

Fed Chair: Economy Is Growing Stronger

Federal Reserve Chairman Ben Bernanke expressed more optimism about the economy in his most recent testimony Friday to the Senate Budget Committee, while also defending the Fed's controversial plan to buy an extra \$600 billion in government bonds to keep recovery moving forward.

Bernanke predicted a "moderately stronger" overall pace for the economy in 2011, noting the Fed has seen "increased evidence that a self-sustaining recovery" is occurring.

He cited improvements in consumer spending and a drop in jobless benefit claims as signs of recovery. However, he said it would take four to five years for the labor market to return to normal unemployment levels. The U.S. jobless rate dropped to 9.4 percent from 9.8 percent last month, but he noted the decline was partially due to a number of people leaving the workforce.

In his testimony to the Senate Budget Committee, Bernanke defended the Fed's controversial plan to purchase \$600 billion in government bonds, a move he says will boost the economy by lowering interest rates and encourage spending.

"Doing nothing will not be an option indefinitely," Bernanke told the Senate Budget Committee. "Diminishing confidence on the part of investors that deficits will be brought under control would likely lead to sharply rising interest rates on government debt, and, potentially, to broader financial turmoil."

Source: [*"Bernanke Grows More Confident in U.S. Recovery," Reuters News \(Jan. 7, 2011\)*](#)