

Obama's Federal Reserve Pick Reassures Wall Street of Continued Bank Bailouts

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The day after US President Barack Obama publicly signaled his willingness to work with Republicans to slash Social Security and Medicare in response to the current budget stalemate, he appointed Janet Yellen, one of the people most closely associated with the “quantitative easing” program, to head the Federal Reserve.

Yellen’s appointment follows the surprise decision by the Federal Reserve board last month not to begin slowing its \$85-billion-per-month quantitative easing program—essentially printing money to turn over to the banks and financial markets.

In a newly-released *Wall Street Journal* poll of over three dozen economists, 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 money-printing operations.

In his Tuesday press conference, Obama proposed that the Republicans agree to a short-term extension of the debt ceiling, preventing a default on US government debt, while the two parties work out a deal to slash entitlement programs such as Medicare and Social Security.

Obama’s proposal was picked up in a Wednesday op-ed by Paul Ryan, the Chairman of the House Budget Committee, who indicated he would support a deal to slash entitlement programs. While Ryan’s op-ed did not include an explicit call for a short-term extension of the debt limit to facilitate these discussions, Washington’s the *Hill* newspaper reported that the Congressman has been campaigning for a proposal to “lift the debt ceiling and reopen the government long enough for Congress to pass long-term entitlement reforms.”

The *Hill* wrote that Ryan “presented the idea Wednesday afternoon at a meeting of the conservative Republican Study Committee,” and that his proposals make no mention of delaying or de-funding the Affordable Care Act, the nominal cause of the ongoing government shutdown.

Reporting on the same meeting, the *Wall Street Journal* wrote, “Mr. Ryan’s proposal for a short-term debt-limit increase drew broad support from conservatives at the Capitol Hill meeting,” potentially opening the way for a deal with the White House. The *Journal* added, “Republicans leaving the closed-door session expressed support for a short-term measure even if it doesn’t address the 2010 health-care law” known as Obamacare.

In his column for the *Journal*, Ryan said that Obama will “find that we actually agree on

some things. For example, most of us agree that gradual, structural reforms are better than sudden, arbitrary cuts.” He added, “We could provide relief from the discretionary spending levels in the Budget Control Act in exchange for structural reforms to entitlement programs.”

This is a direct overture to Obama, who has used almost this exact language in calls to replace the so-called sequester budget cuts with even more draconian attacks on Social Security and Medicare. As Ryan noted, “The president has embraced these ideas in budget proposals he has submitted to Congress”

Ryan added, “We could ask the better off to pay higher premiums for Medicare... And we could ask federal employees to contribute more to their own retirement.” Both are proposals Obama had earlier agreed to discuss. Ryan also offered to take Obama up on his earlier proposals to combine Medicare’s Part A and Part B, which would make preventative care much less affordable for the elderly.

After Obama and Ryan sketched out the terms of the discussion between the two parties, by Wednesday evening major newspapers were reporting “signs of a thaw” (in the words of the *Wall Street Journal*) as Obama announced plans to meet with Republican members of Congress at the White House early Thursday.

Obama stressed his absolute commitment to collaborate with congressional Republicans to slash Social Security and Medicare in his Tuesday press conference, saying, “I will sit down and work with anyone of any party, not only to talk about the budget; I’ll talk about ways to improve the health care system ... I’ll talk about ways that we can shrink our long-term deficits.” To make it perfectly clear, he added, “If anybody doubts my sincerity about that, I’ve put forward proposals in my budget to reform entitlement programs for the long haul and reform our tax code in a way that would ... lower rates for corporations.”

The ongoing budget stalemate and the continued bipartisan attacks on social spending are fueling growing popular opposition to the US political establishment. A survey released Wednesday by the Associated Press-GfK found that only 37 percent of the population approves of Obama’s job performance, while the approval rating of Congress is a minuscule five percent.

The twin announcement of a breakthrough in the budget negotiations and the nomination of Janet Yellen to head the Federal Reserve Board came after sharp warnings from major US banks and creditors, as well as a continued fall in stock values since September.

Both the decision to make no changes to the quantitative easing program and Yellen’s appointment make clear that the US government is committed to putting unlimited social resources at the disposal of Wall Street, even while moving full steam ahead to slash social programs that keep millions of people out of poverty.

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