Bernanke testifies that the sun rises in the west – February 29th 2012

Today I watched in "awe" Bernanke's testimony to the Congress. In terms of its "awfulness" it exceeded expectations on every level. He started by telling us that unemployment had fallen from 9% to 8.3%, which, even if you believe the Bureau of Labor Statistics "surprising" stats, as Bernanke himself put it, is hardly a result three years after the "end" of a recession. He had the grace to admit that the recovery was below par despite expanding the Fed's balance sheet in an unprecedented manner.

He reiterated the fact that monetary policy will remain accommodating by maintaining the current low rates of Fed funding until late in 2014. In August last year that target had been moved out to 2013 but he admitted that the FOMC had not foreseen the further weakening in the economy, which required the extension to 2014, at the time of their meeting in January. And now he asks us to believe his forecasts for GDP in 2013.

Ron Paul asked him if he shopped for his own groceries. After a telling pause a bemused Bernanke said that he did. In that case, "Why do you continue to lie about the rate of inflation?", asked the inimitable representative for Texas's 14th district. I didn't take in the less than credible response; my attention having been diverted to the contemplation of what Ben might have in his supermarket trolley.

He was asked about the plight of savers caught in the poverty trap of said accommodating policy. His answer was that savers (a very different breed from investors you will agree; a fact lost on this economically impotent potentate) should have their money in the stock market. His argument being that if the Fed's policies helped the economy to recover, equity markets would grow too. So far the trillions of bail out dollars and money printing have indeed pushed the markets up from their 2008 lows, but mainly because there was no other place for the money to go, so the housing bubble is replaced by another ramp in asset prices. His silence on the next phase of quantitative easing has, however, derailed that particular ploy for the time being. Another month or so of swooning stock markets and the presses will be back to running at full tilt – it is an election year after all.

Large corporates don't need funding because they have got lean and mean, in large part, by cutting their workforces, but entrepreneurial small businesses in the US can't get the working capital they need even if they are pulling bars of pure gold out of the ground for free. And when he said that the housing market remains weak because borrowers are unable to meet the banks' borrowing criteria I nearly regurgitated a mug of Starbucks finest into my lap! Has he already forgotten that the failure of the banks to adhere to anything close to sensible lending policies started the financial Armageddon that he is yet to find a way out of?

And then the quote of all quotes and the double espresso was properly shot gun sprayed across the room.... "The ECB is well capitalised". I am sure I heard him say it, or am I really the deaf old bastard that everyone tells me I am? Yes! I know the answer to that question, but the sun will rise in the west before he is proved to be right.