The Rhetoric of Ben Bernanke: A Grounded Theory Approach

The Honors Program
Senior Capstone Project
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ABSTRACT

The objective of this Capstone project is to determine how Ben Bernanke used rhetoric during his tenure as Chairman of the Board of Governors of the Federal Reserve System from 2006 to 2013. The scope is limited to testimony delivered as opening statements to the Federal Reserve's semi-annual Monetary Policy Report to Congress and his prepared testimony during his Senate confirmation hearing. The research will attempt determine how Bernanke used rhetoric while testifying before congress, in particular how that rhetoric changes over the course of his tenure. While there is a substantial amount of research on the use of the rhetoric by the President, there is little academic research on its use by the Chair of the Federal Reserve, thus the purpose of this Capstone is to expand academic research on this topic because it will be growing in importance as the Federal Reserve continues to communicate more openly with the outside world than it had in the past. "Fed speak," as it is referred to in the media, is closely followed by economists and financial analysts, but the lack of academic research is likely due to the highly secretive nature of the Federal Reserve for much of its history. As the Chair of the Federal Reserve explains more of its actions to the outside world, it will be more important to generate academic research as the differences in the use of Rhetoric by the Chair of the Federal Reserve grows more similar to its use by the President. The research methodology used was grounded theory, first developed by Glaser & Strauss in 1967. Grounded theory, a qualitative research method, used a method known as coding to "develop an inductively derived grounded theory about a phenomenon" (Stauss & Corbin, 1990, p. 24). One of the key principles of grounded theory is to develop a theory as the research is conducted rather than using the research to develop a theory that has already been created. A computer program, MAXQDA 11, was utilized to facilitate a more efficient research process. The completion of this research will contribute to a better understanding of Federal Reserve rhetoric as it is becoming a more prominent component of economy of the United Sates.

INTRODUCTION

The purpose of this capstone is to advance the study of the rhetoric of the Federal Reserve Chair by studying it in a new way. When one hears about rhetoric in the American political system, the first thought is often of the president because he is the most public figure of the United States government. While others have focused on the word of the chair of the Federal Reserve as a tool of monetary policy, this Capstone will examine them as a political tool, much like past researchers have done with the president. The scope of this research will include the opening statements of the Federal Reserve's Semi-Annual Monetary Report to Congress, which consists of identical prepared testimony delivered by the Chair of the Federal Reserve to the Senate Committee on Banking, Housing, and Urban Affairs and to the House Committee on Financial Services. These monetary policy reports occurred between 2006 and 2013.

This research is significant because significant attention is paid to what the Federal Reserve Chair says, particularly by the print media. This interest has picked up because the Federal Reserve is more transparent than it has been in the past, a trend that began during the tenure of Chairman Alan Greenspan and continued under Chairman Ben Bernanke. In fact, Time Magazine named Chairman Ben Bernanke their 2009 person of the year who "for better or for worse… has done the most to influence the events of the year". Journalists working for newspapers spend a significant amount of time following the actions of the Fed Chair, but these pieces lack the depth of academic research. The academic research into the rhetoric of the Federal Reserve Chair is primarily concerned with the implications of monetary policy and are not focused on a possible political dimension.

LITERATURE REVIEW

Rhetoric

While classical rhetoric is generally not a widely studied subject in modern educational institutes, it has been studied for thousands of years as an essential subject for students. By studying Greek literature, it is clear that persuasive discourse was essential for the founders of democracy, the ancient Greeks. It is generally recognized that the practice of rhetoric as an art first occurred in Sicily in the fifth century B.C. by Corax of Syracuse. At the time, the local tyrant had just been overthrown and replaced with a democratic government. Corax developed the art of rhetoric as a formula for speeches which would assist citizens in court proceedings in which they were arguing for the recovery of their property that had been confiscated by the tyrant (Corbett, 1965, p. 536).

After Corax began assisting citizens with creating courtroom speeches, Gorgias of Leotini, an ambassador from Sicily, traveled to Athens in 427 B.C. and impressed the Athenians with his speech-making skills. He was the first to successfully set up a school on the subject in Athens and charged students a fee to learn his style of ornate speaking. Although Gorgias was the first to successfully establish such a school, Aristotle and Isocrates were the most influential. Isocrates and Aristotle both created their own forms of rhetoric, but much of Isocrates' works were lost, thus when one refers to classical rhetoric, the reference is to Aristotle's works. Aristotle sought to reject Plato's assertion that rhetoric was not a true art. Aristotle opened a school of rhetoric, and became a competitor of Isocrates. During this time, Aristotle published three books of rhetoric which became the basis of the subject from that point forward (Corbett, 1965, p. 539).

Aristotle's three books of Rhetoric set forth the framework for the study of rhetoric. Key to Aristotle's theory are three appeals: to reason (logos), to emotion (pathos), and the ethical appeal (ethos) (Corbett, 1965, p. 540).

Today, rhetoric is generally defined as the act of persuasion through speech. Charteris-Black (2005) directly ties the definitions of rhetoric and persuasion together because he claims that any definition of rhetoric must include persuasion. It has long been used by political leaders of democratic societies, including the United States. The study of how rhetoric is used to achieve a politician's goal is a much studied discipline. Bitzer's definition of a rhetorical situation is helpful in understanding how rhetoric fits into political persuasion. Bitzer claims that a rhetorical situation is one that can be defined as the existence of an actual or potential problem which can be remedied through the use of discourse. The three key components are the exigence, or problem (whose parameters are listed above), audience, and constraints. The audience must be capable of bringing about change and constraints act on the decisions made by the audience and can include customs and laws (Bitzer 1966). In the case of Bernanke's testimony, the exigence is rather obviously the economic crisis that the world was engulfed in, the audience, the respective committees of the US House of Representatives and US Senate, had the power to introduce legislation that could assist the actions of the Fed or limit its powers, and the Fed has always faced statutory constraints set forth by Congress which have changed over time.

Medhurst recognizes Bitzer's definition of the rhetorical situation and goes further to apply it to the American Presidency. He expands upon constraints saying that they fall under the category of institutional and personal. Institutional constraints include statutory limits of power while personal constraints are set by a leader's personal moral beliefs and political views. Medhurst claims that the idea of rhetorical leadership is an essential component of the leadership exhibited by the American President. He defines rhetorical leadership as "the ability to conceptualize and use language and symbols to help achieve specific goals with particular audiences" (2007, p. 61). He also determines twelve abilities that are the markers of true rhetorical leadership. They are:

1. Read and analyze people and situations,

2. To interpret; acquire and use eloquence as dictated by wisdom;

3. Use language (or silence) strategically as a weapon;

4. Judge when to speak and what to say;

5. Identify with and adapt to different audiences;

6. Adapt rhetorically to changing situations;

7. Project a consistent image, or theme, or persona;

8. Transcend both self and party;

9. Embody and articulate national goals and ideals;

10. Inspire confidence and trust;

11. Call forth sacrifice on behalf of the common good;

12. Make and defend decisions in the face of uncertainty.

In a constrained position in a democratic society, it is essential for a leader to use rhetoric to convince others that policy is acceptable (Medhurst p. 65).

While one thinks of the presidency of George W. Bush, the most prominent issue includes his response to the terrorist attacks of September 11th, 2001 and the invasion of Iraq. Particularly, on the wake of September 11th, it was essential for him to demonstrate strong leadership to the nation which was often communicated through speeches. Bush attempted to enhance his ethos, or ethical appeal, by using finance and accounting related metaphors. He would frequently refer to repaying a debt as way of portraying himself as taking an ethical position in the treatment of money (Charteris-Black, 2005, p.202). For example, Bush referred to the loss of a serviceman in the following way, “Shannon, I assure you and all who have lost a loved one that our cause is just, and our country will never forget the debt we owe Michel and all who gave their loves for freedom” (29 January 2002). Here, he used the image of an obligation to pay back a debt to show that he feels the responsibility of the decision to send American troops into battle. His ethical appeal is meant to reassure the nation that he is not recklessly risking American lives.

In September of 2008, President Bush was heavily criticized for his early lack of rhetorical leadership when the full severity of the situation began to emerge. Holtzman explores Bush’s rhetorical leadership, or lack thereof, in his 2011 article, What’s the Problem Mr. President:

Bush's Shifting Definitions of the 2008 Financial Crisis. In it, Holtzman claims that Bush received significant criticism for initially downplaying the severity of the crisis and then going silent and not saying very much at all about what was going on. He had lost much of his power to persuade at this point after opinions on Iraq had turned sour, the failed response to Hurricane Katrina had further tarnished his reputation, and his status as a lame-duck president gave his words little power. Largely due to these factors, Bush had lost his ethos and could no longer make the ethical appeal that he had in the wake of 9/11. After a few days, he reversed course and publically recognized the severity of the problem and called for strong responses from the federal government to fix the problems facing the nation. Despite the lack of power carried by Bush's words at this point in his presidency, it was important to see the most prominent figure in American government at least exercising his rhetorical leadership (Holtzman, 2011).

While rhetorical leadership from the Fed Chair is not as widely researched as the rhetorical leadership of the presidency, there has been research on Chairman Alan Greenspan's leadership by Kohn and Sack (2003) and Bligh and Hess (2007). A similar honors theses was performed by Peronne at Carnegie Mellon University in 2010 on the rhetoric of Federal Open Market Committee Statements from 2007 through 2009. Kohn and Sack's piece, the first among the above mentioned works to be published, focused less on rhetorical leadership than it did on the impact communication by the Fed, namely FOMC statements, Congressional testimony, and speeches, had on interest rates. Bligh and Hess based some of their research on Kohn and Hess but focused more on Greenspan's rhetorical leadership. Greenspan was a key Fed chair to research because under his tenure, the Fed transformed from an extremely secretive institution with little public communication in regards to monetary policy into a much more open institution. In fact, the FOMC did not releasing a policy statement at the conclusion of meetings until 1999 (Bligh & Hess, 2007). While this research is similar to the scope of this Capstone, this research will be different because it will analyze rhetorical leadership during a period of extreme economic downturn not seen during Greenspan's tenure. The exigence represented by the economic downturn presented on opportunity for the use of rhetorical leadership in order to ensure the acceptance of various unconventional tools of monetary policy including quantitative easing and the bailout of various large corporations.

Federal Reserve Actions

The Federal Reserve System was created by the 1914 Federal Reserve Act which laid out the structure and scope of power of the Fed. The explicitly stated monetary policy objectives are for "maximum employment, stable prices, and moderate long-term interest rates. (federalreserve.gov)" Bearing these objectives in mind, the Federal Reserve, more specifically the Federal Open Market Committee, enacted numerous conventional and unconventional monetary policy tools during and after the Financial Crisis of 2008.

One of the first steps taken by the Fed as signs of a financial downturn emerged was to lower the Federal Funds Rate starting in 2007. From the summer of 2007 through December of 2008, the FOMC continuously cut the target Fed Funds to 0-0.25% from 5.25%. (Factset Research Systems) The Fed was also exercising its role as "lender of last resort" by providing loans to banks that no one else would lend to in order to provide liquidity. The discount rate is normally 100 basis points (one basis point equals one one-hundredth of a percent) above the Target Federal Funds rate, but on August 17, 2007, the rate was cut to just 50 basis points above the Target Fed Funds Rate. (Cecchetti, 2009) With interest rates at effectively zero, the FOMC could no longer cut interest rates. As a result, in March of 2009, the FOMC announced the first of what would become three rounds of large-scale asset purchases, commonly referred to as quantitative easing or QE. (Bernanke 102) QE is the practice of purchasing large amount of government bonds in order to force down long-term interest rates and spur economic activity. In the case of the Fed, it began purchasing tens of billions of dollars of US Treasury securities and mortgage-backed securities (MBS) from government sponsored entities (GSE) such as Fannie-Mae and Freddie-Mack.

With the Fed Funds rate at the lower bound, the Federal Reserve was forced to implement unconventional tools of monetary policy. Some examples of these tools include the facilitation of the purchase of Bear Sterns and Merrill Lynch, the bail out of AIG, and the creation of the Term Auction Facility (TAF), Term Securities Lending Facility (TLF), and the Primary Dealer Credit Facility (PDCF). The biggest problem during the beginning of the Financial Crisis was a lack of liquidity. When firms began to realize that vast pools of MBS could not be accurately valued due to the subprime mortgages they contained, banks began to grow weary of lending to one another and instead chose to hoard cash. Investors and financial institutions were fearful of buying agency debt from GSE like Fannie-Mae and Freddie-Mac and instead chose to buy US Treasury Securities. The commercial paper market saw similar problems in August of 2007 when large companies with high credit ratings experienced difficulty rolling over their maturing commercial paper. Only the largest and most credit-worthy companies in the country issue commercial paper including firms outside of the financial sector, like General Motors, meaning that the problems initially stemming from subprime mortgages were spreading across all sectors of the economy. The market for repurchase agreements froze up in similar fashion putting significant strain on the broker-dealers who relied on them to finance their operations. (Cecchetti, 2009)

Given the problems listed above, the Fed needed a quick response to solve the problem of liquidity, particularly in the financial sector. In order to address the problem of illiquidity in the interbank funding market, the Fed created TAF. In theory, banks can borrow from the Fed at the Fed funds rate if no other bank is able to lend to them, but in practice banks were reluctant to take loans from the Fed because they believed that other institutions would see this as a sign of financial weakness. TAF was a way of auctioning off funds for a term of roughly one month in a way that was anonymous, therefore banks could borrow from the Fed without others questioning their financial strength. The Fed also enacted TSLF which allowed primary dealers of Treasury securities to trade residential MBS for Treasury securities in order to meet the high demand for Treasury securities in the market. (Cecchetti, 2009)

In March of 2008, the Fed made the unprecedented move of lending to Bear Sterns. The move was so extraordinary because Bear Sterns was an investment bank, not a commercial bank therefore not eligible for discount loans. The Fed was able to make this loan under a clause in the Federal Reserve Act not used since the 1930's which "gives the Board of Governors the power to authorize Federal Reserve Banks to make loans to any individual, partnership, or corporation provided that the borrower is unable to obtain credit from a banking institution. (Cecchetti, 2009)" Only a week later, the Fed facilitated a deal in which Bear Sterns was purchased by JPMorgan. The rationale for these moves was that Bear Sterns was far too interconnected with other financial institutions to be able to fail without severe repercussions. During this same time period, the Fed created the PDCF in order to provide lending to primary dealers who would not normally be able to borrow from the Fed due to their lack of status as commercial banks. This move allowed the dealers to obtain short-term funding when they would not be able to find it from other sources.

METHODOLOGY

Grounded theory is an idea first set forth by Glaser and Strauss in their 1967 book *The Discovery of Grounded Theory*. In this work, the authors claim that "grounded theory is a way of arriving at theory suited to its supported uses" (Glaser & Strauss p. 3). A key characteristic of grounded theory is that it is built from data as opposed to a theory being created and then tested by data. Researchers must generate explanation of facts as they are researching. After the initial publication, the original authors split down two separate paths and developed differing opinions on how to develop grounded theory. Strauss has passed away but Glaser continues to publish works on grounded theory (Evans, 2013).

After the publication with Glaser, Strauss partnered with others to develop procedures and techniques for performing grounded theory. The idea of coding emerged as a technique of generating grounded theory. "Coding represents the operations by which data are broken down, conceptualized, and put back together in new ways" (Strauss & Corbin 1990 p. 59) Coding consists of three steps, open coding, axial coding, and selective coding. While each step of coding builds on the previous step, the whole process is iterative and will likely result in the researcher frequently switching back and forth between the different steps. During the process of open coding, "the data are broken down into discrete parts, closely examined, compared for similarities and differences, and questions are asked about the phenomena as reflected in the data" (Strauss & Corbin, 1990 p. 62). The goal here is to conceptualize and categorize the data. In order to do this, paragraphs, sentences, and phrases are broken down and labelled based on what that particular section is attempting to accomplish. Sections that are attempting to accomplish the same thing are given the same name. Once various labels are generated, they are grouped into categories which are also named. At this point, it is important to consider properties, which are the characteristics or attributes of a category, and dimensions, which represent locations of a property along a continuum. For instance, a property of forward rate guidance could be the implied length of time for which the target Federal funds rate will be held near zero. Dimensions can range from the ambiguous "considerable time" to specific date ranges. Properties and dimensions will be used to identify relationships across categories and subcategories (Strauss & Corbin, 1990 p. 69).

The next step in the coding process is axial coding. In this step, the categories are put back together to identify connections between them. The process for doing this is called the paradigm model. In this process, the objective is to "link subcategories to a category in a set of relationships denoting casual conditions, phenomenon, context, intervening conditions, action/interaction strategies, and consequences" (Strauss & Corbin, 1990, p. 99) Diagrams of the paradigms can be helpful for visually depicting these relationships. In this research, diagrams with four quadrants are used to represent properties, specific dimensions, context, and strategies.

Moving on to the last phase of coding, selective coding, involves forming grounded theory. Selective coding is similar to axial coding, but done at a higher and more abstract level. The steps in this phase are not necessarily carried out in order, and much like the entire process of coding, the researcher will likely move back and forth between the steps. They are explicating the story line, relating subsidiary categories around the core category by means of the paradigm model, relating categories at the dimensional level, validating these relationships against data, and filling in categories that need further development. (Strauss & Corbin, 1990, p. 118) The idea here is to identify patterns and group patterns according to their dimensions so that they are all integrated around the core category which represents the over-arching theme. In this research, three main categories identified through axial coding are related back to a core category. Finally, the theory is grounded by laying it out and validating with data.

Glaser objected to the finding of Strauss and Corbin in his 1992 book *Basics of Grounded Theory Analysis: Emergence v Forcing* (Evans, 2013). His objection focuses primarily on the procedure for axial coding, which involves using a coding paradigm. Glaser claimed that this would result in researchers forcing data into preconceived frameworks, which is what grounded theory was created to avoid (Babchuk, 1996).

The entire process of coding takes months and large volumes of notes are created in the process thus utilizing a personal computer can make the process more efficient. MAXQDA is a software program developed by VERBI GmbH which is based on the research of Strauss & Corbin. This software is utilized in this research in order to facilitate a more efficient research process.

RESULTS

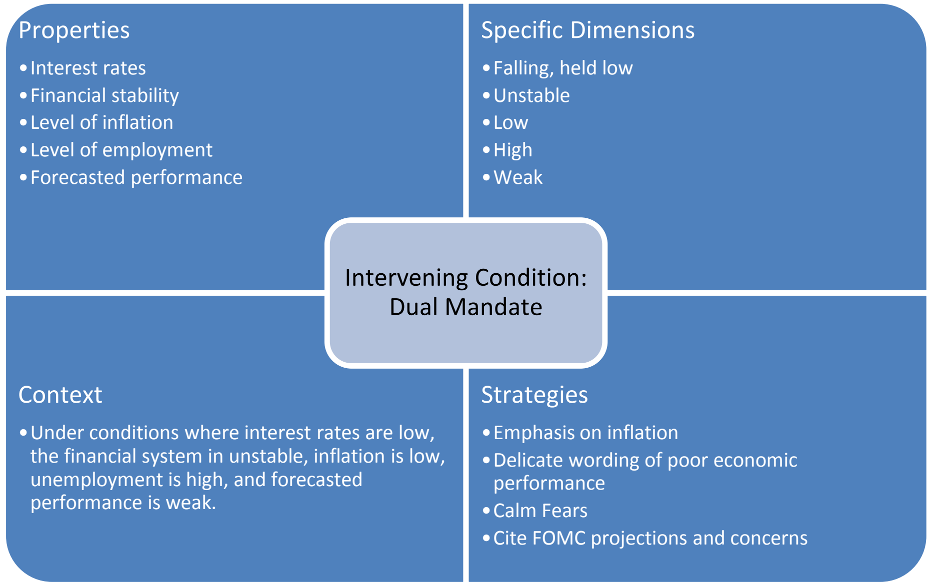

Figure 1- Discussing Economic Performance

At a high level, the rhetoric of Ben Bernanke can be divided into three main categories, discussing economic performance, discussing actions of the Fed and others, and discussing the role of the Fed in the political and economic systems of the United States. Each of these main categories consist of multiple subcategories and all relate back to the core category which is Bernanke's approach to Congress. This is what makes this research different because while the majority of research is focused on Federal Reserve statements as tools of monetary policy, the idea of studying it as political rhetoric is not as well developed. These three categories, and the relationships between them, their subcategories, and the core category combine to form the paradigm through which Bernanke's relationship with Congress can be understood.

The first category, which is the discussion of economic performance, consists of multiple sub categories which are: goals, sectors, economic data, concerns, international economy, and forecasted forward economic performance. All testimony related to the performance of the economy was coded with one of these sub codes or a further subdivided code. Through analyzing the most important properties, their specific dimension, context, strategies, and intervening conditions, the matrix represented in Figure 1 was created. An important consideration is that the casual condition for the phenomenon of discussing economic performance is the economic recession. When specific dimensions are applied to their corresponding properties, the appropriate context is developed which is the following: under conditions where interest rates are low, the financial system is unstable, inflation is low, unemployment is high, and forecasted performance is weak. While some of these dimensions do change overtime, the aforementioned context is appropriate for generally understanding the context under which economic performance is discussed. The strategies that emerge are to emphasize the importance of inflation, speak of poor economic performance in delicate wording, calm fears, and cite FOMC projections and concerns over his own. The intervening condition to be considered here is the dual mandate: price stability and maximum employment. This phenomenon now becomes the casual factor for the next phenomenon, discussing the actions of the Fed and others.

The next main category of discussing the actions of the Fed and others consists of the subcategories of others' actions and Fed action which is further divided into unconventional monetary policy, certainty, Fed's effects, FOMC actions, and policy proposals. One important subcategory, unconventional monetary policy, is further subdivided into operation twist, quantitative easing, exit strategy, forward rate guidance, interest on reserves, taper, TALF, foreign exchange swaps, bailout, and term auction facility. The matrix depicted in Figure 2

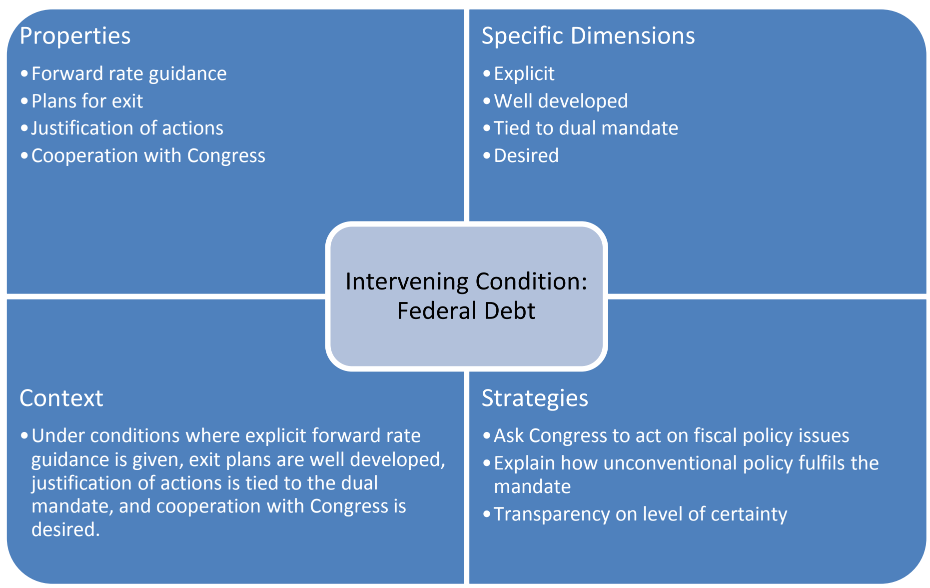

Figure 2- Discussing Actions

is a graphical representation of the phenomenon of discussing actions of the Fed and others. When the observed properties are matched with specific dimensions, the following context is developed: under conditions where explicit forward rate guidance is given, exit plans are well developed, justification of actions is tied to the dual mandate, and cooperation with Congress is desired. The strategies that emerge are to ask Congress to act on fiscal policy issues, explain how unconventional monetary policy fulfills the dual mandate, and to remain transparent on the level of certainty associated with forecasted economic performance. A key intervening condition is the level of the Federal debt. Initially, Bernanke calls this an unsustainable fiscal policy but later budget cuts threaten economic performance. In addition, the increasing Federal debt coincided with the increase in the size of the Fed's balance sheet. Public awareness of both of these high figures placed some scrutiny on quantitative easing, the primary contributor the large Fed balance sheet. These actions and their discussion are the casual for the final phenomenon, discussing the role of the Fed.

The third main category, discussing the role of the Fed, is the most important when considering its relation to the core category of the relationship between Bernanke and Congress. Figure 3 seen here is a graphical representation of this phenomenon. When observed properties are combined with their specific dimensions, the following context is developed: under conditions where the Fed's independence is high, monetary policy tools have been broadly applied, authority has been called into question, and the mandate is considered to be important. Consequentially, the strategies that are used are to argue for independence, always refer to the dual mandate, and advocate for continued transparency. An important intervening condition is the idea of reform. In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protections Act (Dodd Frank). The momentum for reform in Congress threatened to spill into Fed independence, something that Bernanke firmly sought to prevent.

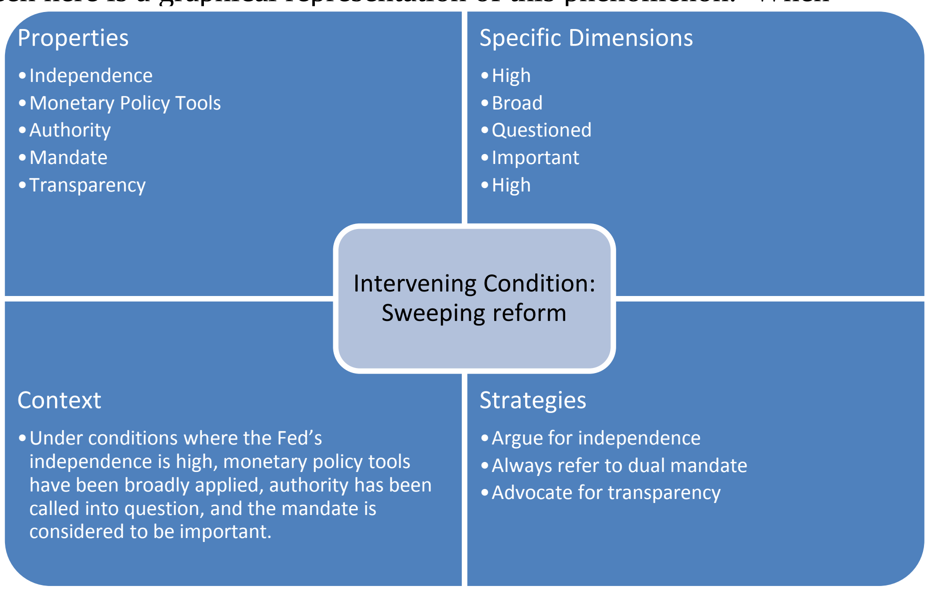

Figure 3- Discussing the Role of the Fed

The three main categories that have been mentioned, discussing economic performance, discussing actions, and discussing the role of the Fed, combine to form the core category of Bernanke's approach to dealing with Congress. Most research has focused solely on Fed statements purely as tools of monetary policy, but this core category focuses on the rhetoric of Ben Bernanke as a political tool for managing his relationship with Congress. Figure 4 seen here is a graphical representation of the three main categories around the core category. Most simply put, the economic recession is a casual condition of discussing economic performance as it presents a problem that the Fed seeks to correct. When the economic performance is not consistent with the dual mandate, the Fed takes actions which brings about the discussion of these actions. Particularly in the case of unconventional monetary policy, this creates a discussion of the role of the Fed and whether independence or power should remain the same or be curtailed. The balance between these three categories and their contribution to the core category create a paradigm through which Bernanke's approach to Congress during the opening statements to semi-annual monetary policy reports. The core category, like the main categories, has its own

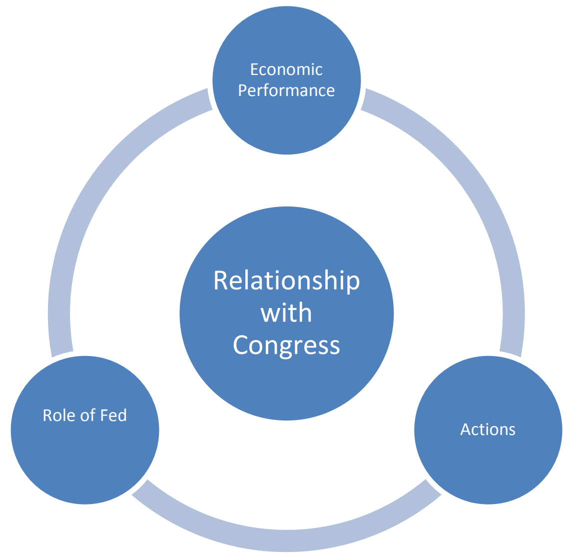

Figure 4- Core Category

set of properties and corresponding dimension ranges, depicted in Figure 5.

Property	Dimension Range
Recognition of Congressional authority	Low to High
Clarity	Low to High
Certainty	Low to High
Perceived Risks	Low to High

Finally, in order to ground the theory, it was necessary to go back and ensure that this framework applies in most cases. In order to effectively do this, it was prudent to revisit examples of each main category and ensure that the coded segments generally coincide with the paradigm presented in this research.

The most critical main category, discussing the role of the Fed, was the first category to be validated in data. An important example of this category comes from the July 2009 testimony in which Bernanke is praising Congress for not attempting to assert itself into monetary policy deliberations. The coded segment reads as follows:

> Because GAO reviews may be initiated at the request of members of Congress, reviews or the threat of reviews in these areas could be seen as efforts to try to influence monetary policy decisions. A perceived loss of monetary policy independence could raise fears about future inflation, leading to higher long-term interest rates and reduced economic and financial stability. We will continue to work with the Congress to provide the information it needs to oversee our activities effectively, yet in a way that does not compromise monetary policy independence.

In the above coded segment, a couple of key properties of the core category are present. The most apparent is the recognition of Congress's duty to oversee the Fed's activities which is important to note because it is present in the same segment in which he is calling for a maintained level of independence. This is an example of high recognition of Congressional authority. There is also a high level of perceived risk because any decrease in independence is seen as detrimental to the US economy. Most importantly, the need to retain independence is tied directly to the mandate given by Congress themselves when Bernanke explains how the Fed's ability to control inflation would be undermined by increased intervention by Congress.

Further instances of Bernanke using the dual mandate to discuss the role of the Fed comes in testimony from February of 2010 when he said the following, "Looking ahead, we will continue to work with the Congress in identifying approaches for enhancing the Federal Reserve's transparency that are consistent with our statutory objectives of fostering maximum employment and price stability. In particular, it is vital that the conduct of monetary policy continue to be insulated from short-term political pressures so that the FOMC can make policy decisions in the longer-term economic interests of the American people." Again, Bernanke is warding off the idea of decreased independence by calling on the authority granted to the Fed by Congress arguing that the Fed would be less likely to achieve their mandate if independence were to be decreased.

Moving backwards, grounding the theory also involves validating the findings of two preceding categories by ensuring the findings of the paradigm are consistent in examples where these categories are discussed. Recall from the aforementioned findings that actions by the Fed and others are discussed under conditions where explicit forward rate guidance is given, exit plans are well developed, justification of actions is tied to the dual mandate, and cooperation with Congress is desired. When Bernanke discusses forward rate guidance, he is referring to statements from the FOMC on how long they believe that they will keep the Target Federal Funds Rate near zero. The dimension here, or implied duration of time for which this rate will remain at this level, ranges from vague in February of 2009 when it is described as "some time" to more specific such as in February of 2012 when "at least through the middle of 2013" replaced this segment. Throughout the testimony, Bernanke gives considerable attention to explaining just how the Fed would proceed in regard to returning to normal monetary policy thus delivering well developed exit plans to Congress. In order to see how Bernanke justified Fed actions by tying them to the dual mandate, it was helpful to view an extreme form of monetary policy: quantitative easing. It was consistently observed throughout the explanations of the three rounds of this large-scale asset purchase program that

Bernanke explained that the objective of the program was to maintain price stability and lower the unemployment rate. Over the course of his discussion of actions, Bernanke draws attention to Congressional actions and expresses his desire for the Fed and Congress cooperating in order to ensure a stable recovery. An example comes from testimony delivered in February of 2013 when Bernanke says the following, "The challenge for the Congress and the Administration is to put the federal budget on a sustainable long-run path that promotes economic growth and stability without unnecessarily impeding the current recovery." This comes after numerous testimonies in which he called for federal spending, which he called unsustainable, to be reduced. This statement is important because it ties in how actions taken by Congress can assist the Fed in its goals.

Finally working back to the first category to be identified, discussing economic performance, recall that this category is discussed under conditions where interest rates are low, the financial system is unstable, inflation is low, unemployment is high, and forecasted performance is weak. Interest rates, as previously mentioned in analysis of Forward Rate Guidance, are very low throughout the course of this testimony. The high level of unemployment is also mentioned consistently across testimonies. Financial instability and forecasted performance are seen in the following segment from July of 2008, "However, as events in recent weeks have demonstrated, many financial markets and institutions remain under considerable stress, in part because the outlook for the economy, and thus for credit quality, remains uncertain." An important takeaway from this segment is a tie in to one of the properties of the core category; the level of certainty. This is an example of Bernanke being clear that there is significant uncertainty about the future and that is causing financial instability.

CONCLUSION

This research finds that when Ben Bernanke delivered testimony to Congress during his tenure as Fed Chair, there is an often overlooked political dimension to his speech. By overlooking this dimension, those who listen to the rhetoric of the Fed Chair are increasing the chance that they misunderstand the intentions of certain statements. This political relationship between Bernanke and Congress revolved around the three main categories of discussing economic performance, discussing actions, and discussing the role of the Federal Reserve. The scope of this research is limited to a single Fed Chair and a specific form a communication. The scope also covers an exceptional period of time as the Recession and its aftermath covered the majority of Bernanke's tenure. All of these factors combine to make this research very unique.

This research is important and especially relevant at this moment in time because of the heightened level of attention that is paid to the Federal Reserve Chair. The interest has increased to such a high level that the Wall Street Journal has created an interactive section of its website devoted to understand current Chair Janet Yellen's schedule which can be accessed at http://graphics.wsj.com/janet-yellen-calendar/. This feature is just one example of the extensive coverage of the Fed Chair that can be found in the media. When moving over to the academic side, there are a few notable examples of research into the Fed Chair's rhetoric, but they are focused on its application as a tool of monetary policy. This presents however a lack of academic research into the political rhetoric of the Fed Chair. This lack of research becomes more conspicuous as the Federal Reserve communicates more openly and the Fed's relationship with Congress evolves.

Through the contribution made by this research, others may begin to view the rhetoric of Ben Bernanke during this time period with an eye toward the political dimension of his speech. While his speech was undoubtedly also used as a tool of monetary policy, recognizing the political rhetoric will help those who follow "Fed Speak" to identify what is being intended as monetary policy and what is intended to manage relationships with oversight committees. This perspective will allow those who are listening to the rhetoric of the fed to gain a more accurate understanding of what is being said.

As this research is pushing into largely untouched territory, it would be appropriate to provide considerations for potential future research. Two distinct paths would be expand to scope to other forms of communication from Bernanke, such as public speeches, during this time period or to study testimony from other Chairs of the Federal Reserve. As this research represents a paradigm of how one Fed Chair dealt with oversight committees during a period under which the organization was faced with extraordinary circumstances, this may or may not hold true under other circumstances. The most direct extension would be continue the study of testimony to Congress under the leadership of Chair Yellen. The Fed is facing an ever changing relationship with Congress and studying how this relationship changes overtime would be an excellent contribution to the understanding of Federal Reserve rhetoric.

ANNOTATED BIBLIOGRAPHY

Anderson, R. G. (2009). Bagehot on the Financial Crises of 1825...and 2008. *Economic Synopses*.

Annotation: Ben Bernanke mentioned (in Wessel, 2014) that he relied heavily on Bagehot's philosophy of lending large amount of money against good capital at penalties rates in order to maintain liquidity during the crisis. This publications from the Federal Reserve Bank of St. Louis helps to compare the Financial Crisis of 2008 to the one in 1825 which Bagehot based his analysis on. In learning about how Bernanke spoke to Congress, I must research the basis of his policies.

Babchuk, W. A. (1999) *Proceedings from the Annual Midwest Research-to-Practice Conference in Adult, continuing, and Community Education*. Lincoln, NE.

Annotation: Babchuk's piece applied grounded theory to adult education, the topic of this conference at the University of Nebraska. In his paper, *Glaser or Strauss? Grounded Theory and Adult Education*, Babchuk review the body of literature on grounded theory and discusses the split between Glaser and Strauss, the original creators of the method.

Bitzer, L. F. (n.d.). The Rheorical Situation.

Annotation: Bitzer attempts to define a rhetorical situation in the way that situations can be defined as embarrassing or perhaps ethical. Bitzer argues that rhetoric exists as a result of a situation that calls for it. He also defines rhetoric as the attempt to persuade an audience who has the power to bring about change. I know that Bernanke was attempting to persuade an audience who clearly had the opportunity to bring about change, therefor I can consider his testimony rhetoric.

Bligh, M.C., & Hess, G. D. (2007) The power of leading subtly: Alan Greenspan, rhetorical leadership, and monetary policy. *The Leadership Quarterly*, 18, 87-104. Doi:10.1016/j.leagua.2007.01.0001

Annotation: Bligh and Hess researched the rhetorical leadership of Alan Greenspan during his tenure as Federal Reserve Chairman. These individuals researched Greenspan's rhetoric through testimony, FOMC statements, and speeches. The research in this source closely matches the subject of this Capstone, but for another Chairman.

Campbell, K.K. (1996) *The Rhetorical Act*. (2nd ed.). Wadsworth Publishing Company

Annotation: Campbell begins by providing an overview of rhetoric and continues to provide strategies for practically applying rhetoric in a modern setting.

Cecchetti, S. G. (2009, WInter). Crisis and Responses: The Federal Reserve in the Early Stages of the Financial Crisis. The Journal of Economic Perspectives, 23(1), 51-76.

Annotation: An overview of the Fed's response to the Financial Crisis. This will serve as technical literature which will allow me to develop a theoretical sensitivity when creating grounded theory. The author, Cecchetti, is the author of a textbook which is used by a 300 level finance course at Bryant University.

Charteris-Black, J. (2005). Politicians and Rhetoric: The Persuasive Power of Metaphor. New York: Palgrave Macmillan.

Annotation: This book covers the use of rhetoric by some of the most well-known and influential politicians of the 20th and 21st centuries. It focuses in particular on the use of rhetoric for political persuasion. While it does not pertain to central banking, it can provide a background on the use of rhetoric used for a similar purpose.

Corbett, E.P. (1965) Classical Rhetoric for the Modern Student. New York: Oxford University Press.

Annotation: Corbett admits that the entire history of the development of rhetoric is far too vast to cover in a single book, yet notes those which cover a great deal. This book provided a good background on classical rhetoric as developed by Aristotle and others.

Dixon, P. (1971) *Rhetoric: The Critical Idiom*. London, UK: Methuen & Co.

Annotation: Dixon provides an overview of the development of classical rhetoric. With an emphasis on the teachings of Aristotle, he applies classical rhetoric to modern applications.

Eichengreen, B., & Gupta, P. (2013). Tapering Talk: The Impact of Expectations of Reduced Federal Reserve Security Purchases on Emerging Markets.

Annotation: In 2013, Bernanke first hinted at the possibility of tapering the Fed's large-scale asset purchase program. Although the tapering did not occur for many months, these remarks set off a firestorm of speculation around the word. This paper analyzes the effects that the expectations that these remarks had on emerging markets. I will use this as an example that Bernanke's remarks had unintended consequences.

Evans, G. L. (2013). A Novice Researcher's First Walk Through the Maze of Grounded Theory: Rationalization for Classical Grounded Theory. *Grounded Theory Review: An International Journal*. June 2013 (1).

Annotation: Evans explores the basics of using grounded theory and lays out the history of its development. This source dives into the differences between Glaser and Straus. This journal is dedicated to Glaser's method, although I will be following Strauss.

Glaser, B.G. & Strauss, A. L. (1967). *The Discovery of Grounded Theory*. Chicago, IL. Aldine Publishing Company.

Annotation: This is the original work in which the authors introduce their idea of grounded theory. All subsequent works are based off of this one.

Graesser, A. C., Gernsbacher, M. A., & Goldman, S. R. (Eds.). (2003). Handbook of Discourse Processes. Mahwah, NJ: Lawrence Erlbaum Associates, Inc.

Annotation: A collection of reading pertaining to the use of discourse. One selection in particular covers the topic of narrative discourse which I believe will be particularly relevant to Bernanke's testimony as it is delivered as a narrative.

Holtzman, R. (2011). Experiential Learning in Washington DC: A Study of Student Motivations and Expectations. *Transformative Dialogues: Teaching and Learning Journal*.

Annotation: This document provided the foundation of my exploration of grounded theory. The goal of this report is similar to mine in that Holtzam attempted attempts to draw conclusions about a topic about which there is not much specific research. It serves as an example of the use of grounded theory as well as a foundation of sources for further research into grounded theory.

Hotlzman, R. (2011). What's the Problem Mr. President? Bush's Shifting Definitions of the 2008 Financial Crisis. International Social Science Review, 95-112.

Annotation: An analysis of President George W. Bush's public explanations of the 2008 Financial Crisis. There is little research at present time about Bernanke's rhetoric during this time, but looking at the rhetoric of the president who appointed him would be a starting point. It is especially relevant because it will provide context for rhetoric on the same topic, just delivered by a different person.

Irwin, N. (2013). The Alchemists: Three Central Bankers and a World on Fire. New York: The Penguin Press.

Annotation: An analysis of the reaction of 3 central banks, the Federal Reserve, the European Central Bank, and the Bank of England, to the Financial Crisis. This book goes behind a simple overview of actions taken by the central banks. It digs into the personal relationships between these men and their reactions to each others' actions

Jackson, K. T. (n.d.). The Scandal Beneath the Financial Crisis: Getting a View From a Moral-Cultural Mental Model.

Annotation: An account of the reaction of leaders to the financial crisis.

Jaworski, A., & Coupland, N. (Eds.). (1999). The Discourse Reader. New York: Routledge.

Annotation: Jaworski and Coupland have compiled a collection of readings pertaining to discourse. On in particular, by Norman Fairclough, emphasizes the importance of textual analysis to discourse analysis. As I will be analyzing the transcripts of Bernanke's testimonies, this selection will provide me with a framework while reading these transcripts.

Kohn, D. L., & Sack, B. P. (2003). *Central Bank Talk: Does it Matter and Why?* Board of Governors of the Federal Reserve System. Washington, DC.

Annotation: This report examines the impact of Chairman Alan Greenspan's communications on interest rates. In this report, Kohn and Sack examine the impact of FOMC statements, speeches, and Congressional Testimony. The paper is more focused on interest rate impacts that actual rhetorical leadership, but it provides a foundation for looking at Federal Reserve communication. This report can be considered to have a high level of credibility as one of the authors, Donald Kohn, is a former Vice-Chairman of the Board of Governors of the Federal Reserve System.

Medhurst, M. J. (n.d.). Rhetorical Leadership and the Presidency.

Annotation: An analysis of rhetoric as it is used by the President of the United States. As there is not a substantial amount of research on the use of rhetoric by the Fed Chair, I can adapt points made in this article accordingly. This will help to build background knowledge on the use of rhetoric by political leaders in the US.

Perrone, R. (2010). *The Rhetoric of the Financial Crisis: Examining 2007-2009 Federal Open market Committee Statements*. (Unpublished honors thesis). Carnegie Mellon University, Pittsburgh, PA.

Annotation: In Perrone's honors thesis, he examines the rhetoric of the Federal Reserve through FOMC statements from 2007-2009. While his research is on the same time period, this Capstone will be focused more on testimony, will have a slightly extended time period, and will explore the topic in greater depth.

Roberts, W.R., & Bywater, I. (1954). *The Rhetoric and the Poetics of Aristotle*. New York, NY: Random House.

Annotation: This is a translation of Arisotle's *Rhetoric*. It serves as a primary-source reference for his works on rhetoric.

Santow, L. J. (2009). Do They Walk on Water? Federal Reserve Chairmen and the Fed. Westport, CT: Praeger Publishers.

Annotation: This book provides a description of the inner workings of the Federal Open Market Committee and the five most recent Fed Chairmen. An entire chapter is dedicated to Bernanke and his actions during the crisis. The chapter on Bernanke includes a personal history which will allow me to better understand him.

Strauss, A., & Corbin, J. (1990). *Bansics of Qualitative Research: Grounded Theory Procedures and Techniques.* Newbury Parl: Sage Publications, Inc.

Annotation: Strauss and Corbin have written numerous pieces on the use of grounded theory as a tool of qualitative research. This particular piece is entirely dedicated to grounded theory and explains the different coding processes and how they can be used to develop a research report. This work is critical in developing my research plan.

Wessel, D. (Ed.). (2014). *Central Banking After the Great Recession: Lessons Learned, Challenges Ahead.* Washington, DC: Brookings Insitution Press.

Annotation: An interview with Ben Bernanke during his final weeks in office. The book also includes research from Brookings Institute fellows in relation to the Federal Reserve during the crisis. Ben Bernanke now serves as a Distinguished Fellow at the Brookings Institute.