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# Bernanke sees 'moderate growth;' long road to recovery

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By Hibah Yousuf, staff reporter August 2, 2010: 1:29 PM ET

NEW YORK (CNNMoney.com) -- Federal Reserve chairman Ben Bernanke said Monday that the U.S. economy faces a long and bumpy ride ahead to overcome the deepest recession since the Great Depression, though the worst is over.

Speaking to politicians attending the annual meeting of the Southern Legislative Conference in Charleston, S.C., Bernanke said the nation's economy is growing at a "moderate" pace, but has a "considerable way to go to achieve a full recovery."

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Persistent weakness in the housing and labor markets continue to weigh on the economy, he said. The improvement in private payrolls is still not robust enough to reduce the unemployment rate and restore the nearly 8.5 million jobs lost over 2009 and 2009, he added.

But on the bright side, an increase in spending by households and business should help sustain growth, in upcoming quarters.

The Fed chief also focused on the fact that the downturn has taken a severe toll on state and local budgets, forcing them to make significant cuts that are in part to

blame for the sluggishness of the national recovery.

With steep drops in tax revenue and ballooning Medicaid costs, states have had to lay off and furlough employees, trim capital spending, reduce aid to local governments and raise taxes to balance budgets.

While the Recovery Act's stimulus funds have helped states meet some fiscal pressures, Bernanke said that source of funding will wind down next year, leaving states to cope alone.

"With economic conditions far from normal, state budgets will probably remain under substantial pressure for a while, leaving governors and legislatures a difficult juggling act as they try to maintain essential services while meeting their budgetary obligations," Bernanke said.

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Since 49 out of 50 state constitutions prohibit long-term borrowing to cover budget shortfalls, Bernanke called on states to boost their reserve funds to ease their financial woes.

While these balances stood at a record of about 12% of expenditures at the end of 2006, they were still insufficient buffers given the depth of the recession.

"State governments may wish to revisit their criteria for accumulating reserve funds," he said. "Building a rainy-day fund during good times may not be politically popular, but it can pay off during the bad times."

Bernanke also urged states to invest in education to spur future growth.

"No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change," he said. "Doubtless, investment in education and training has been a key source of the remarkable economic gains that the South has achieved over the past 50 years or so."

In addition to secondary and post-secondary education, Bernanke encouraged state investment in early childhood education, which increases high school graduation rates, as well as community colleges and vocation schools that play a key role in job training for adults.

Later Monday, the Senate is schedule to vote on a bill that includes \$10 billion to limit layoffs in education and \$16.1 billion in Medicaid assistance to states. ■

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Markets	Last	Change	% Change
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Nasdaq	2,275.17	-30.52	-1.32%
S&P 500	1,117.22	-10.57	-0.94%
Treasurys	2.83	0.01	0.35%
U.S. Dollar	1.31	-0.01	-0.98%

Data as of 11:45am ET

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**Mark Kroehler** Aug 3

"But on the bright side, an increase in spending by households and business should help sustain growth, in upcoming quarters."

And, which crystal ball (or orifice) did you pull that one out of? Complete and utter B.S.



**CubeCheck PlatinumRidge** Aug 3

Companies are using this time to their advantage to overwork employees and threaten them with firing during a touch economic time if they complain. No need to hire new people. See which companies are being rating poorly by employees and those with the most layoffs:

<http://www.cubecheck.com/>



**Kevin Longville** Aug 3

I agree with Evan about the Greece scare. If that didn't happen, the stock market would be thriving. Now its a rollercoaster going up and down every other day. It's almost a wasted investment

<http://forex-market-alerts.blogspot.com/>



**Mike Lafrano** Aug 3

I miss George W Bush



**Ed Barrett** Aug 3

If not already addressed somewhere my question would be what type of jobs make up the 8.5MM lost over the last two years? And of those lost how many truly will ever be refilled - if not by those who held them previously but by anyone? At the current rate of those currently working and reaching retirement age and those coming of age to work how many jobs need to be created just to sustain this "net new worker" supply?

I don't understand how you can say the recovery started already when you can't truly say the bottom has been reached when the government is still propping up home purchases through the FHA, Fannie & Freddie (about 80% of all home purchases) and there is still money left over in the \$850B stimulus. From what I recall the funds were to be spread out over 2.5 - 3 years correct?



**Joe Hackman** Aug 3

Let's see, now that the real unemployment rate is 20+% and those still working are slaves doing 2-3 jobs, this is a good sign. Many baby boomers out of work better have enough savings to invest for income as many of them will never have a job again.



**Timm Jowers** Aug 3

Bernanke is a pompous Aristocrat. He only cares about how the Aristocracy can extract wealth from the labor of the masses. This is THE ONLY THING he tracks. This is what GDP tracks (taxability not productivity). He wants to encourage Americans to spend their savings on college when in fact it is no longer a good investment because every Senthil, Swamy, and Muru in India claims to have at least a BS in any field and 10-15 years of experience shows on their resume. The only jobs for Americans are service jobs and mostly with cash based pay. This is what the Government meant when they said we would have a "Service Economy". They meant they planned to destroy manufacturing and technology in the USA. They just about have. Income Tax is simply a strong tool in their arsenal to bleed out the middle class and replace Americans with offshore workers so the corporations can continue to evade paying Tax. The USA is a Corporate Aristocracy. Bernanke is a henchman.



**Patty Gale** Aug 3

I bet he has some bridges in Brooklyn for sale, too.



**Facebook User** Aug 2

We are in this sub 2% GDP growth for years. 25% real unemployment is here to stay....the new normal



**Evan Welty** Aug 2

You know if people hadn't over reacted to the debt in Greece the stock market would probably be at 12000 right now. of course we are going in the right

First Published: August 2, 2010: 10:54 AM ET

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