Fed chair's words bear heavy weight



MATT DUNHAM / The Associated Press

U.S. Federal Reserve chairman Ben Bernanke faces the challenge of trying to convince people to feel more upbeat so they continue to spend.

Bernanke seeks to give consumers confidence

Threat of another recession lends importance to speech today

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WASHINGTON — The economy appears to be stalling. Yet the Federal Reserve has run out of simple steps it can take to revive it.

That's the test facing Fed Chairman Ben Bernanke as he addresses a conference today in Jackson Hole, Wyo. Without any easy options left, Bernanke must try to prevent another recession by persuading people and businesses to feel confident enough about the future to spend more today.

Weak consumer spending and a scarcity of jobs have put the economy at risk of lapsing into another downturn. Short-term interest rates near zero have yet to rejuvenate the economy. The benefits of federal stimulus programs are fading, and Congress has declined to pass any major new economic aid.

That puts increasing weight on Bernanke's words. The Fed chairman will speak at 10 a.m. EDT, less than two hours after the government spells out just how fragile the economy is. The Commerce Department is expected to report the economy grew at an anemic annual rate of 1.4 percent from April to June. Growth in the current quarter is shaping up to be just as weak.

Bernanke's task isn't confined to restoring public confidence. Equally vital, he must forge consensus within the fractious Fed itself. Some Fed officials have been reluctant to have the central bank invest more money than it already has to try to stimulate borrowing and spending.

At a Fed meeting this month, Bernanke did manage to persuade his colleagues to pursue a new step to try to invigorate the economy: The Fed will use a relatively small amount of money generated by its portfolio of mortgage securities to buy government debt. The goal is to further ease rates on mortgages and other loans.

Any additional efforts by Bernanke to lower long-term rates will likely run into resistance. One Fed governor, Kevin Warsh, has expressed concern that further such efforts could alarm investors about the economy.