



## UPDATE 2-Senate panel backs Bernanke for second term

2:10pm EST

- \* Panel backs Bernanke, sends nomination to full Senate
- \* Opposition high; 1 Democrat, 6 Republicans vote against
- \* Nomination seen clearing Senate despite misgivings
- \* Full Senate to take up nomination after Jan. 19 (Adds details, background, analyst reaction)

By Mark Felsenthal

WASHINGTON, Dec 17 (Reuters) - Federal Reserve Chairman Ben Bernanke's nomination to a second term cleared a Senate panel on Thursday despite lawmakers' misgivings, setting the stage for a contentious Senate debate and final vote in January.

The panel backed Bernanke on a 16-7 vote, with one Democrat joining six Republicans in opposition.

Several senators voiced concern over perceived Fed missteps they said laid the groundwork for the financial crisis. Others criticized actions the Bernanke-led central bank has taken since the crisis broke. "I strongly disapprove of some of the past deeds of the Federal Reserve while Ben Bernanke was a member and its chairman, and I lack confidence in what little planning for the future he has articulated," said Senator Richard Shelby, the panel's top Republican, who voted against confirmation.

Public resentment over taxpayer bailouts of financial firms has fed an unusually high level of opposition to Bernanke's nomination. Four years ago, he sailed through the panel and Senate floor on voice votes with just one Republican stating opposition.

While Bernanke is widely expected to be confirmed for a second four-year term, he seems certain to receive a high number of no votes when the full Senate takes up his nomination after it reconvenes from a holiday break on Jan. 19. Even some lawmakers who said they support him back trimming some of the Fed's authority over financial firms.

Bernanke's current term expires on Jan. 31, although he could continue to serve as acting chairman even if his nomination is not approved by then.

**COULD FACE 20 SENATE NO VOTES**

Bernanke could get even more than the 16 no votes former Fed Chairman Paul Volcker drew in 1983 after triggering back-to-back recessions with double-digit interest rates.

The obstacles Bernanke faces in the Senate were underscored by the no vote of Shelby, who is influential among Republicans, and the opposition vote from Democratic Senator Jeff Merkley. Their votes could embolden other lawmakers of both parties to oppose the nomination.

"You may get 20 votes against him," said Mark Calabria, a former Republican Banking Committee aide who is now a scholar at the free-market Cato Institute.

Senate leaders will need to corral a super majority of at least 60 votes to overcome efforts to block the nomination, and a full-day debate is likely to unfold, giving disgruntled lawmakers ample opportunity to air their grievances.

Bernanke and the Fed have become lightning rods for anger over financial excesses and government bailouts of big financial firms, such as insurer American International Group <AIG.N>. The Fed chief has defended the central bank's aggressive actions to shore up the financial systems as necessary to avoid a second Great Depression.

Analysts widely agree the economy would have suffered more without the central bank's support of private firms, but the economy nonetheless experienced its deepest recession since the 1930s.

With the unemployment rate in double digits for the first time in more than a quarter century, public resentment over the taxpayer-funded rescue of the banking sector runs high.

Tapping that anger, lawmakers are looking at steps that could diminish the Fed's regulatory role and subject its interest rate decisions to congressional audits, meaning Bernanke faces the prospect of leading a diminished institution.

"I strongly support this nomination. But I want to be clear with my support comes my insistence that we carefully examine the role of the institution that runs the risk of becoming too complicated to succeed," the panel's chairman, Democratic Senator Christopher Dodd, said.

Many lawmakers feel the institution was derelict in policing the financial firm risk-taking that set the stage for the financial collapse. Others blame the Fed for fueling the housing bubble by keeping interest rates too low for too long earlier this decade, when Bernanke served as a Fed governor.

Still, Bernanke has drawn support from some important quarters, suggesting his nomination is still on track for approval.

"The experience that Chairman Bernanke has had over the last year and a half makes him by far ... the most well-equipped person to lead the Fed over the next several years," said Republican Senator Bob Corker, a member of the banking panel. (Reporting by Mark Felsenthal; Editing by Andrea Ricci)

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