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# "Saying a lot without saying much"

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On July 17 and July 18, Ben Bernanke, chairman of the US Federal Reserve (the Fed) appeared for the last time before the US Congress to give one of the two biennial testimonies for 2013. He testified before the House of Representatives Financial Services Committee on Wednesday and later on Thursday before the Senate Banking Committee.

Bernanke is expected to step down in January 2014.

Although a Republican and appointed by President Bush in February 2006, Bernanke came to be increasingly disliked by fellow Republicans, as he was seen joining hands with President Obama in his efforts to provide stimulus to the recession ravaged American economy since 2008 crisis.

Bernanke was re-appointed in January 2010 for another four- year term.

While President Obama was resorting to Keynesian remedy of fiscal stimulus, the US Fed was providing monetary stimulus by adding to money supply. Bernanke announced he would be adding to money supply at the rate of US 85 billion each month until the unemployment rate was reduced to below 6.5 percent. Central banks in Europe and Japan have beenpusuing easy money policy. So too Fiji, the benchmark interest rate is 0.5 percent.

Since 2008, the Fed more than tripled its balance sheet with US $3.46 trillion through buying bonds. In late May, Bernanke rattled the stock, bond, commodity, and currency markets, with a remark that the Fed would scale back its bond purchase program later this year, as good economic news was trooping, though in trickles.

The markets, which in recent years were "used to bad news from the real economy" with expectations that bond purchases would go on forever, reacted violently. The end of easy money would lead to rise in interest rate; and prices of gold and other commodities would fall.

Stock prices went down and so too currencies. Inflows of funds to emerging countries also decreased under the expectations that rise in US interest rates were imminent. The US Fed was taken aback, since markets construed the news more hawkish than intended.

The Fed took great pains to convince markets that tapering is not on the cards in the immediate future. Addressing the National Bureau of Economic Research in Washington, Bernanke stated on July 11 that "a highly accommodative policy is needed for the foreseeable future" and recent improvement in jobs data "if anything overstates the health of the labor market."

So, the markets did not expect anything new in his testimony before the US Congress.

Bernanke conceded that one of his motives in talking about tapering was "to head off a possible bubble in financial markets".

Bernanke wanted to be transparent.

He reiterated before the House Committee that since inflation was below the target of 2 percent and the unemployment rate was still above 7 percent, the Fed would not consider tapering monetary stimulus until there were fresh data to deserve such action.

He also had a word for the legislators. "I think that fiscal policy is focusing a bit too much on the short run and not enough on the long run. ... My suggestion to Congress is to consider possibilities that involved somewhat less restraint in the near term, and more action to make sure that we are in a sustainable path in the long run."

He assured the Fed would "continue to maintain a high degree of monetary accommodation for a considerable time after the asset purchase program ends and the economic recovery strengthens." He anticipated that its current "exceptionally low target range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent and inflation expectations remain well behaved."

That was sufficient to calm the markets.

As no timeline was indicated by Bernanke, Agustino Fonteveechia of Forbes observed in a lighter vein: "Bernanke did a good job on Wednesday at waiting for Godot".

Godot is a character in Samuel Beckett's 1955 play *Waiting For Godot.* The play is about two men, Vladimir and Estragon, waiting for a third man, Godot, who never comes. Since then, we have the phrase "waiting for Godot." It describes a situation where "one waits for something to happen but it probably never will."

In popular language, it means: "saying a lot without saying much"

Which is better: a simple statement or an utterance couched in "a turgid dialect of English, intentionally wordy, vague and ambiguous?" The latter is known as Greenspeak, language of purposeful obfuscation, associated with a former Fed chairman Allan Greenspan.

Greenspan is reported to have told a Congressman thus:

"Mr. Congressman, I guess I should warn you, if I turn out to be particularly clear, you've probably misunderstood what I've said."