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Government Regulation Needed for Economic Growth, Summers Says

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By Chris Dolmetsch

March 3 (Bloomberg) -- Lawrence Summers, the chief economic adviser to President Barack Obama, told an audience in New York that U.S. government regulation of business is necessary to help spur economic growth.

The U.S. faced the "real prospect of a depression scenario" and few major financial institutions would have survived without "large-scale government fiscal actions to stimulate the economy," such as guarantees on liabilities and measures to force recapitalization, Summers said in a speech last night.

Summers, the director of the National Economic Council, made the remarks at the Pierre Hotel in Manhattan.

"Without major interventions by government, not many non-financial companies would be healthy today," he said. "Certainly anyone inclined to be critical of excessive government involvement or regulation should remember how much extra market value exists today because of the extraordinary public steps that were taken."

He said the nine companies that were initial beneficiaries of capital from the Troubled Asset Relief Program today have a combined equity market value approaching \$1 trillion.

Summers gave the keynote address at the Citizens Budget Commission's 78th annual awards dinner after receiving the organization's "medal for high civic service." The nonprofit, nonpartisan group was founded in 1932 and works to improve the finances and services of New York City and New York state.

--Editors: Don Frederick, Paul Tighe

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