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Fed chief not loved by all in Congress; Bernanke likely to get second term despite criticism; tough policy decisions await in 2010

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Federal Reserve Chairman Ben Bernanke has been praised by President Barack Obama and hailed by most mainstream economists for bold policies that played a critical role in pulling the U.S. economy back from the brink of disaster.

The Fed chief even won a celebrity accolade Wednesday when Time magazine named him Person of the Year.

But instead of basking in glory, the 56-year-old professorial Fed chairman is fighting for his job -- and for the survival of policies at the heart of efforts by the central bank and the Obama administration to keep the nation's fragile recovery on track.

Although Bernanke won support from the Senate Banking Committee on Thursday and eventually is expected to be confirmed by the full Senate for a second four-year term, he remains under continual attack in Congress.

In recent months many members of Congress from both parties have berated the Fed and its chairman. They have criticized the Fed's failure during the housing boom to stop reckless behavior by banks and expressed indignation over billion-dollar bailouts for Wall Street. The anger has fueled drives in both chambers to curb the Fed's power and subject its actions, including monetary policymaking, to congressional scrutiny.

"It is ironic that he's under such criticisms given that he played such a key role in ending the financial crisis," said Mark Zandi, chief economist at Moody's Economy.com. "I think if the Fed hadn't acted aggressively and reduced rates to zero, the financial system would still be in disarray and we'd still be in a recession."

The criticism casts a shadow over future policy decisions, especially with congressional elections looming next fall.

Conservatives' frustration with the government's huge budget deficits, coupled with their more assertive attitude on Capitol Hill, have already in effect imposed sharp limits on further efforts to stimulate the economy and promote job growth.

But economists, even some at conservative free-market think tanks such as the **Cato Institute**, credit Bernanke with helping avert an economic collapse by pushing interest rates to near zero last December and instituting unorthodox programs to spur lending and revive credit markets.

William Niskanen, who headed the Council of Economic Advisors under President Ronald Reagan, says Bernanke made a "gutsy, correct decision" in expanding the nation's money supply.

But Niskanen quickly follows the praise with a warning that there is trouble ahead for Bernanke in managing the withdrawal of emergency loans and other programs that have more than doubled the Fed's assets to \$2.2 trillion.

That will be the critical challenge for Bernanke as he looks to 2010.

If he pulls back too soon, it could hurt a recovery that many see as tenuous. But if the Fed waits too long to change course, the result could be an onslaught of inflation.

The Senate Banking Committee voted 16-7 to send Bernanke's nomination to the full Senate for consideration. Approval came after a two-hour debate that heaped both praise and criticism on the Fed chief.

In voting for Bernanke, the panel's chairman, Sen. Christopher Dodd, D-Conn., said Bernanke's "wise leadership" will mean "better days do lie ahead."

Sen. Richard Shelby of Alabama, the top-ranking Republican on the committee, was among the seven senators voting no.

"Our trust and confidence were misplaced," Shelby said of Bernanke.

The Associated Press contributed to this report

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Ben Bernanke

Born: Dec. 13, 1953, in Augusta, Ga.

Education: B.A. in economics, 1975, Harvard University; Ph.D. in economics, 1979, The Massachusetts Institute of Technology.

Experience: Feb. 1, 2006-present, chairman of the Federal Reserve; June 2005-Jan. 31, 2006, chairman, President's Council of Economic Advisers; 2002-05, member, Board of Governors of the Federal Reserve System; 1996-2002, professor and chairman of the Economics Department at Princeton University; 1985-2002, economics professor, Princeton University.

Family: Wife, Anna; two children.

Quote: "The financial system and the economy have moved back from the brink of collapse, economic growth has returned, and the signs of recovery have become more widespread," in a Dec. 7 speech.

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GRAPHIC: Photo (color): (Ben Bernanke) KAREN BLEIER/GETTY-AFP FILE PHOTO
Photo (color): Fed's Bernanke advances, but takes heat on the way. (News section,
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