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Fed's Lockhart favors keeping policy support

Fri, Jul 29 2011

JACKSON, Wyo. (Reuters) - The Federal Reserve should keep borrowing costs near rock-bottom lows for the foreseeable future if economic growth continues to disappoint, Atlanta Fed President Dennis Lockhart said on Friday.

Lockhart, who has signaled resistance to backing further monetary easing by the Fed, suggested the U.S. central bank should simply keep monetary policy at its current levels, which he argues are still highly supportive of a weak economy.

Saying he had not given up hope for a stronger second half following dismal growth data for the first and second quarters published on Friday, Lockhart said he was in a wait-and-see mode with regards to policy.

"While at present I do not see much risk of another outright recession, I don't think we can dismiss the possibility that we're in a persistent slow-growth recovery," Lockhart told the Third Annual Rocky Mountain Economic Summit.

If growth picks up as he expects, Lockhart said, then the Fed would begin unwinding its extraordinary monetary support to the financial system late next year.

"If, however, I come to conclude that we're in a world that portends a long period of very weak growth, high unemployment, and painful structural adjustment, the much-anticipated policy normalization may have to be rethought."

(Reporting by Ruffin Prevost, Writing by Pedro Nicolaci da Costa)

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