taking in for some time. And that's something we're going to have to deal with."

On Monday, the Congressional Oversight Commission established by the CARES Act released its first report on the bailout. The bipartisan panel questioned why the bulk of the \$500 billion allocated to bail out big corporations and banks had not as of yet been distributed, including \$46 billion in Treasury money set aside for airlines and trillions in Fed loans, backed by the remaining \$454 billion in the Treasury fund, for major corporations and financial institutions.

Democratic-aligned newspapers, including the *New York Times* and the *Washington Post*, published front-page articles on the report Tuesday morning to pressure Mnuchin to release the money more quickly. Virginia Senator Mark Warner, a member of the Banking Committee, sent a letter to Mnuchin and Powell arguing that “all taxpayers will be better off to the extent more businesses can access affordable financing.”

This was the backdrop to Tuesday’s hearing. In his opening remarks, Powell once again reassured Wall Street of unlimited Fed support. “We expect to maintain interest rates at this level [near zero] until we are confident that the economy has weathered recent events, and is on track to achieve our maximum-employment and price-stability goals,” he said. He also indicated that the Fed would reduce regulations on the banks and financial institutions.

In response to repeated attempts by Democrats to get him to endorse a new bill to provide aid to state and local governments—something all but ruled out by the Trump White House and the Republican-controlled Senate—Powell said, “We’re going to see here fairly quickly how the opening goes. It’s very hard to know. We’re going to be getting a lot of information fairly quickly in terms of what might be needed.”

Here Powell sought to maintain the fiction that the Fed, the chief representative of American finance capital, is a socially neutral body that responds to factual data guided only by the “national interest” and the needs of the American people. In reality, its response is dictated by the demands and interests of the ruling oligarchy, measured first and foremost in the movement of stock prices.

The prize for sheer demagoguery and hypocrisy at the hearing went to Sherrod Brown of Ohio, the ranking Democrat on the committee. An economic nationalist and close ally of the trade union bureaucracy, Brown postured as the defender of workers.

Complaining that “workers are getting left behind again,” Brown defended the CARES Act and his vote for it. “When we passed the CARES Act,” he said, “we tried to address this. We tried to make sure that the trillions of dollars in spending would not go just to Wall Street as it usually does. We wanted to make sure that the Fed and the Treasury got this money directly into workers’ pockets.”

Of course, he voted for the bill knowing that it allocated only a small fraction of the total cost to a completely inadequate, one-time stipend of \$1,200 and a few months of extended and expanded unemployment benefits. It did nothing to guarantee jobs or workplace protection from COVID-19 infection. Not

surprisingly, millions of workers have still not received their stipends and millions more have been unable to file unemployment claims because of outdated and overwhelmed state employment agencies.

At another point he demanded to know of Mnuchin and Powell: “How many workers do you think need to die to increase the GDP and add another 1,000 points to the stock market?” He added, “That’s why workers need unions,” ignoring the fact that the trade unions are fully backing the corporate back-to-work ultimatum.

Second prize for demagoguery went to Elizabeth Warren. The supposed “progressive” from Massachusetts, who also voted for the CARES Act, demanded of Mnuchin: “Congress passed the CARES Act and put nearly half a trillion dollars for mid-size and giant corporations. Secretary, will you require companies that receive bailout money from the taxpayers to keep their workers on the payroll?”

Mnuchin parried this challenge, as he did with similar criticisms from other Democrats, by noting that the bill, which does not include such a requirement, was passed with the bipartisan support of the Democratic Party and that its provisions were the result of negotiations between the two parties.

The other theme that emerged at the hearing was the campaign to blame China for the coronavirus disaster. This too is bipartisan.

Arizona Republican Martha McSally delivered an anti-communist rant in which she denounced “Communist China’s reckless behavior,” which “continues to be at the root of all this.” Declaring that “None of us as Americans want to see China or Chinese-owned companies prosper,” she demanded to know why Powell had chosen the giant asset management firm BlackRock, “a leading investment firm in Chinese funds,” to manage some of the Fed’s loan facilities.

She was followed by Senator Doug Jones of Alabama, a Democrat, who began by saying, “I agree we need to hold all people accountable, China, the WHO, the administration.”



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