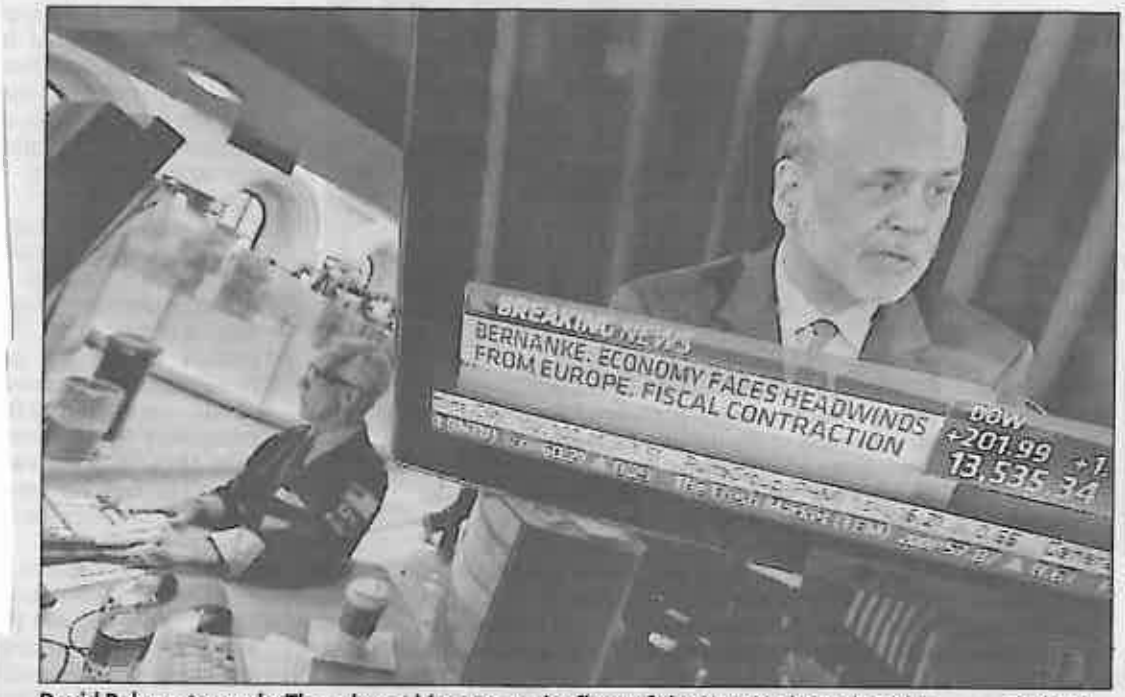


David Pologruto works Thursday at his post on the floor of the New York Stock Exchange, as Federal Reserve Chairman Ben Bernanke holds a news conference in Washington. RICHARD DREW/AP

Fed's ambitious plan likely isn't a cure-all

Central bank ready to provide more help

By Paul Wiseman
Associated Press

WASHINGTON — No sooner did the Federal Reserve unveil a bold plan to juice the U.S. economy than it offered the prospect of doing even more.

Investors celebrated Thursday by sending stock prices jumping.

Economists were less impressed. Many wondered how much the central bank's action would help.

Chairman Ben Bernanke himself urged everyone to keep expectations in check.

"I personally don't think that it's going to solve the problem," Bernanke said at a news conference. "But I do think it has enough force to help nudge the economy in the right direction."

The Fed's move to buy $40 billion a month in mortgage bonds — the heart of its plan — might do little to spur borrowing and spending because rates on mortgages and other loans are already just above record lows.

The bond purchases, and the Fed's signal that more help might be needed, pointed to just how weak the U.S. economy remains three years after the recession ended. The economy is still struggling to emerge from damage caused by the 2008 financial crisis — the worst since the Great Depression.

The Fed's plan raises questions about the limits of its own power. Even with its intervention, the Fed foresees unemployment remaining as high as a recession-level 6.8 percent as late as 2015.

In the face of persistently high unemployment and slow economic growth, the Fed said it would do the following:

» Buy $40 billion a month in mortgage bonds indefinitely to try to lower long-term interest rates, encourage home buying and get people to borrow and spend more. It's the Fed's third bond-buying program.

» Likely keep its benchmark short-term rate at a record low near zero through at least mid-2015.

» Probably hold interest rates low even well after the recovery has strengthened.