policies that exacerbated the Great Depression. In those consultations, US officials are entitled to be unapologetic about defending the Fed's effort to promote growth in the US economy as an effort that serves the longterm interests of China, Germany, Brazil, and many other countries.

[From the Wall Street Journal, Nov. 15, 2010]

IN DEFENSE OF BEN BERNANKE

(By Alan S. Blinder)

Ignorance is not bliss, especially when your economy is faltering and sound policies are badly needed.

For months, we have witnessed the spectacle of people arguing that Keynes was wrong. Somehow, additional government spending actually reduces employment—even when the economy has huge amounts of spare capacity and unused labor desperate for work; even when the central bank will prevent interest rates from rising to ''crowd out'' private spending. Really?

One current catchphrase is ''job-killing spending.'' Hmmm. How, exactly, does more spending kill jobs when there is idle capacity and no threat of rising interest rates? Stumped? So am I.

The anti-Keynesian revival has been disheartening enough. But now the economic equivalent of the Flat Earth Society is turning its fury on Ben Bernanke and the Federal Reserve. Critics ranging from German Finance Minister Wolfgang Schauble to tea party favorite Sarah Palin—which is quite a range—have spoken as if Bernanke & Co. have lost their marbles and are embarking on a wild policy misadventure.

All in all, it looks like the nation and the world need an Economics 101 refresher. So let's start with the basics.

The Fed's plan is to purchase about $600 billion of additional U.S. government securities over about eight months, creating more bank reserves (''printing money'') to do so. This policy is one version of quantitative easing, or ''QE'' for short. And since the Fed has done QE before, this episode has been branded ''QE2.''

Here's the first Economics 101 question: When central banks seek to stimulate their economies, how do they normally do it? If you answered, ''by lowering short-term interest rates,'' you get half credit. For full credit, you must explain how: They create new bank reserves to purchase short-term government securities (in the U.S., that's mostly Treasury bills). Yes, they print money.

But short-term rates are practically zero in the U.S. now, so the Fed wants to push down medium- and long-term interest rates instead. How? You guessed it: by creating new bank reserves to purchase medium- and long-term government securities.

That sounds pretty similar to garden-variety monetary policy. Yet critics are branding QE2 a radical departure from past practices and a dangerous experiment.

The next charge is that QE2 will be inflationary. Partly true. The Fed actually wants a bit more inflation because, now and for the foreseeable future, inflation is running below its informal 1.5 percent to 2 percent target. In fact, there's some concern that inflation will dip below zero—into deflation. The Fed, thank goodness, is determined to stop that. We don't want to be the next Japan now, do we?

But might the Fed err and produce too much inflation? Yes, it might, leaving us with, say, 3 percent inflation instead of 2 percent. Or it might err in the opposite direction and produce only 1 percent. Neither outcome is desirable, but each is quite tolerable. To create the fearsome inflation rates envisioned by the more extreme critics, the Fed would have to be incredibly incompetent, which it is not.

The final major charge, levied especially by a number of foreign officials, is that the Fed's new policy amounts to currency manipulation: deliberately lowering the international value of the dollar to gain competitive advantage for U.S. exporters. Is there any truth to this? Not if words have any meaning.

Economics 101 teaches us that one standard side effect of a central bank reducing interest rates is a lower exchange rate. Actually, things don't always work out that way in the real world; sometimes the stronger growth pushes the currency up instead. This contradictory evidence notwithstanding, it is commonly assumed that expansionary monetary policy depreciates the currency. That's why some foreign governments, especially the more mercantilist ones, are apoplectic. What's down for us is up for them.

But calling QE2 ''currency manipulation'' is a grotesque abuse of language. After all, the U.S. dollar is a floating currency. Many factors, including but certainly not limited to monetary policy, influence the exchange rate, which changes every minute. But the Fed will not intervene to push the dollar down. If the dollar should rise instead of falling, c'est la vie.

More important, the U.S. is a sovereign nation with a right to its own monetary policy. So I was stunned when a top aide to the Russian president suggested that the Fed should consult with other countries before making major policy decisions. Come again? An independent central bank doesn't even consult with its own government.

Finally, there's that old hobgoblin: consistency. Critics tell us that QE2 won't give the U.S. economy much of a boost but will lead to rampant inflation. Both? How does that work?

If buying Treasurys is a weak policy tool, a view with which I have some sympathy, then it shouldn't be very inflationary. There is no magic link between growth of the central bank's balance sheet and inflation. People, businesses and banks have to take actions—like spending more, investing more, and lending more—to connect the two. If they don't, we will get neither faster growth nor higher inflation, just more idle bank reserves.

What the Fed proposes to do is neither foolproof nor perfect. Frankly, it's not the policy I would choose. As I've written on this page, I'd like the Fed to purchase private securities and to reduce the interest rate it pays on reserves, even turning it negative. The latter would blast reserves out of banks into some productive uses.

But I don't run the Fed. Maybe Chairman Bernanke's ideas are better than mine and, in any case, the planned QE2 is far better than doing nothing. It is not a shot in the dark, not a radical departure from conventional monetary policy, and certainly not a form of currency manipulation.

I know Ben Bernanke. Ben Bemanke is a friend of mine. And critics ranging from Mr. Schauble to Ms. Palin are no Ben Bernankes.

REMEMBERING AND HONORING THE LIFE OF HENRY M. KELSEY

HON. JOE COURTNEY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Tuesday, November 16, 2010

Mr. COURTNEY. Madam Speaker, it is with a heavy heart that I rise to mark the passing of a skilled educator, energetic community leader, and dear friend. Henry M. Kelsey of Old Saybrook died this past Saturday after a five month battle with cancer. He leaves behind a loving family, countless friends and students, and a void in the community that will be difficult to fill.

Hank was born and raised in eastern Connecticut and lived there his entire life. He treasured his small town upbringing and told stories of exploring the streams and traveling the back roads around Clinton, where he grew up. I can tell you that Hank carried this curiosity and youthful optimism with him everywhere he went. How fortunate we are that his greatest and longest adventure was a 37 year teaching career—one where his energy could educate and empower young people. He was a demanding teacher who both inspired and entertained his students in the classroom.

Hank insisted on lending a hand to the bigger picture of education policy and became very active in education issues at the local, state, and federal levels. He held multiple degrees in the subject of education and worked to empower teachers at Gilead Hill and Hebron Elementary schools. Recently, the U.S. Department of Education named Hebron Elementary School a recipient of its coveted Blue Ribbon Award for high performance and student achievement. Hank would be so proud of this recognition which validated his many years of work and dedication.

Hank was also a tremendous advocate for civic engagement. After moving to Bolton, he chaired the town's Democratic Town Committee as well as its Fire Commission. Between his work in education and his involvement in the community, he was a guy that really walked the walk. He will be deeply missed by his loving wife Lucia, his mother Doris, and his brother, Paul. Hank was married for many years to his first wife Rusty, also a teacher and activist who succumbed to cancer after a long, valiant battle. I too will miss Hank and am grateful for the opportunity to have known this remarkable person. I ask my colleagues to join me in mourning the loss and honoring the life of Henry M. Kelsey.