

DOCK STREET ASSET MANAGEMENT

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The Bernanke Scare

Should one man be this important?

After the close on Friday it became clear that one reason for the sell-off late in the afternoon was a rumor that Ben Bernanke's job was in danger. His term ends January 31st and unless the Senate approves his appointment the Fed Chairman would join the ranks of the unemployed.

We think Bernanke did as good a job as could be expected in 2008, assuming that it was Paulson's idea to let Freddie, Fannie and Lehman go bust. However all that went down, Bernanke did a good job picking up the pieces and making sure there was enough liquidity to stop the implosion of credit.

The anti-Bernanke forces range from economists worried about inflation and politicians looking for someone outside of Congress to blame. We don't have much sympathy for either group.

The inflation bunch seems to be fighting the last war---we are still much more worried about sliding back into a deflationary slump than living through a runaway inflation.

And politicians are acting as they always do.

Our main concern centers on the "great man" theory of history. We wish the Fed were set up so that it would matter less who is the Chairman. The cult of Greenspan died with the 2008 crash, so at least we aren't making that mistake with Bernanke.

As we write, cooler heads seem to be prevailing in the Senate so Bernanke should be confirmed. Those of us who are more worried about a repeat of Japan in the 1990s than a repeat of Germany in the 1920s will welcome four more years of Ben.

Best regards,



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