

World Awaits Credit Crunch' "Exit Strategy"

Contributed by Tom McGregor
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Federal Reserve Chairman Ben Bernanke must start explaining how the United States will pull back from the unprecedented monetary and fiscal support provided to the economy after the credit crisis. It is a debate going on across the world.

According to The Independent UK, "in his first term chairing the Federal Reserve, Ben Bernanke was nicknamed 'Helicopter Ben' for his willingness to shower money on the markets, as he tried to put out fires in the credit crisis. Second-term Ben will need a new nickname, because the next order of business is pulling all that money back out of the system."

Today, Mr. Bernanke will speak at Capitol Hill to outline some of the tools he can utilize to contribute to 'exit strategies' on the credit crisis. This has become difficult since some governments have loosened the fiscal purse-strings to fund economic stimulus packages, as well as central banks that printed cash to bring down interest rates. The pressures vary from nation to nation, but a burgeoning battallion of exit strategists must answer two questions: not only "when?," but "how?"

As reported by the Independent, "in the U.S., the Obama administration is taking a similar approach to fiscal policy as it is to the war in Afghanistan: a surge now, followed by a commitment to begin pulling out in 2011. There will be more economic stimulus this year (this time a \$100 billion 'Jobs' Bill), plus a promise to freeze spending and cut the deficit next year. It is a tricky balancing act, a high wire between Republican fears that the national debt is dangerously high, and Democratic fears that the economy is dangerously weak."

To read the entire article from the Independent UK, link here:

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