



Democrats' Panic Goes To '11', "Deeply Troubled" Maxine Waters Tells Fed's Powell: "Enough Is Enough"

Description

USA: Who could have seen this coming?



Back In July, we wrote "Democrats Prepare To Unleash Hell On Fed Chair Powell For The Coming Recession", in which we laid out the **"cunning" Democrat plan to blame Fed Chair Jerome Powell for the economic hurricane that is imminent**, as poll numbers started to slide and the Midterms looked like a disaster:

"It is important for the Fed not to overreach and trigger a recession unnecessarily, as part of its effort to bring inflation down," said Representative Hakeem Jeffries of New

York, the No. 5-ranked House Democratic leader.

"Inflation is a global problem, and is actually not as bad in America as it is in almost every other developed economy in the world," he told Bloomberg.

Then, in September, none other than Senator Elizabeth Warren unleashed hell on Mr. Powell, tweeting that:

*"Chair Powell just announced another extreme interest rate hike while forecasting higher unemployment. **I've been warning that Chair Powell's Fed would throw millions of Americans out of work — and I fear he's already on the path to doing so.**"*

Interestingly, we noted at the time that Senate Banking Committee Chair Sherrod Brown, an Ohio Democrat, defended Powell after Warren's comments during an interview on Bloomberg Television

Well that has all changed now...

Two weeks ago, Brown wrote a sternly worded letter to The Fed urging them to stop hiking rates:

*"For working Americans who already feel the crush of inflation, job losses will make it much worse. **We can't risk the livelihoods of millions of Americans who can't afford it.** I ask that you don't forget your responsibility to promote maximum employment and that the decisions you make at the next FOMC meeting reflect your commitment to the dual mandate."*

The last week, the progressives chimed in with Warren, Sanders, Tlaib et al. all slamming The Fed's "commitment to 'act aggressively' with rate-hikes."

*"...reflect an **apparent disregard for the livelihoods of millions of working Americans**, and we are deeply concerned that your interest rate hikes risk slowing the economy to a crawl while failing to slow rising prices"*



And now, the panic among the Democrats has escalated further, with Congresswoman Maxine Waters (D-CA), Chairwoman of the House Financial Services Committee, going as far as to tell Fed Chair Powell: **“enough is enough.”**

“I am deeply troubled by the Federal Reserve’s (Fed’s) rapid series of super-sized interest rate hikes, which may inflict unnecessary pain on millions of individuals and families while sending the economy into a devastating recession,” said Chairwoman Waters.

“This week’s Federal Open Market Committee (FOMC) decision marks the fourth consecutive mega rate hike by the Fed, resulting in the highest federal funds rate since before the 2008 global financial crisis and the fastest set of rate hikes by the Fed in four decades. Enough is enough.”

She goes on...

“...I am concerned that rapid and continued interest rate hikes may only serve in the long run to be an over-correction that results in recession rather than help solve these root causes of inflation. I urge you to take into account these issues and exercise extreme caution going forward.”

Notice a pattern in these statements: “millions of Americans’ livelihoods are at risk”.

Translation: ***Democrats have finally realized that a recession/market crash does not poll well...***

Biden about to find out what polls worse: recession and bear market or runaway inflation.

— zerohedge (@zerohedge) [May 20, 2022](#)

But hey, remember The Fed is apolitical and independent and anyone who tries to sway them is a treasonous traitor.

When President Trump publicly spoke about The Fed cutting rates, some former Fed officials were not happy”

“I am not pleased,” said Carl Tannenbaum, a former Chicago Fed official and chief economist at Northern Trust.

“The remarks certainly aren’t an immediate threat to Fed independence, but they break with the tradition of respectful distance.”

Randall Kroszner, a former Fed governor, said the central bank has withstood political pressure before and will continue to do so under Mr. Powell’s leadership.

“The Fed has often faced political pressures — from Congress, presidents, Treasury secretaries and innumerable outside groups,” said Mr. Kroszner, an economics professor at the University of Chicago.

*“My experience at the Fed is consistent with what Jay Powell recently said — **being non-political is deep in the Fed’s DNA** — and I believe that Jay will keep it that way.”*

As a reminder, here are President Biden’s own words from June:

“My plan is to address inflation. That starts with a simple proposition: respect the Fed, respect the Fed’s independence, which I have done and will continue to do,”
Biden said.

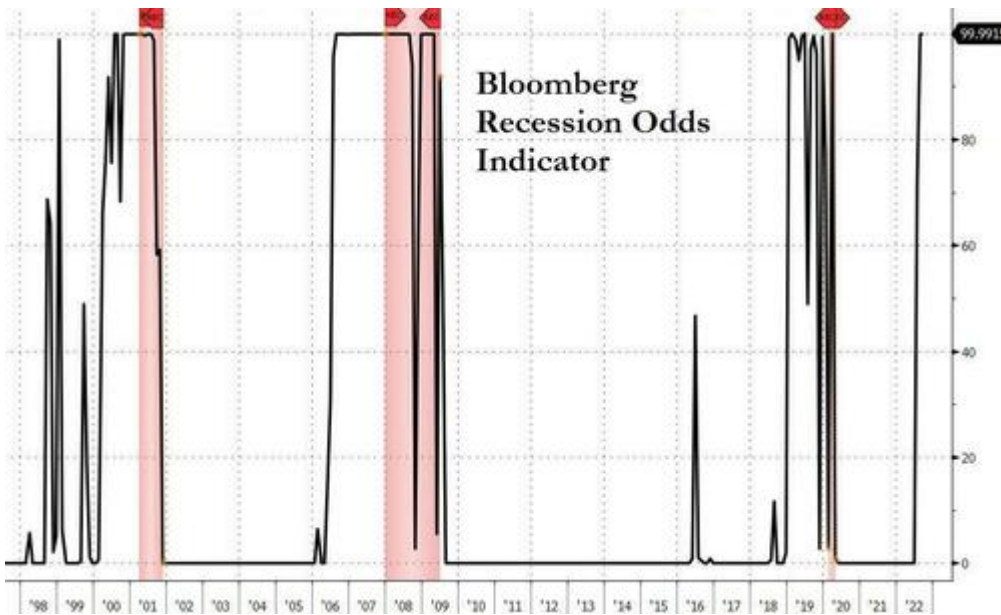
It appears that has changed.

And all this despite the **economy being “strong as hell”...**

Joe Biden saying, “Our economy is strong as hell,” while eating an ice cream cone is so tone deaf and out of touch to what Americans actually see in their lives that it feels like the Democrats are intentionally tanking the election. pic.twitter.com/blkc4omdhd

— Clay Travis (@ClayTravis) [October 16, 2022](#)

As a reminder, the odds of a recession within the next 12 months are now 100%...



In any case, what we said long ago when we disagreed with Zoltan Pozsar – namely that **the Fed’s inflation fight will end the moment politicians tell the “independent Fed” to end it** – is starting to come true. As a reminder, this is what we argued back in August in “Zoltan Pozsar: Powell Will Push The Economy Into A “Depression” To Curb Inflation”:

The problem with this line of thinking is that Pozsar thinks anyone – whether Congressional Republicans or Democrats – will agree to a “depression” just to contain inflation. **Spoiler alert: they won’t as it means an immediate end of all their political (and all other careers).** Instead, **they will browbeat Powell and the Fed, into doing just enough to avoid this outcome even if it means raising the inflation target, which we are 100% certain is how this episode ends: with the Fed raising its inflation target quietly from 2% to 3% or more, with the usual hedonic adjustments of course.**

To summarize: the problem with Pozsar’s latest note is that it is too rational, too logical, and it reduces to the following – US society can be fixed at the individual level by realigning incentives, motivations and beliefs, and the Fed will do what is right even if it means the collapse of the US political system. Alas, that will never happen, and that’s why Zoltan’s argument fails. **After all, it’s far easier to simply print a few trillion (again) and kick the can for a few more years and dump the plate of troubles on some other unhappy politician.** It’s also why the gating constraint here is not inflation but the dollar reserve currency status: at the end of the day, the Fed will devalue the dollar to permit both more monetary and Fiscal easing thus keeping both the lower and upper classes happy, and it will keep doing so until it risks hyperinflation – pushing the dollar-based system to the point beyond which the world will no longer accept it; after all that was the endgame since the day the Fed was launched in 1913. **Whether the system is actually pushed beyond said point, well that’s the real \$64 trillion question.**

Still think that politicians – and especially Democrats – will sit quietly and blindly ignore how high the Fed is hiking rates if it means that to normalize inflation back to 2% it means nearly doubling the

number of unemployed Americans (and a crushing recession to boot). Spoiler alert: no, they won't, and this may be one of the very rare occasions when Elizabeth Warren is actually right to worry about what the coming mass layoff wave means for Democrats... and the 2024 presidential election.

Expect Powell to be the scapegoat for any red-wave next week...

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by Tyler Durden

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