



LATEST NEWS WHITE HOUSE SAYS NO TO CALIFORNIA BUDGET HELP

Quotes, New



Top News

Reuters top ten news stories delivered to your inbox each day.

[Subscribe](#)

You are here: [Home](#) > [News](#) > Article

- [HOME](#)
- [BUSINESS & FINANCE](#)
- [NEWS](#)
- [U.S.](#)
- [Politics](#)
- [International](#)
- [Technology](#)
- [Entertainment](#)
- [Sports](#)
- [Lifestyle](#)
- [Oddly Enough](#)
- [Health](#)
- [Science](#)
- [Special Coverage](#)
- [Video](#)
- [Pictures](#)
- [Your View](#)
- [The Great Debate](#)
- [Blogs](#)
- [Weather](#)
- [Reader Feedback](#)

Fed's Warsh warns of false optimism on U.S. economy

Tue Jun 16, 2009 5:41pm EDT

[Email](#) | [Print](#) | [Share](#) | [Reprints](#) | [Single Page](#)

[\[-\] Text](#) [\[+\]](#)



1 of 1

[Full Size](#)

Featured Broker sponsored link

By [Ros Krasny](#)

NEW YORK (Reuters) - A top Federal Reserve official warned on Tuesday not to take recent gains across a range of asset prices as proof the U.S. economy is on the verge of a strong recovery.

"The panic's hasty retreat should not be confused with robust recovery," Federal Reserve Governor Kevin Warsh said in prepared remarks to the Institute of International Bankers annual meeting in New York.

"The rather indiscriminate bounce off the bottom -- across virtually all assets and geographies -- may be more indicative of a one-time reset, which may or may not be complete."

Warsh said private demand, the true arbiter of economic performance, "remains weak" even while government spending has surged, and the the jobless rate is likely to peak at a higher rate, and linger longer at those high rates, than in recent recessions.

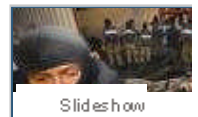
"The 'jobless recovery' may prove to be a familiar and vexing refrain," he said.

"I would expect business capital expenditures and consumer spending to continue to disappoint for the next several quarters," Warsh added.

Rising exports will also not provide an easy way for the U.S. economy to return to growth, he said. "The global economy runs the risk of being mired in a period of slower growth for several years to come."

RISK OF RISKING RATES

EDITOR'S CHOICE



Slideshow

MOST POPULAR

[Articles](#) | [Video](#)

1. [Roubini s amid gre shoots](#) | [V](#)
2. [Obama, Lee Korea; missil move](#) | [V](#)
3. [Mousavi call: dead](#) | [V](#)
4. [U.S. State D Iran](#)
5. [U.S., South t are few](#)
6. [Iran rules ou gather](#) | [V](#)
7. [White House](#)
8. [Gay activists](#)
9. [Jewels missi shoot](#) | [V](#)
10. [U.S. recover](#)

[Most Popular A](#)

WE WANT TO HE

Join the Reuters Insight Panel and know you better

Please take a r complete our s

Do More With Reuters

[RSS](#)

[Widgets](#)

[Mobile](#)

[Podcasts](#)

[Newsletters](#)

[Your View](#)

[Make Reuters My Homepage](#)

Partner Services

[CareerBuilder](#)

[Affiliate Network](#)

- Professional Products**
- Support (Customer Zone)
- Reuters Media
- Financial Products

About Thomson Reuters

Looking forward, the Fed "will not ... compromise price stability" by monetizing large U.S. budget deficits, he said, warning that higher interest rates were a risk.

"Financial markets may extract penalty pricing if fiscal authorities are unable to demonstrate a credible return to sustainable budgets," the policy-maker said.

The Fed will be operating at a time when political pressures call for "still more-aggressive macroeconomic policies," Warsh noted.

Warsh did not foresee the fast end to the recession that many economists now anticipate, but looked for the huge fiscal and monetary stimulus to finally kick in.

"On balance, I would not be surprised if these countervailing forces -- unprecedented public support and underwhelming private demand -- fight to a draw by the fourth quarter," he said.

STABILITY AT A COST?

Warsh also warned of a trade-off between policies designed to create stability, especially after the tumult of the past couple of years, and the overall prospects for the U.S. economy. [Continued...](#)

[View article on single page](#)

[Previous Page](#) **1** | [2](#) [Next Page](#)

SHARE: [Del.icio.us](#) [Digg](#) [Mixx](#) [Yahoo!](#) [Facebook](#) [LinkedIn](#)

NEXT ARTICLE: [U.S. stock index futures point to flat open](#)

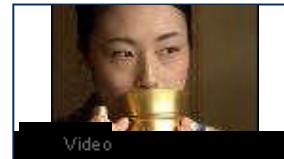
ALSO ON REUTERS



Blog: Boston Globe -- a real conversation starter



Disney unveils kids' laptops amid shopper thrift



Video: Does a 50K mug make beer taste better?

MORE MOST POPULAR US INVESTING NEWS

- [U.S. State Department speaks to Twitter over Iran](#)
- [European Factors -- Shares set to fall for 4th day](#)
- [Sergey Brin's Panicking! Unless He's Not](#)
- [U.S. stock index futures point to flat open](#)
- [US STOCKS-Futures lose ground after Fedex results](#)
- [More Most Popular US Investing News...](#)

Ads by Google [What's This?](#)

[Get Biting Economic News](#)
Monitor Gold & the US Dollar and Profit From These Insights!
www.freeinvestingreports.com