



Bernanke Confirmed Despite Track Record

If there were any lingering doubts that official Washington rewards incompetency and lack of foresight, Thursday's Senate confirmation of Federal Reserve Chairman Ben Bernanke to a second four-year term as Fed Chairman should put them to rest.

True, the 70-30 vote featured more dissent than has ever been the case before for an appointment to the position of Fed Chairman, but the fact that the Senate would even contemplate renewing the appointment of a man who — his alleged financial acumen and economic scholarship notwithstanding — was blindsided by the worst financial and economic crisis in 70 years, bespeaks of the cronyism and tolerance for ineptitude that permeate Capitol Hill.



For Ben Bernanke, scholar of the Great Depression extraordinaire, was caught as flatfooted as everybody else when the real estate bubble burst and financial titans were brought to their knees overnight. Nor was this all; instead of allowing the long-overdue correction to run its course, Bernanke promptly applied all his creativity to expanding the money supply and reinflating the bubble. Commented Republican Senator Jim Bunning of Kentucky — the only senator to vote against Mr. Bernanke's confirmation back in 2005, "I knew that he [Bernanke] would continue the legacy of Alan Greenspan, and I was right." As Senator Jeff Merkley (D-Oregon) scathingly put it, the Fed "helped set the fire that destroyed our economy."

This time around, Bernanke found the going a little more difficult, thanks in no small measure to the relentless campaign against the Federal Reserve and its policies led by Congressman Ron Paul (R.-Texas). From the beginning of Bernanke's tenure, Congressman Paul has cast the central banking eminence grise in an unfavorable light in periodic public grillings on Capitol Hill, insisting that the Fed's longtime policy of manipulating (i.e., expanding) the money supply was bound to have catastrophic consequences. In the long run, Congressman Paul repeatedly warned the poker-faced Fed Chairman, the consequences of decades of easy-money policymaking would wreck our economy. Artificially low interest rates and the credit bubbles they encourage lead over time to misallocation of capital and, finally, a crackup boom and excruciating correction. When the evil day that Congressman Paul and a few others had been warning of finally arrived, Ben Bernanke did the only thing he knew how to do: more of the same.

Much of the opposition to Bernanke in this week's confirmation was not founded on sound economics, however. Just as strident were Senators opining that the Fed had not done enough in terms of managing the money supply and overseeing the operations of private mega-financial corporations. Said Alabama Senator Richard Shelby, "considerable economic devastation occurred as a result of Chairman



Written by [Charles Scaliger](#) on January 29, 2010

Bernanke's loose monetary policy and weak regulatory oversight. If we don't hold Chairman Bernanke accountable, what precedent are we setting for future regulators?" Given that Bernanke has, as Senator Judd Gregg (R-N.H.) put it, "allowed the Fed to become the lender of the nation," and pushed aggressively for a more direct Fed role in the oversight and regulation of the financial sector, Senator Shelby's concerns are absurd. In point of fact, the Fed has far too much power already; giving it additional regulatory competence will only compound the economic mess and set the dials for worse crises down the road.

Of course, any private-sector CEO with Bernanke's track record would have been shown the door long ago. The free market has a way of punishing those who fail to interpret and anticipate economic events and whose choices lead to losses instead of profits. In a just world, the nerdy Bernanke would be politely but firmly sent back to the halls of Princeton, where he could theorize without doing further violence to the finances of modern Western Civilization. But instead, in a vote that ultimately surprised nobody, America's über-money manager was given a new tenure, ensuring that his reign of error will continue another four years.

Photo of Ben Bernanke: AP Images



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