



Translating Bernanke-speak About the Great Recession

When Fed Chairman Ben Bernanke says the country is in trouble, many aren't listening, partly because the media wasn't there reporting on it, and partly because those listening can't understand what he's saying. Speaking at the Annual Meeting of the Rhode Island Public Expenditure Council on Monday, the best he could do was "There is no way around it — meeting these challenges will require ... the public to make some very difficult decisions and to accept some sacrifices."



Robert Wenzel of the *Economic Policy Journal* [was impressed](#), pointing out, "It is remarkable that mainstream media has given this speech no coverage [but] this is as close as you are ever going to see a central banker admit that his country's financial situation is so dire that it could break up at any time."

From his speech, these excerpts are offered and then translated into understandable everyday English:

Bernanke: "The recent deep recession and the subsequent slow recovery have created severe budgetary pressures ... for governments ... [which are] grappling with the ... longer-run pressures that will be generated by the need to provide health care and retirement security to an aging population."

Translation: Due to the continuing Great Recession caused in large part by the Federal Reserve allowing government to spend far beyond its income in its successful attempts to buy votes through making unconstitutional promises to citizens who want to believe in the tooth fairy, the day of reckoning is here.

Bernanke: "I will describe the factors underlying current and projected budget deficits and explain [why] it is crucially important that we put the U.S. fiscal policy on a sustainable path. I will also offer some thoughts on whether new fiscal rules ... might help promote a successful transition to fiscal sustainability in the United States."

Translation: I'm going to avoid placing any blame for the current difficulties on either the government or the Federal Reserve, but instead I am going to recommend some additional sources of tax revenues that no one has thought of until now.

Bernanke: "The budgetary position of the federal government has deteriorated substantially during the past two fiscal years, with the budget deficit averaging 9-1/2 percent of national income during that time. For comparison, the deficit averaged 2 percent of national income for the fiscal years 2005 to 2007, prior to the onset of the recession and financial crisis. The recent deterioration was largely the result of a sharp decline in tax revenues brought about by the recession and the subsequent slow



Written by [Bob Adelman](#) on October 6, 2010

recovery, as well as by increases in federal spending needed to alleviate the recession and stabilize the financial system. As a result of these deficits, the accumulated federal debt measured relative to national income has increased to a level not seen since the aftermath of World War II.”

Translation: We at the Fed have successfully dug ourselves such a big hole financially in our attempts to reflate the bubble that popped in 2007, without any measurable success, that our deficits have quintupled in less than five years. This wasn't our fault. It's just that people are retrenching, reducing their standards of living, and many aren't working, so they aren't paying the taxes we need to keep this thing going. Lord knows, we've tried.

Bernanke: “If current policy settings are maintained ... the federal budget will be on an unsustainable path.... As the national debt grows, so will the associated interest payments, which in turn will lead to further increases in projected deficits.... Concerns about the government's long-run fiscal position may also constrain the flexibility of fiscal policy to respond to current economic conditions.”

Translation: Federal spending is so out of control that we at the Fed simply can't print the money fast enough to keep up. We're maxxed out, frankly, and don't like to be put into this position by the American taxpayer who will simply have to ante-up to allow us to continue playing the game.

Bernanke: “Two of the most important driving forces are the aging of the U.S. population, the pace of which will intensify over the next couple of decades as the baby-boom generation retires, and rapidly rising health-care costs.”

Translation: The end-game of the greatest Ponzi scheme ever created is within sight. And it is coming nearer with the installation of the newest Ponzi scheme, ObamaCare.

Bernanke: “The same underlying trends affecting federal finances will also put substantial pressures on state and local budgets.... In Rhode Island, as in other states, the retirement of state employees, together with continuing increases in health-care costs, will cause public pension and retiree health-care obligations to become increasingly difficult to meet.”

Translation: The states that have also made unsustainable promises are in the same boat with the rest of us, which somehow should give us some comfort.

Bernanke: “The global recession has dealt a blow to the fiscal positions of most other advanced economies, and, as in the United States, their expenditures for public health care and pensions are expected to rise substantially in the coming decades as their populations age.”

Translation: We're all in this together. Others are stuck with the results of their failed welfare state programs, just like we are.

Bernanke: “As I have discussed, projections by the CBO and others show future budget deficits and debts rising indefinitely, and at increasing rates. To be sure, projections are to some degree only hypothetical exercises.”

Translation: Not to worry, they're only projections by other economists like me. And my record speaks for itself.

Bernanke: “Almost by definition, unsustainable trajectories of deficits and debts will never actually transpire, because creditors would never be willing to lend to a country in which the fiscal debt relative to the national income is rising without limit.”

Translation: Watch out for the Chinese, who might decide not to purchase any more of our debt, and



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who might even want us to pay them back.

Bernanke: “The only real question is whether these adjustments will take place through a careful and deliberative process that weights priorities and gives people plenty of time to adjust to changes in government programs or tax policies, or whether the needed fiscal adjustments will be a rapid and painful response to a looming or actual fiscal crisis.”

Translation: If tax revenues aren’t increased substantially, and soon, things are really going to get ugly.

Bernanke: “Opportunities for both taxing and spending reforms are ample. For example, most people agree that the U.S. tax code is less efficient and less equitable than it might be; moreover, the code is excessively complex and imposes heavy administrative and compliance costs. Collecting revenues through a more efficient, better-designed tax system could improve economic growth and make achieving sustainable fiscal policies at least somewhat easier.”

Translation: Every other socialist country on the planet worth mentioning has a value-added-tax. With a VAT here, we’d finally be able to generate the huge new revenues we need that will allow us to reach Nirvana.

Bernanke: “Failing to address our unsustainable fiscal situation exposes our country to serious economic costs and risks.... A large federal debt decreases the flexibility of policymakers to temporarily increase spending as needed to address future emergencies, such as recessions, wars, or natural disasters.”

Translation: This is no time to be stingy. We know what we’re doing. Give us the money.

Photo: Ben Bernanke



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