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### Kohn Says Low Fed Rates Likely Warranted for 'Extended Period'

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By Craig Torres and Scott Lanman

Sept. 30 (Bloomberg) -- Federal Reserve Vice Chairman **Donald Kohn** said tight credit, low inflation and slack demand for labor and products mean the central bank can keep interest rates at around zero "for an extended period."

"Exceptionally low interest rates are likely to be warranted for an extended period," Kohn said today in remarks at a conference sponsored by the Cato Institute and the Shadow Open Market Committee in Washington. "Resource utilization is quite low, inflation is subdued and continuing restraints on credit are likely to constrain the speed of recovery."

Economists forecast the economy will emerge this quarter from the worst recession since the Great Depression on a revival of consumer spending and manufacturing. Fed officials are trying to support a recovery as forecasters predict an unemployment rate above 9 percent next year. They are also trying to keep inflation contained in the wake of a record expansion in monetary stimulus.

Kohn's comments echo the Federal Open Market Committee's statement on Sept. 23, when it kept its benchmark interest rate close to zero. They struck a different tone than a Sept. 25 speech in Chicago by Fed Governor **Kevin Warsh**, who said rates may need to be increased "with greater force than is customary."

Kohn said in the text of his remarks he "can't predict how rapidly we will have to raise short-term interest rates from around zero or remove other forms of accommodation; that too depends on how the economy seems to be recovering and the outlook for inflation."

To contact the reporter on this story: **Craig Torres** in Washington ; **Scott Lanman** in Washington at [slanman@bloomberg.net](mailto:slanman@bloomberg.net);

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