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Mayor Emanuel Interviews Former Federal Reserve Chairman Ben Bernanke on "Chicago Stories" Podcast

Ben Bernanke's goal during the Financial Crisis was simple: get people back to work. Doing it, however, was a lot more complicated.

On this week's episode of "Chicago Stories" podcast, Mayor Emanuel sat down with the former chairman of the Federal Reserve for a deep dive into the heady days of the Great Recession, its turbulent politics and policy successes, along with a look at its powerful legacy today.

The Financial Crisis began with the implosion of the housing market and subprime loan industry, which precipitated a sequence of events that led to the near-collapse nation's banking and financial industry. As Dr. Bernanke told Mayor Emanuel—who was a member of the Congressional leadership at the time—the Financial Crisis was not only an unprecedented event that demanded swift action, it also required a creative response.

"At one point that something like of the 13 or 14 biggest financial institutions in the country, something like 11 or 12 of them would have failed without government assistance," Dr. Bernanke recalled. "That's an incredible situation."

Congressional support would eventually arrive, but it wasn't forthcoming at first. Before Congress finally passed the Troubled Asset Relief Fund and other measures, the Federal Reserve was forced to use the tools it had available in order to mitigate the increasingly catastrophic situation for both the U.S. and global economy.

"When the economy went into recession the Fed was quite aggressive in trying to do what we could to get the economy back to full employment," Dr. Bernanke said. "We faced a lot of political opposition and criticism about quantitative easing and some of the things we were doing, but they were done with the interest and intent of getting people back to work."

As Mayor Emanuel said, the financial bailout was "great policy and horrible politics."

The "horrible politics" of the Financial Crisis are encapsulated in Dr. Bernanke's still-controversial decision in September 2008 to save A.I.G. while allowing Lehman Brothers to fail.

The decision appeared arbitrary, especially after the government's intervention to save Bear Stearns only a few months earlier, but as Dr. Bernanke described, the decision came down to basic means and ends of the situation.

"It was in the case of AIG there were the tools and the conditions that allowed us to save the company," Dr. Bernanke told Mayor Emanuel. "The one thing the Fed could do was make a secured loan against good collateral. Lehman had no collateral. AIG had collateral."

Be sure to listen to the entire episode as Mayor Emanuel and Dr. Bernanke talk more about the circumstances surrounding the decision to save A.I.G., the enduring lessons of the Financial Crisis, as well as the long-term policy moves and economic trends that have led to our current political moment.

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