


Obama's top economic adviser: 'free-fall' ending 

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WASHINGTON (AP) - The economy's steep plunge appears to be ending, a top presidential adviser said Thursday, but he refused to predict how high the unemployment rate will rise before a sustainable recovery begins.

Lawrence Summers, director of President Barack Obama's National Economic Council, said there have been some encouraging signs the dive in economic activity that began late last year was drawing to a close.

"There has been a substantial anecdotal flow over the last six to eight weeks of things that felt a little bit better," Summers told the Economic Club of Washington. "The sense of a ball falling off a table, which is what the economy has felt like since the middle of last fall ... we can be reasonably confident that that is going to end within the next few months and we will no longer have that sense of a free-fall."

But Summers refused to predict how strong the rebound will be or when it will take hold.

The economy, as measured by gross domestic product, has to be growing at a rate of around 2.5 percent just to keep the unemployment rate constant. A GDP growth rate of 1 percent, while in positive territory, means the jobless rate would still be rising, Summers said.

The unemployment rate surged to a 25-year high of 8.5 percent in March, the government reported last week. That followed a fourth quarter when the GDP plunged at an annual rate of 6.3 percent, the biggest drop since 1982.

The Federal Reserve expects the unemployment rate will probably "rise more steeply into early next year before flattening out at a high level over the rest of the year," according to minutes from the central bank's March meeting released Wednesday.

Many private economists expect the jobless rate to keep rising, even if the economy begins growing later this year, and likely will peak above 10 percent early in 2010.

Summers got a laugh from the audience when he said the presence of seven television cameras was "seven too many" for him to forecast the unemployment rate's peak.

Two protesters who unfurled a pink banner reading, "We want our \$\$\$ back," later interrupted his appearance by shouting that Summers should resign because of the amount of money he earned from the financial sector last year before joining the administration.

Recent financial disclosure reports showed that Summers received about \$5.2 million in compensation as an adviser to hedge fund D.E. Shaw last year and more than \$2.7 million in speaking fees from financial firms.

Summers did not respond to the taunts before the protesters were led from the room.

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