

BUSH SELECTS GREENSPAN SUCCESSOR

President Bush has selected his top economic adviser, **Ben S. Bernanke**, to succeed **Federal Reserve Chairman Alan Greenspan**. Greenspan will step down on January 31, 2006 after 18 years at the helm of the Federal Reserve.

Greenspan, 79, served as **Council of Economic Advisers**, chairman under President Gerald Ford and was first appointed to run the Fed by President Ronald Reagan. He was reappointed by President George H.W. Bush, President Bill Clinton and last year by President Bush.

Greenspan has performed brilliantly as he has guided the U.S. economy through some very troubling times. His first big test was the **October 1987 stock market crash**, which occurred just two months after he was first confirmed as Fed chairman. It was his actions and leadership that is widely credited with quickly stabilizing domestic and international financial markets.

During the second half of the 1990's it was Greenspan that was unwavering in his guidance, over much internal protest, to hold interest rates at historic lows thus causing unemployment to fall to the lowest level in generations while keeping inflation contained. When Greenspan replaced Paul A. Volcker as Fed Chairman, interest rates were in the double digits. Greenspan proved time and time again to be an effective well balanced crisis manager.

Bernanke, 51, became chairman of the president's Council of Economic Advisers in June after three years on the Fed's board of governors. He once chaired **Princeton University's** economic department and is a highly regarded economist who has focused his academic career on studying Fed policy.

Bernanke has indicated that there will be no significant shift in recent Fed policies, primarily the adjustment of interest rates.

STREET TRANSLATION

Expect interest rates to continue to rise and the next increase shall occur next month when the Fed meets. The increase will once again be **25 basis points** moving the **Fed Fund Rate** to **4.0%** causing the **Prime Interest Rate** to go to **7.0%**.

Bernanke has no experience working in financial markets or in business. Before joining the Fed in 2002, Bernanke spent his entire professional career in academia. Reality and the streets are a lot different than theory and the classroom.

Greenspan, by contrast, spent several decades running his own business consulting and forecasting firm. He was able to develop a intuitive feel for how executives make decisions about hiring, investing and setting prices.

Currently, the U.S. economy has several looming challenges that command a skilled seasoned person in the driver's seat of the Federal Reserve. The challenges facing the U.S. economy include but are not limited to the nation's growing trade deficit, downward trend in the housing market, continued high energy prices, consumer record debt and low savings, and workers wages lagging behind inflation (*which surged last month at the fastest rate in 25 years*).

Keep in mind that the Fed chairman is appointed by the president and confirmed by the Senate to a four year term. You would be well advised to bet on the Bernanke racehorse after it's first four year run.

Be prudent with your investments to be speculative at this time is foolish. Position your capital in a conservative manner and do not bet on a unproven racehorse named Bernanke, until we watch him perform for a while.