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Presidential Appointees & Us

President Bush's batting average for appointees early in October would not recommend him for the leadoff position on the Chicago White Sox. Fortunately, every batter connects sometimes. For President Bush, his late inning swat over the fence was his appointment of Ben Bernanke to replace Alan Greenspan as chairman of the Federal Reserve. Greenspan's term ends on January 31st.

Mr. Bernanke comes to us with a résumé full of relevant experience. He is currently chairman of the President's Council of Economic Advisers and was previously one of the Federal Reserve Board governors. He has written creatively in the field of monetary policy and appears to be not only intelligent but understandable. (You may have noticed that our current Fed Chair, though often brilliant in the handling of our economy, was not always transparent either in his Senate testimony or in public pronouncements—purposely, some thought.) Mr. Bernanke's appointment was greeted favorably by Wall Street with the markets posting the best one-day showing in six months and ending the week with another nice rise.

Mr. Bernanke has stated that if confirmed his first priority would be "to maintain continuity" with the policies of the Greenspan era. Everything we know about him suggests that we can reasonably expect no radical change in the running of our economy. The one variation worth noting is that Mr. Bernanke subscribes to the theory that inflation should be "targeted," meaning the Federal Reserve will attempt to keep inflation within a specified range. In the past, the policy has been to control inflation as well as possible and try to prevent it from running away when the economy heats up. Inflation as a stated target is not radical in any measure, and may prove to be just the right thing; it simply hasn't always been a part of explicit Fed policy.

Let's ponder inflation a moment longer. We've all grown up with inflation as a part of our lives. Wages and prices go up, rarely down. Like many of the numbers gathered and reported, the calculation of inflation and its impact is not always clear or pertinent. What shall we make, for example, of "core inflation?" Most measures of inflation will likely miss the mark for you or for me depending on what our budgets encompass. Those among us with college-age children, for example, or jobs that require a lot of travel, have seen the cost of living rise substantially more than the recent inflation numbers. The cost of ongoing medical care or nursing homes has also soared. Your personal inflation rate, clearly, may vary from the government's calculation. The Federal Reserve struggles to calculate "core inflation" in a way that reflects what is happening to our pocket books. But you and I must monitor these numbers to see how they relate to our reality, our spending and investing decisions.

World Series behind us, football and the holiday season ahead . . . I hope you all find plenty of time to spend with friends and family.