Push to have Powell reappointed as Fed chair

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20 July 2021

Jerome Powell's term as chair of the US Federal Reserve could be summed up as follows: Never in economic history has so much been given so fast to so few.

The trillions of dollars pumped into the financial system by the Fed since March 2020 have sent the stock market to record highs, boosting the wealth of multi-billionaires such as Elon Musk and Jeff Bezos to stratospheric heights, as well as lifting the wealth of a host of lesser lights.

Given this record, it is hardly surprising that voices are being raised in political, media and financial circles calling on President Joe Biden to re-appoint Powell when his four-year term expires in February next year.

This week the *Financial Times* reported that Brad Sherman, a California House of Representatives Democrat, "was saying what many in his party privately believe" when he told the newspaper that Powell should be reappointed for a second term.

Powell was appointed by Trump after he decided not to re-endorse the Obama appointee Janet Yellen, though he described her performance as "terrific." In the first period of Powell's term, he had a somewhat rocky relationship with Trump because of the former president's insistence that he cut interest rates and even resume quantitative easing to ensure that the stock market roared ahead.

In the midst of a brief upturn in the global economy in 2017-18, when growth rates were at their highest since the period before the financial crisis of 2008, Powell embarked on a policy of marginal monetary tightening. In 2018, he lifted interest rates four times by 0.25 percentage point increments and signalled that further rises might come the following year. He also indicated that the Fed would start to wind down its holdings of financial assets at the rate of $50 billion a month.

Wall Street sided with the Trump perspective and pulled Powell back into line. In January 2019, after the worst December for Wall Street since the Great Depression, Powell made clear that further interest rate rises were off the table, and in July of that year he started to cut them.

Having cracked the whip, Wall Street warmed to Powell as a result of his response to the March 2020 near-meltdown of the financial system, when the Fed pumped in $4 trillion--one estimate is that the US central bank was supplying money at the rate of a million dollars a second at the height of the crisis--and stepped forward as the backstop for every financial market, including buying shares for the first time in the Fed's history.

Since then, the Fed has supplied monetary support in the form of asset purchases of $120 billion a month--more than $1.4 trillion a year--while keeping its base interest rate at near zero. Powell initiated a significant policy shift last December when the Fed decided it would continue its support even if inflation went above its target rate of 2.0 percent.

While leading Democrats have yet to commit to Powell and some have raised criticisms of the loosening of regulations on the banks on his watch, they are leaning in that direction.

In a recent interview with the business channel CNBC, Treasurer Yellen, when asked if she would recommend Powell for a second term, said she would have a "discussion" with Biden about the issue, and made clear that in her opinion, "the Fed has done a good job."

Meanwhile, there are expressions of support for Powell on Wall Street and in the financial press.

Bloomberg commentator Matthew Yglesias wrote that until recently he had believed Biden should follow the Trump example and replace Powell with a Democrat. But now he had changed his mind and believed "Biden should put an end to speculation as soon as possible and announce another term for Powell."

"The task of replacing Powell poses great risks with little upside. For now, Biden should put the loose talk to rest and make it clear that Jerome Powell is his man," he concluded.

Last week, NBC reported on some revealing comments by Mitchell Goldberg, president of the asset management firm ClientFirst Strategy, which no doubt reflected broadly held views on Wall Street.

Powell, he said, was a known quantity, whose policy trajectory aligned with current Wall Street interests. "Powell is respected by market participants for being forthcoming, open minded, and for having a firm grasp of the global economy. Not to mention that investors prefer money printing and patience over tightening monetary policy too early."

Robert Perli, head of global research at Cornerstone Macro, an economic research firm, made clear in comments to the *Financial Times* that in his view the reappointment of Powell would be a "safe course" to ensure the continuation of the money flow.

Under conditions of rising inflation, the markets would probably question the ability of a potential new chair to steer the Fed's monetary policy making body in line with its new framework, and "the result would likely be higher interest rates."

Powell's reappointment has also been supported by forces from so-called left leaning elements around the Democratic Party. Last May, the founder and head of the Center for Economic Policy Research in Washington, Dean Baker, said it would be good for the economy if Powell were reappointed and if Biden announced the decision "as soon as possible."

Baker couched his support in terms of the Fed's focus under Powell of "running the labour market as hot as possible without triggering inflation."

The reference to the labour market, however, is a convenient left-sounding cover for the real aim of the Fed's policy, which is to ensure that the flow of money to Wall Street continues and the mountain of debt and fictitious capital is sustained.

The AFL-CIO has yet to make its position known, but last May, William Spriggs, the chief economist at the AFL-CIO, gave the thumbs up to Powell. "My hope is that he would be reappointed," he said.

This support is significant, because, as *Politico* noted in its report on his comments, Spriggs is "often touted on the left as a potential pick to head the central bank."

Spriggs said people should not "take lightly" how significant the Fed's pro-worker shift had been under Powell, and "we need a little stability at the Fed" after having gone through four years of Trump.

It is a measure of the perverted nature of what passes for economic analysis and discussion that the Fed's policy of putting trillions of dollars in the hands of the Wall Street oligarchs should be touted as being pro-worker.

But then, it should be recalled, in understanding the roots of this perversion, that the AFL-CIO and the trade unions as a whole have a material interest in ensuring that the financial markets are sustained by the Fed, because they have become increasingly dependent on the income they derive from their financial investments.