
Bernanke Blames Crisis on Regulatory Failure

By Editor Test *Wed, Jan 6, 2010*

The Fed's vice chairman, Donald Kohn, added that the fragile economic recovery would "warrant exceptionally low" interest rates "for an extended period."

In a speech to the American Economic Association in Atlanta over the weekend, Fed chairman Ben S. Bernanke said that regulatory failure was the principal cause of the housing bubble and the 2008 financial crisis, the *New York Times* reported Monday.

"Stronger regulation and supervision aimed at problems with underwriting practices and lenders' risk management would have been a more effective and surgical approach to constraining the housing bubble than a general increase in interest rates," said Bernanke, who is awaiting confirmation for a second term as Fed chairman.

Low interest rates set by the central bank from 2002 to 2006, when he was a member of the Fed's board of governors, were appropriate for economic conditions at the time, he said, noting that "when historical relationships are taken into account, it is difficult to ascribe the house price bubble either to monetary policy or to the broader macroeconomic environment."

In a separate talk at the AEA conference, Donald L. Kohn, the Fed's vice chairman, said that the fragile economic recovery and weak job market would "warrant exceptionally low" interest rates "for an extended period."

© 2010 RIJ Publishing. All rights reserved.