Better days ahead, Fed chief says

Recovery likely to be slow, but will start growing soon, Bernanke says

By Jeannine Aversa
THE ASSOCIATED PRESS

JACKSON, Wyo. — Federal Reserve Chairman Ben Bernanke on Friday offered his most optimistic outlook since the financial crisis struck, saying the economy is on the verge of growing again.

Speaking at an annual Fed conference, Bernanke acknowledged no missteps by the central bank in managing the worst crisis since the Great Depression. But he conceded that consumers and businesses are still having trouble getting loans, even though the financial system is gradually stabilizing.

Economic activity in both the U.S. and around the world seems to be leveling out, and the economy is likely to start growing again soon, Bernanke said in a speech at an annual Fed conference in Jackson.

The mood here was decidedly more hopeful than it was last summer, when a sense of foreboding hung over the forum just before the financial crisis erupted.

Bernanke's hopeful remarks on the economy contributed to a rally on Wall Street. The Dow Jones industrial average surged about 155 points, or 1.7 percent, and broader stock averages also gained sharply.

Despite his upbeat tone, Bernanke cautioned that the recovery is likely to be "relatively slow at first."

Unemployment, now at 9.4 percent, is widely expected to hit double digits later this year and to remain high for many months.

The financial markets have stabilized, and some businesses and consumers have found it easier to get loans. Still, the banking system has yet to return to normal, Bernanke said.

Financial institutions face further losses on soured investments. And many businesses and households still can't get the credit they need to fuel the economy, he said.

"Although we have avoided the worst, difficult challenges still lie ahead," Bernanke told the gathering of fellow bankers, academics and economists. "We must work together to

See FED on page 5A

FED

FROM PAGE 1A

build on the gains already made to secure a sustained economic recovery."

Reviewing the past year's crisis, Bernanke outlined the many emergency measures the Fed and other regulators took to help ward off a global financial meltdown. He declined to acknowledge critics' arguments that regulators failed to detect signs of the crisis before it occurred.

A $700 billion taxpayer-funded bailout program to prop up financial institutions incensed many Americans. So did the repeated bailouts of AIG, which paid hefty bonuses to employees who worked in the division that brought down the firm.

Some analysts said Bernanke appeared to be angling to keep his job for another term.

"The lack of any mea culpa suggests the Fed chairman wants to be reappointed," said Richard Yamarone, economist at Argus Research. "When you go on an interview, you never speak of your shortcomings."

President Barack Obama will have to decide in coming months whether to reappoint Bernanke, whose term expires early next year.

Ken Mayland, president of ClearView Economics, said Bernanke was engaging in a "bit of cheerleading to inspire confidence," especially among consumers.

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