

Bernanke: No 'Double Dipping' On Recession

by Jeannine Aversa, AP Economics Writer

WASHINGTON (AP) — Federal Reserve Chairman Ben Bernanke said Monday he is hopeful the economy will gain traction and not fall back into a "double dip" recession.

"My best guess is we will have a continued recovery, but it won't feel terrific," Bernanke said.

That's because economic growth won't be robust enough to quickly drive down the unemployment rate, now at 9.7 percent, he said in remarks to the Woodrow Wilson International Center for Scholars, a nonpartisan research group.

The economy grew at a 3 percent pace in the first quarter of this year. That's good growth during normal times. But coming out of such a deep recession, the economy must grow much more strongly to make a dent in the jobless rate.

Fears have grown that the recovery could be derailed if Europe's debt crisis turns into a broader financial contagion, crimping lending in the United States and around the globe. The situation has spooked investors, sending Wall Street into fits of panic.

Bernanke said the Fed is monitoring the European crisis carefully, and he believes European leaders are taking the right steps to deal with the problems.

Asked when the Fed will start raising interest rates, Bernanke quipped "in the future."

The Fed has pledged to hold rates at record lows to nurture the recovery. A growing number of economists now believe the Fed won't start to boost rates until next year given the European crisis and high unemployment.

Bernanke didn't offer new clues about when the Fed would reverse course and start to tighten credit. However, he did say the Fed won't be able to wait until the jobs market is fully healed before it pushed rates up.

The Fed chief's remarks came during a question and answer session Monday night sponsored by the Woodrow Wilson "International Center for Scholars. Reporter Sam Donaldson, who is affiliated with the group, asked most of the questions. A few came from the audience.

Observing the economy, Bernanke said the news so far is "pretty good." Both consumers and companies are spending sufficiently to keep the recovery moving

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forward. The private sector, he said, is "picking up the baton" as government stimulus, which mainly powered the recovery in its earliest stage, starts to fade.

On relations between the United States and China, Bernanke said there is a real desire between the two superpowers to work together to ease trade and economic tensions. Both countries sort of understand there is a "co-dependency relationship," Bernanke said. The United States snaps up Chinese goods and the Chinese is a major buyer of the U.S. government's debt.

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