Bernanke Before the House: the Glow Is Fading, Let the Burn Begin

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Ben Bernanke went before the House Financial Services Committee today for the annual Humphry-Hawkins testimony, where he faced a bit more difficulty than usual in defending the multiple crimes of his Federal Reserve. Although the issue of Glass-Steagall was not raised by any member of the Committee, Bernanke had to dodge questions on his creation of a financial catastrophe through the massive money printing bail- out, and it was made clear that the nation was screwed whether he continued, or slowed, or ended the quantitative easing.

Bernanke repeated several times that his hint of "tapering" the QE was all a misunderstanding, that not only would the Fed continue its "accomodating" policies of $85 billion per month of bond purchases, but that he may decide to INCREASE the QE. He also assured one and all that there is no concern about another crash, since Dodd Frank's Title 2, the Orderly Liquidation Authority (i.e., the bail-in looting of the deposits to save derivatives) is now in place.

Notable, if inadequate, challenges to the disaster unfolding in the U.S. economy came from both sides of the aisle:

* Rep.Jeb Hensarling (R-TX), Chairman of the Committee, said: "The Federal Reserve has regrettably in many ways enabled this failed economic policy through a program of risky and unprecedented asset purchases that has swollen its balance sheet more than $3 trillion. Our committee has an obligation to carefully scrutinize the Federal Reserve's decisions and the way it communicates those decisions to the American people. Today, we will ask Chairman Bernanke to engage in such a ruthless examination of the Fed's Q.E. exit strategy, which is both untested and clearly not well understood by market participants. Based upon the economy's performance since the Federal Reserve embarked upon this unprecedented campaign for monetary stimulus, many economists have observed, and I would tend to agree, that it is fair to conclude that rarely has so much been spent in pursuit of so little, and rarely has so much been risked in return for so little."

* Rep. Hensarling later quoted Dallas Fed President Richard Fisher that the stock market was "hooked on the drug" of easy money. Reps. Mick Mulvaney (R-SC) and Stephen Fincher (R-TN) also said that the markets had become "addicted to the pumping of government money," and Bernanke weakly complained that `addicted' is not a "technical

term in finance."

* Rep. Emanual Cleaver (D-MO) quoted Tom Hoenig (a supporter of Glass-Steagall), that the "too-big-to-fail is still a major threat to the U.S. economy," and asked if the Congress would have to pass another massive bail-out. Bernanke admitted that there is a problem with "systemic firms," but not to worry, "we do have some tools now that we didn't have in 2008, 2009," i.e., Title 2 of Dodd-Frank.

* Rep. Mick Mulvaney hit on the more than $3 trillion in Treasury bills and MBS's sitting on the Fed's books, causing "hundreds of millions of dollars in losses," asking how to return the balance sheet to normal "without dragging the markets down at the same time, especially in light of what happened last month after your comments in the JEC [on 'tapering']?" Bernanke claimed that the losses are no problem, since he doesn't have to "realize" the losses by selling the collapsing assets.

* Rep Denny Heck (D-WA) broke profile and asked Bernanke why he didn't put Fed money into infrastructure instead of financial instruments. When Bernanke said that was not allowed under the Fed Charter, Rep. Heck responded: "It just does not seem to me to be much of anything other than a fairly easily adapted technical fix to allow you to engage in credit channels that, for example, back infrastructure. Infrastructure is something which, of course, is the gift that keeps on giving." Bernanke said, "See my lawyer."