

January 31, 2014, 12:12 PM ET

How Will History See Bernanke's Legacy?

Friday Jan. 31 is **Ben Bernanke's** final day at the **Federal Reserve** after eight years at the helm, and Fed watchers of all stripes are weighing in on his legacy. (See a photo slideshow of his tenure at the Fed)

The Journal's Jon Hilsenrath dug into the chairman's tenure in an article late last year: "After a financial crisis he didn't see coming, Ben Bernanke steered the U.S. away from a potentially devastating panic. Yet five years later, the recovery he helped engineer with extraordinary policies remains frustratingly weak," Mr. Hilsenrath wrote.

"That legacy — a mix of failings, boldness, persistence and frustration — is coming into sharper focus, and with it a clearer picture of the power and limitations of modern central banking."

In a column last month, David Wessel described how Mr. Bernanke left a lasting mark on the Fed: "Mr. Bernanke has succeeded in changing an institution once so committed to secrecy that a 1985 book dubbed it "an intentional mystery." Twenty years ago, the Fed didn't even disclose when its policy committee had decided to move interest rates, let alone explain why. [In December], the central bank issued a 694-word statement as well as economic forecasts stretching to 2016."

Mr. Hilsenrath and Mr. Wessel discussed Mr. Bernanke's legacy in this video:

Mr. Bernanke also had a lasting impact on markets. The Journal's E.S. Browning parsed the legacy from an investors' point of view: Mr. Bernanke "still has plenty of critics who accuse him of misguidedly distorting the economy. Even admirers worry about the huge, uncertain task that remains: withdrawing the unprecedented Fed support on which markets now rely. But many professional investors are acknowledging, sometimes grudgingly, that Mr. Bernanke has gone a long way toward achieving the main goal he set in 2008: He has stabilized markets and restored a large measure of investor and public confidence. Many thought it impossible that he would accomplish what he did."

In his effort to stabilize the economy, Mr. Bernanke took the central bank into unprecedented territory. The following graphic shows the tools the Fed used to influence the economy under his watch (Click for larger version):

Professional economists surveyed by the Wall Street Journal graded Mr. Bernanke with a solid B for his time as chairman of the Fed. Looking back on his legacy, the forecasters took a kindlier view of his performance. As the Journal's Pedro Nicolaci da Costa noted: "His final grades improved significantly from a December 2012 poll, when he averaged a disappointing 'C.'"

The general public says Mr. Bernanke is leaving office less popular than his predecessor Alan Greenspan was when he stepped down. About 40% approve of the way Mr. Bernanke has handled his job as chairman, versus 35% who disapprove and 25% who have no opinion, according to a Gallup poll. Alan Greenspan stepped down with a 65% approval rating in 2006, before the financial crisis. Journal readers also weighed in and had a mixed view of Mr. Bernanke's tenure.

The Journal also asked five prominent economists to write about how they imagined Mr. Bernanke will be remembered. Among them, Lars E.O. Svensson, former Deputy Governor of the Riksbank wrote, "Ben Bernanke most likely saved the US and probably the world from the Great Recession turning into the Great Depression II," wrote. But not everyone was so sanguine. "Purchasing long-term securities — quantitative easing — lowered longer rates but because the Fed paid interest on excess reserves, the banks were discouraged from lending, hindering recovery. These policies formulated by discretion rather than rules threaten the Fed's credibility and independence, and Bernanke's legacy," wrote Michael Bordo, Board of Governors Professor of Economics, Rutgers University and Visiting Distinguished Fellow, The Hoover Institution.

Other critics are even harsher. Economist Steve H. Hanke wrote for the Cato institute that Mr. Bernanke deserves a failing grade for his handling of the economy: "Prof. Bernanke's days at the Fed have been marked by monetary misjudgments and malfeasance. Since the proof of the pudding should be in the eating, zero stars in the Michelin Guide."

There were also less serious examinations of the chairman's legacy. Economist Anil Kashyap presented Mr. Bernanke with a light-hearted musical tribute at the American Economic Association annual meeting in Philadelphia earlier this month: