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UPDATE: US Summers: Stimulus Pulled Econ From Threat Of Depression

(Updates with further quotes.)

By Min Zeng
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NEW YORK (Dow Jones)--White House economic adviser Lawrence Summers Tuesday night said the U.S. government's active fiscal stimulus has helped pull the economy away from the threat of another Depression.

"We faced real prospects of Depression scenarios without large fiscal actions to stimulate the economy," said Summers, at an event organized by the Citizens Budget Commission, a nonprofit fiscal monitoring group based in New York City.

Summers, director of the National Economic Council, touted the "extraordinary public steps" that have helped the economy, adding that having a "strong government is very much in the interest of business."

Summers dedicated most of his speech to the mutual relationship between government and the private sector, noting that active government is a "necessary form" for the success of leading business.

Large financial institutions in the U.S., in particular, have received bailouts from taxpayers money following the financial crisis of 2008 and 2009. A highlight was the Troubled Asset Relief Program from the Treasury Department.

Summers said financial institutions can't not be allowed to run unregulated, as the financial crisis has shown the threat of systemic risks to the whole banking sector and the broader economy.

"It cannot be right if we lack restrictions on excessive risk taking by firms benefiting from government safety nets. It cannot be right if we do not have effective oversight of consumer practices in the area that brought us to the brink of the financial calamity," said Summers.

Summers also urged businesses to support, rather than thwart, the working of effective government, noting that there is "plenty of stalemate" in Washington, D.C. He urged dialogue between the government and the private sector and said that there are mutual obligations for both sides to bolster the economic prospects of the country.

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