What 'no set course' from Bernanke means

Economy needed to stand on its own

By John Waggoner
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Federal Reserve Chairman Ben Bernanke's testimony to Congress, saying the Fed had "no set course" on raising interest rates, buoyed financial markets Wednesday.

What does that mean? In a nutshell, it means the Fed won't let rates rise until it's convinced that the economy is on strong enough footing to stand on its own. Bernanke also hinted that the increase in long-term interest rates the past two months could be slowing the economic recovery.

Bernanke appeared to soothe fears that the Fed would slow its program of buying bonds to keep lending rates low. Cheap borrowing rates make it easier for consumers to refinance mortgages or buy homes and for corporations to finance expansions.

Low rates also encourage investors to move from safe assets, such as Treasury securities and money funds, into riskier ones, such as corporate bonds, stocks and real estate. Rising prices in those areas make people feel wealthier and more inclined to spend — which aids the economy.

Stocks rose on Bernanke's testimony, because lower rates make stocks look attractive, relative to bonds and money market funds.