Federal Reserve Chairman Ben Bernanke faced off with Republican Representative Paul Ryan, who now heads the House Budget Committee, on Wednesday. Holding a copy of the Wall Street Journal which read “Inflation Worries Spread,” Rep. Ryan attempted to bash the Princeton Economist for the Fed’s program of quantitative easing; fears Bernanke coolly downplayed.

After a prepared speech that essentially matched Bernanke’s remarks to the National Press Club last week, a new, more hostile and inquisitive House Budget Committee grilled the man responsible for U.S. monetary policy on effectiveness of his policies and the capacity of the Fed to manage the economy. Bernanke was even asked how many jobs quantitative easing had produced.

While bond yields on benchmark 10-year Treasuries dropped 4 basis points to 3.70% as the show go on the road on Capitol Hill, Bernanke responded that all of the quantitative easing programs, including QE1, reinvestments, and QE2, had created approximately 3 million jobs. Grilled even further, Bernanke denied that one could put a number to it, only to then admit that “simulation studies” showed that QE2 specifically created approximately 600,000 jobs. Towards the end of the Q&A session, bond yields were moving back up, at 3.73% by 11:45 AM. Equities were all on the red in early trading, with the S&P 500 leading the way down, falling 0.4% to 1,319. The Dow Jones shed 0.1% to 12,218 while the Nasdaq lost 0.3% to 2,789.

The pressing question in Republican lawmakers’ mind was inflation and the capacity of the Fed to withdraw its stimulus at the appropriate time. One of the only divergences between Bernanke’s speech to Congress and his statement last week to the National Press Club was noting that “it is worth emphasizing that the Fed’s purchases of longer-term securities are not comparable to ordinary government spending.” But, after using the stigmatizing term (spending), the Chairman explained that as the “Federal Reserve acquires financial assets, not goods and services; thus, these purchases do not add to the government’s deficit or debt.”

When Rep. Ryan read an article on the cover of the Journal noting rising inflation around the globe, Bernanke responded that the article clearly showed that inflation was mounting in emerging markets, where growth was occurring. As Rep. Ryan and others sought to blame QE2 for rising commodity prices and the popular revolts in Tunisia and Egypt, Bernanke dismissed the question noting that “we can’t control the weather in Russia,” we can only try to spur growth in the U.S. Pressed on the issue of core-inflation as an incomplete measure of prices faced by U.S. households, the Chairman said that even core-inflation was extremely low, gaining only

1.2% in 2010. (Read Global Food Prices Hit All Time High As Violence Erupts In Yemen).

In a didactic, quasi-academic fashion, the successor of Alan Greenspan at the head of the U.S.'s monetary policy dismissed attack after attack of his policies. To Rep. Scott Garrett, R – Calif., he explained that "what's key is expectations, and the market doesn't expect inflation, so they expect us to undo [QE2] at the right time." And to **Rep. John Campbell, R – Calif.**, who asked about the seemingly paradoxical movements of 5 and 10 year Treasuries: "I'm not concerned; [those movements] reflect optimism in the long-term prospects of the U.S. economy." (read Shrinking Unemployment merely Cosmetic, Analysts Say).

Chairman Bernanke seemed to take the upper hand over Rep. Ryan in what was the first of many more hostile interactions between Congress and the Fed. While the deficit was an issue, members of the Committee focused more on attacking QE2 while Bernanke was more than ready to fend off their attacks.