

## FED'S WILLIAMS SAYS FISCAL AID IS 'BADLY NEEDED'



Federal Reserve Bank of San Francisco President John Williams called for a fiscal aid for the economy, also saying that the government actions beyond Fed easing are imperative for bolstering the recovery and reducing joblessness. "Strong countercurrents" including a decline in wealth, concern about financial markets and tight credit are impeding growth, said Williams today at a forum in Santiago. "Fiscal policy actions that reduce uncertainty and stimulate recovery are badly needed" and should "work in tandem with monetary policy," he said. Some Fed officials are increasingly calling on other parts of the government to help lower unemployment that Williams forecast will remain above acceptable levels until the year 2016. He reported as an example a recent U.S. government program to let more homeowners refinance mortgages, which could lower foreclosures and give a "modest boost" to consumption. The Dallas Fed President Richard Fisher said that the more monetary stimulus would be ineffective because businesses have held back from hiring for the reason that they are very concerned about the direction of fiscal policy, the tax system and regulations such as the overhaul of health-care system. The businesses are "in a defensive crouch," said Fisher today in a speech in Dallas. He criticized both the Democrats and the Republicans for sending the country "into a ditch." "We need to completely reboot our fiscal policy," he said. Williams said that for its part, the Fed's actions have been "very aggressive." He also said that "these policies have been effective at improving financial conditions in important ways, but they are swimming against strong countercurrents that impede recovery." "Other actions that address the continuing problems in the housing market could help spur recovery and enhance the effectiveness of monetary policy as well," said Williams at a meeting that was hosted by Chile's central bank. The central bank lowered its main interest rate to almost zero in 2008 and has since then bought \$2.3 trillion of Treasuries and government-backed housing debt aimed at reducing borrowing cost. In August and September, the Fed also used conventional tools in order to lower borrowing costs and is considering more steps. Fisher was one of the three officials that dissent from those two actions. Yesterday, the New York Fed President William C. Dudley said in a speech that "it would be greatly beneficial if the administration and Congress could more effectively work together to craft a coherent fiscal policy." On November 10, Fed Chairman Ben. S. Bernanke said that the central bank "was never intended to shoulder the entire burden of promoting economic prosperity." Williams, 49, who is an economist who took office in March after serving as the bank's research director, said on November 15, that the Fed may need to conduct more asset purchases in the face of stubborn unemployment, moderate growth and undesirably low inflation. Throughout the year 2012, he will have a vote on the policy-setting Federal Open Market Committee. Williams said today that "three powerful currents" have slowed U.S. growth. The first, a "massive destruction of wealth" in housing and stock prices has resulted in higher saving and about a 4.5 percent "sustained reduction in the consumer spending," he said.