

Bernanke: As readers of this missive know, I frequently voice my opinion when I believe the President is doing the wrong thing. That has been the case with virtually everything he has done thus far. However, when he takes action that I believe to be correct or helpful, I will point that out as well. Such is the case this week when the President announced that he will reappoint Ben Bernanke as Chairman of the Federal Reserve for another 4 year term. This is a hugely important and very positive decision for the following reasons:

1. **Independence:** The Federal Reserve should make decisions for economic reasons and remain independent of the White House so as not to politicize those decisions. I would say this regardless of who the President is. Bernanke is independent and will have been appointed by both Bush and Obama. Replacing him could have sent a sign that the Administration was trying to control the Fed which would have been a terrible message and precedent.

2. **Past performance:** With the benefit of hindsight, one can criticize some of Bernanke's moves and statements during his first term. Certainly, he can be criticized for not identifying the depth of last year's crisis sooner, among other things. But virtually none of us foresaw the severity of the crisis or offered a solution that would have prevented it. Bernanke's swift and decisive action contributed to saving the economy from what would have been a complete collapse last October. He has done a good job so far and we should let him see the job through back to a normal economy.

3. **Continuity:** Markets hate uncertainty, this is particularly true now. Continuing Bernanke's Chairmanship until January 2014 gives the markets some confidence that monetary policy will be consistent and measured towards the Fed's mission of growth with low inflation.

4. **No Debt Monetization:** This is probably the single most positive sign from the Bernanke reappointment. The federal debt and deficits are huge, unsustainable, and a major risk to future economic growth. Not to mention, it continues to grow. One way to deal with these problems is to "monetize" the debt. That means that the Fed would print money and buy all the new debt issues from the Treasury rather than sell them in the marketplace. Whenever any government has done this on any meaningful scale, it has resulted in uncontrolled inflation and a precipitous decline in the value of the currency. Bernanke has been clear that he thinks this is disastrous economic policy, and he is entirely correct. But it can be a politically easy way out of the mess without raising taxes or cutting spending. But it can't be accomplished without the Fed Chairman's 'OK.' Make no mistake; the debt/deficit is still a huge problem. But by reappointing Chairman Bernanke, one of the worst ways to deal with it appears to be off the table. I would also argue that without debt monetization, future inflation prospects are muted somewhat.

I remain respectfully,

A handwritten signature in black ink, appearing to read "John Campbell". The signature is written in a cursive, flowing style with a large initial "J" and "C".

Congressman John Campbell
Member of Congress