Bernanke says Fed can aid growth

Tools available to help economy, but they won't be used yet, he says

By David J. Lynch
USA TODAY

The nation's central bank has not exhausted the potential cures for what ails the limping U.S. economy and is willing to take new measures to boost growth if needed, Federal Reserve Chairman Ben Bernanke said Friday.

Bernanke said the Fed's policymaking committee will "strongly resist" the economy falling into a dangerous bout of self-reinforcing price declines. Such deflation "is not a significant risk for the United States at this time," he added.

The Fed will adopt "unconventional measures if it proves necessary, especially if the outlook were to deteriorate significantly," he told an annual gathering of central bankers in Jackson Hole, Wyo., according to a copy of the speech released by the Federal Reserve.

Bernanke specified three tools the Fed could turn to if it wanted to increase the amount of credit available throughout the economy:

- Expanding the Fed's $2 trillion balance sheet with additional purchases of long-term securities,
- Making it clear to investors that the Fed will

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Fed Chair Ben Bernanke said there are tools available, if needed, to help the economy.

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keep its benchmark interest rate near zero for "a longer period than is currently priced into the markets," or

- Reducing the already low interest rate it pays banks for reserves on deposit with the central bank.

"The issue at this stage is now whether we have the tools to help support economic activity and guard against disinflation. We do," he said.

Bernanke said the Fed needed to weigh whether the costs of employing unconventional monetary policy tools outweighed their benefits. Overly aggressive action could raise doubts among investors that the Fed would be able to unwind its extraordinary assistance once the economy recovers.

Bernanke said he expects the economy to continue to expand through the end of the year, but "at a relatively modest pace."

His remarks come after indications that the economy has slowed more than initially believed.

The economy is "treading water," economist John Silvia of Wells Fargo said.

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