

# Fed chief Powell defends the dictatorship of finance capital

Nick Beams  
13 January 2023

A speech by Federal Reserve Chairman Jerome Powell earlier this week provided an insight into the anti-democratic and outright dictatorial character of the central banks, acting in the interests of finance capital, as they pursue a policy of deliberately increasing unemployment in an effort to slash workers' wages.

Speaking at a symposium in Stockholm, Sweden Powell said, "Restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy."

He added, "The absence of direct political control over our decisions allows us to take these necessary measures without considering short-term political factors."

In other words, in seeking to impose economic "pain" on the population—in the form of increasing the unemployment rate to suppress workers' wages—the Fed must operate as a law unto itself, in the interests of the corporations, the stock market and finance capital.

The effects of the Federal Reserve's class war policy have already begun to be felt in major layoffs at high-tech companies and firms such as Amazon, hitting tens of thousands of workers, while manufacturing firms, including the auto industry, prepare savage cost-cutting measures.

Powell's justification for seeking to increase unemployment is the claim that rising wages are driving inflation. In reality, wages are falling in real terms, even as corporate profits soar.

The inflationary crisis is driven by the impact of the Federal Reserve's cheap money policies over the past decade and a half; the contraction of the labour force because of COVID deaths, continuing infections and the impact of Long COVID; the US-NATO war against

Russia in Ukraine; and, not least, price-gouging by major corporations, particularly in the food and energy sectors.

The Fed aims to place the burden of this deepening crisis of capitalism on to the backs of the working class through its high interest rate regime.

While this has caused turbulence in the stock market, it is seen as a necessary price for achieving the strategic objective of battering back the resistance of the working class.

The longer the monetary tightening continues, the clearer this goal is set out in the Fed's own policy statements and minutes of the meetings of its governing body.

Its documents and statements are replete with references to the "tight" labour market, that even limited wage rises, well below the rate of inflation, are incompatible with its objective of 2 percent inflation, and that the labour supply must be increased, i.e., by driving up unemployment.

These policies, to use Powell's own words, are aimed at inflicting "pain" on millions of working class families, while imposing devastation on billions of people around the world.

In imposing its policies, the Fed, along with the capitalist media, promote the lie that it is not a class agenda, and that its measures are carried out in the interests of the economy.

But the history of "central bank independence" shows that this demand was advanced at a definite stage in the deepening crisis of world capitalism that had been building up over decades.

Central bank independence was brought forward at the beginning of the 1990s.

Global capitalism had just concluded a vicious class war program, spearheaded by the then-Fed Chair Paul

Volcker, who instituted a record-high interest rate regime to crush a wages movement of the working class. It induced the deepest recessions since the 1930s, wreaking devastation from which whole areas in the US have still not recovered.

The aim of central bank independence was to ensure that this weapon of class war be permanently installed.

It was facilitated ideologically by the liquidation of the USSR in 1991 and the capitalist triumphalism that accompanied it. The end of the USSR demonstrated, it was falsely claimed, that socialism failed and therefore capital had to be given free rein to impose its demands.

The bringing down of inflation after central bank independence had begun was held up as proof of its efficacy. But the low inflation of that period had next to nothing to do with the actions of central banks. It was a product of the globalisation of production, above all the integration of China into the world market, and the output of lower-cost goods.

Central bank independence, it was claimed, was also responsible for the so-called Great Moderation, comprising low inflation, the absence of deep recessions and low interest rates.

That fiction exploded in 2008 with the eruption of the global financial crisis—the most serious collapse since the Great Depression of the 1930s—a result not least of the speculation resulting from the provision of cheaper money by the Fed.

It was a profound experience for the working class in the US and internationally.

As workers lost their jobs, saw their wages reduced, had their houses repossessed and spent considerable periods of time unemployed, they witnessed money being delivered hand over fist to the corporations and the banks through direct government bailouts and by the trillions of dollars delivered by the Fed, via quantitative easing, to the banks, speculators and outright criminals whose activities had sparked the crisis.

The claim that the Fed was an independent institution, standing above class interests and presiding over financial activity in the interests of the economy and the population, was delivered a powerful blow.

The lie was further exposed with the onset of the pandemic in 2020, as the Fed pumped at least \$4 trillion into the financial system to stave off its collapse.

This sent the fortunes of moguls such as Amazon boss Jeff Bezos into the stratosphere, while workers' lives and those of their families were devastated by the pandemic, and the exploitative conditions of work in health care, education and many other parts of the economy were intensified.

Powell claims that his actions are justified by the greater good of the “economy.”

This is intended to instill the belief in the minds of workers that nothing can be done to change the present situation, and that there is no alternative but to submit to the dictates of the financial oligarchy as they impose the deepening crisis of the capitalist order on them.

The situation presents itself altogether differently when it is realized that society and its economy are not shaped by eternal and unalterable conditions, but by the class struggle.

In this struggle, the Federal Reserve, which had for decades blown a series of financial bubbles that massively enriched the financial oligarchy, speaks for the capitalist ruling class in its effort to impoverish and oppress the vast majority of the population.

The response of the working class to this offensive by the financial oligarchy is taking the form of the upsurge of the class struggle all over the world. The working class must take this struggle forward with a conscious fight for socialism, aiming to take political power, reconstruct the economy based on public ownership and democratic control, and ensure its vast resources are used to meet human needs.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**