Recovery worries



RICHARD DREW / The Associated Press

A television screen on the floor of the New York Stock Exchange shows the **Federal Reserve** interest **rate decision** Tuesday.

Fed takes small steps to boost economy

By Jeannine Aversa
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WASHINGTON — More worried about the strength of the economic recovery, the Federal Reserve took a small step Tuesday to give it a boost.

Wrapping up a one-day meeting, the Fed said it will use the proceeds from its investments in mortgage bonds to buy government debt. That should help lower interest rates on mortgages and corporate debt, but it won't likely have a dramatic impact on stimulating growth, economists say.

Delivering a more downbeat assessment of the recovery, the Fed now believes economic growth will be "more modest" than it had anticipated at its late June meeting. Citing "subdued" inflation, the Fed said it would keep its target for a key interest rate at zero to 0.25 percent for a "extended period."

The focus again on energizing the recovery is a shift from earlier this year, when the Fed was starting to lay out its exit strategy for eventually boosting interest rates.

Economists said the move to buy government debt on a small scale — about $10 billion a month — along with the other options at the Fed's disposal, will have only a marginal impact on boosting economic growth.

With interest rates at record lows, Congress has more power than the Fed to stimulate the recovery, economists say. But they differ on whether the best action is through short-term government spending or tax cuts, or some combination of the two.