

US recession is very likely over: Bernanke

Employment Revival To Take Time, He Says

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Washington: Federal Reserve chairman Ben S Bernanke said on Tuesday that it was “very likely” that the recession had ended although he cautioned that it would be many months before unemployment rates would drop significantly. “From a technical perspective, the recession is very likely over at this point,” he said, adding that “it’s still going to feel like a very weak economy for some time, as many people will still find that their job security and their employment status is not what they wish it was.”

The cautiously optimistic assessment came at the conclusion of a speech by Bernanke at the Brookings Institution marking the anniversary of the market crisis that was precipitated by the collapse of the investment bank Lehman Brothers.

Bernanke said the consensus of forecasters was for moderate growth for the rest of this year and next, particularly as credit markets thaw, consumer confidence takes time to heal, and the federal government begins to unwind a series of federal spending and lending programs intended to mend the economy.

Business cycles are officially dated by a committee of economists at the National Bureau of Economic Research. The committee often spends many months sifting through economic trends before declaring the beginning and end dates of a recession.

For policy makers in Washington the more significant question than the actual date of the end of the recession will be when to begin unwinding the myriad of lending programs that were hastily created in response to the crisis. Officials at the Federal Reserve have already begun to think about that question.

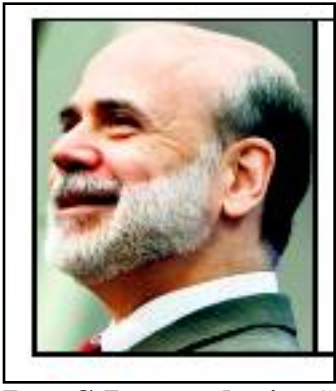
Bernanke and other top officials, including the Treasury secretary, Timothy F Geithner, have warned that winding down the programs too early could lead to another round of problems.

Historians now generally agree that, during the Great Depression, the early withdrawal of government programs in the 1930s led to deeper economic problems throughout that decade.

On the other hand, waiting too long could fuel significant price increases and lead to a return of corrosive levels of inflation. During his speech, Bernanke repeated his broad defense of the extraordinary rescue efforts by the central bank, the U.S. government and other foreign powers over the last year.

“Without these speedy and forceful actions, last October’s panic would likely have continued to intensify, or major financial firms would have failed, and the entire global financial system would have been at serious risk,” Bernanke said.

“We cannot know for sure what the economic effects of these events would have been, but what we know about the effects of financial crises suggests that the resulting global downturn could have been extraordinarily deep and protracted.” NYT NEWS SERVICE



Ben S Bernanke | US FED CHAIRMAN