Bernanke: U.S. on cusp of recovery

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Associated Press

JACKSON, Wyo. — Federal Reserve Chairman Ben Bernanke declared Friday that the U.S. economy is on the verge of a long-awaited recovery after enduring a brutal recession and the worst financial crisis since the Great Depression.

Economic activity in both the U.S. and around the world appears to be "leveling out," and "the prospects for a return to growth in the near term appear good," Bernanke said in a speech at an annual Fed conference in Jackson Hole, Wyo.

The upbeat assessment was consistent with the Fed's observations earlier this month. The central bank has taken small steps toward pulling back some emergency programs to revive the economy.

Still, Bernanke stressed Friday that despite much progress in stabilizing financial markets and trying to bust through credit clogs, consumers and businesses are still having trouble getting loans. The situation is not back to normal, he said.

Restoring the free flow of credit is a critical component to a lasting recovery.

"Although we have avoided the worst, difficult challenges still lie ahead," Bernanke told the gathering. "We must work together to build on the gains already made to secure a sustained economic recovery."

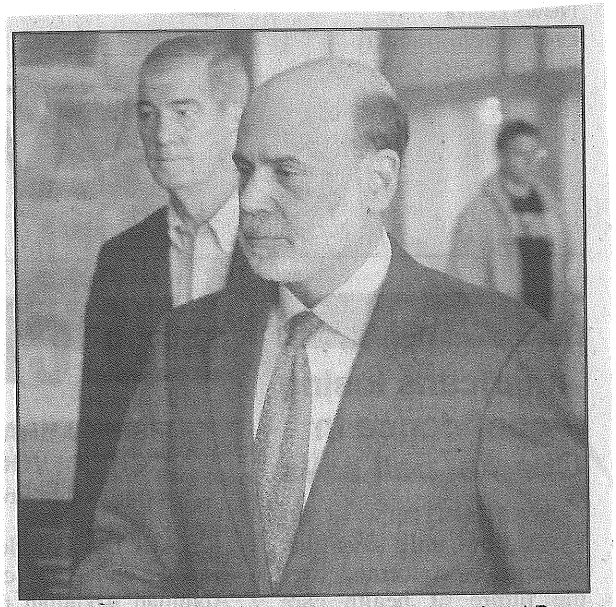
Strains in financial markets worldwide persist. Financial institutions face "significant additional losses" on soured investments and many businesses and households are experiencing "considerable difficulty" in getting loans, he said.

Elsewhere at the conference, European Central Bank President Jean-Claude Trichet responded to a research paper on the origins and the nature of the financial crisis by saying he was a "little bit uneasy" about talk of a return to normalcy.

"We know that we have an enormous amount of work to do and we should be as active as possible," Trichet said.

The remarks by Bernanke, Trichet and others come two years after the financial crisis broke out and nearly one year after it had deepened to the point of sending the nation into a near meltdown.

The bulk of Bernanke's speech was a chronicle of the extraordinary events of the past year. Financial markets took a turn for the worst starting last September and into October, nearly shutting down the flow of credit. The crisis felled storied Wall Street firms and forced the government to take over mortgage giants Fannie Mae and Freddie Mac, as well as insurance titan American International Group Inc.



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Federal Reserve Bank Chairman Ben Bernanke arrives at the morning session of the annual conference of the Federal Reserve in Jackson, Wyo., Friday.