

Bernanke: This may be worse than Great Depression

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Fed chief says growth will resume at 1% in the second half of this year

By [Greg Robb](#), MarketWatch

WASHINGTON (MarketWatch) -- Federal Reserve Board Chairman Ben Bernanke discussed the economy with average Americans on Sunday, saying the current financial crisis could be even more virulent than the Great Depression.

"A lot of things happened, a lot came together, [and] created probably the worst financial crisis, certainly since the Great Depression and possibly even including the Great Depression," Bernanke said at the start of a town-hall meeting in Kansas City.

Bernanke defended the Fed's extraordinary moves, which have included slashing interest rates to zero, pumping billions of dollars to keep credit markets open, and buying Treasuries and mortgage debt to keep long-term interest rates low.

"I was not going to be the Federal Reserve chairman who presided over the second Great Depression," he said.

The event is being televised over three nights, beginning Monday, by U.S. public television network PBS. Members of the public, screened by PBS, were able to ask questions.

Many questioners expressed unhappiness with the "too big to fail" doctrine. One asked when Bernanke would get around to firing the leadership of banks that had to accept government assistance.

Another participant said the only thing that was clear to him in the whole crisis was that his small business was "too small to save."

At first, Bernanke tried to argue that the Fed moved to save big banks to protect the global economy, but by the end, Bernanke simply agreed that "too-big-to-fail has got to go."

First-of-its-kind meeting

The dialogue marked the first time that a sitting Fed chairman has sat down to answer questions on the record from the public. For the first 80 years of its existence, Fed officials operated under the rule that the less said, the better.

But recent economic research has indicated that Fed interest-rate policy actually works better if the public understands its basic thrust. This has led the Fed, in fits and starts, to try to open up.

The results at the town hall meeting were choppy at times, although Bernanke seemed to get better as the event went along.

The first questioner admitted she didn't "have a clue" what the Fed did. It is doubtful that Bernanke's laundry list response -- the Fed is monetary policy maker, bank supervisor, crisis manager and consumer protector -- helped her very much.

Asked when "this [recession] is going to end," Bernanke said growth would return in the second half of 2009, likely at a 1% pace. The unemployment rate won't peak until next year, he said.

The Fed has put the "pedal to the metal" to try to get the economy growing at a faster pace.

Maybe because his earlier answers were on the scary side, Bernanke then tried to be a cheerleader, saying that the U.S. economy "couldn't be held down" and would eventually return to a strong growth pace.

Strong-dollar booster

One odd moment came when Bernanke said he was a supporter of the Obama administration's "strong dollar" policy.

Fed officials typically steer clear of commenting on currency issues.

"We think the dollar should be strong, and the best way we think to get a strong dollar is to have a strong economy," Bernanke said.

"Our whole strategy right now is to get the economy out of doldrums and back onto a growth path that will attract foreign funds and keep [the dollar] strong," Bernanke said.

When asked about Bernanke, top Fed officials often use the word "decent" to describe him. This trait seemed to shine through and by the end of the event, at which point Bernanke was evoking gentle laughter from the audience.

Asked about the stock market, Bernanke said he was worried about getting sued for malpractice.

Bernanke has some other "never done before by Fed chairman" events under his belt. Earlier this year, he spoke at the National Press Club and took questions from the audience. And he took an interview for the CBS news program "60 Minutes," which included a walk down Main Street in Dillon, South Carolina, his hometown.

Bernanke did try to connect with the audience. When one member of the audience said he had been laid off and then found work, Bernanke stopped and congratulated him.

Asked what keeps him up at night, Bernanke explained he would probably get a good sleep tonight, saying: "I'm pretty tired."

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