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Fed. Chairman Ben Bernanke's Next Term May Be In Jeopardy

Friday, January 22, 2010

TOM HUDSON: The clock here ticking tonight for Ben Bernanke. His term as Fed chief now runs out next week, new doubts tonight building about his confirmation Susie for the second term.

SUSIE GHARIB: Tom, two more Democratic senators said they will not vote for Bernanke, but President Obama said Bernanke is the best person for the job and Obama is confident that he'll get confirmed.

HUDSON: Late this afternoon, Susie, the Senate Majority Leader Harry Reid did say he will vote for Bernanke. But there's still a storm brewing over the confirmation. Stephanie Dhue reports.

STEPHANIE DHUE, NIGHTLY BUSINESS REPORT CORRESPONDENT: As a key player throughout the financial crisis, Ben Bernanke's reconfirmation wasn't expected to be smooth sailing, but it was expected to pass. Now, it's looking close. Economist Mark Calabria says the Democrats Massachusetts election loss changed the political dynamics.

MARK CALABRIA, FINANCIAL REGULATION STUDIES, CATO INSTITUTE: A lot of Democrats have looked and said, if this can happen in Massachusetts, it can happen anywhere. So I need to be concerned because a lot of what's driving this is anger at the Wall Street bailouts and rightly or wrongly, Bernanke is the face of that right now.

DHUE: Today Democratic Senators Barbara Boxer and Russ Feingold announced they would vote against Bernanke, with Boxer saying it's time for Main Street to have a champion at the Fed. They join Senator Byron Dorgan who this week also says he will vote no. He wants the Federal Reserve to open up about which investment banks borrowed from the Fed and under what terms during the crisis.

SEN. BYRON DORGAN, (D) NORTH DAKOTA: I don't think the United States Congress should proceed with his nomination until he tells us what was the consequence of opening the discount window, excuse me not the discount window, the loan window at the Federal Reserve Board to investment banks for the first time in history.

DHUE: Bernanke has made recent moves to address his critics, saying he welcomes an investigation into the bailout of AIG. He still has the support of the White House. A spokesman today says the president thinks Bernanke is the best person for the job and that he will be confirmed by the Senate. His predecessor Alan Greenspan also gave Bernanke the thumbs up, telling NIGHTLY BUSINESS REPORT he's quote far and away the best person to lead the Fed. And many economists including Mark Zandi say Bernanke should be reconfirmed.

MARK ZANDI, CHIEF ECONOMIST, MOODY'S ECONOMY.COM: I would be very surprised if he's not re-appointed. If he's not, this would disrupt financial markets and raise the odds that the economy will not evolve into an expansion.

DHUE: While Bernanke is still the odds-on favorite to fill the job, others say a new face, like San Francisco Fed President Janet Yellin or White House economist Christina Romer could fill the position without too much policy disruption. Stephanie Dhue, NIGHTLY BUSINESS REPORT, Washington.

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