



The Bond Column

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Should Fed Stay or Should It Go Now:

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My opinion is that Bernanke needs to demonstrate that he is an inflation fighter (To make up for his errors at dinner parties). He needs to overcome the unjust mudsling criticism that he is "Helicopter Ben" by showing that he is firm about fighting inflation. The talk that rising mortgage rates will hurt is overdone because many low income consumers only get a fixed rate loan, while upscale people who have more financial and career resources can afford to take the risk of adjustable rate loans. So Bernanke will keep raising rates. We are in a huge skilled labor boom with many Baby Boomers getting ready for retirement, thus exacerbating skilled labor shortage. The theory that globalization will increase the supply of highly skilled workers in poor countries is temporarily wrong, because the supply of workers may be hitting a bottleneck, as there are only so many openings in engineering school, etc., so capacity may not increase fast enough in the short run, which is inflationary in the short run.

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