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U.S.: Bernanke Speaks at the Economics Club of Minnesota

- The downgraded tone was consistent with the recent FOMC release and Jackson Hole conference, reiterating stable inflation expectations, revised growth estimates, depressed housing and construction, and enduring labor market weakness
- The current cyclical downturn is showing no strong impetus for a consumption-led rebound
- Further monetary action could be required and policymakers should emphasize long-run fiscal sustainability

Bernanke remained unwavering in his downgraded tone with regard to growth, inflation, and employment, yet stressed the need for long-term fiscal reforms. He also underscored the unique circumstances of a jobless recovery. Generally, a deep recession is followed by a quick and substantial rebound. However, the depth, global reach, and flagging consumer demand presented unusual challenges to promoting a virtuous cycle of growth. He also reiterated that historically-low housing demand and construction suggests there is still little to no impetus for strong growth; although he maintained that long-term growth potential was not in jeopardy. This assumption, however, was contingent upon fiscal reform, emphasizing the need for long-run stability. He added that any reform focused on long-term sustainability should also consider the consequences on the economy of near-term fiscal contraction. In the speech, Bernanke affected a tone representative of a bias to action for both fiscal and monetary policymakers. However, there were no specifics beyond the vague mention of the policy tools still available to the Fed.

Best Regards,

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