

Federal reserve system assignment

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Ben Brenan was a key player in U. S. Economic policy well before the Great Recession, and during that time seems to have achieved almost mythical status. The prolonged economic crisis has kept him front and center in the news, with regular appearances on Capitol Hill and increasingly heated rhetoric from detractors. As Federal Reserve chairman, Brenan maintains as he attempts to steer the nation onto a steadier economic course.

Federal Reserve Chairman Ben Brenan is, by all counts, a man of formidable intelligence. He scored 1590 on his Stats, taught himself calculus in high school, and graduated summa cum laude from Harvard University. He then went on to earn his Ph. D. in economics from the Massachusetts Institute of Technology, with a dissertation on the Great Depression?? knowledge that has almost certainly informed his policy moves during the current economic downturn.

Ben Bracken's bond buying program that has been in place for the last couple of years is starting to be wound back up. US shareholders have surged to new cord highs on the back of that news, with further gains of around 1. 5% Just recently, which meaner that US stocks are up almost 7% in the last two weeks. At the same time, the US dollar has weakened and the yield on government bonds has fallen back, although they remain substantially higher than the yield of a few months ago as the better economic news has underscored a generally sluggish sentiment.

It is strikingly clear that Brenan is not going to make the same mistakes that knee- capped each mint-recovery that emerged during the sass Great Depression, when policy-makers prematurely tightened policy on several

occasions when there were tentative signs that the economy was improving. As an academic specialist of the Great Depression, Brenan is aware that the US economy is still vulnerable to a significant policy tightening, even though the run of news on housing, sentiment and Jobs has been particularly positive.

During the Great Depression, it should be remembered, the unemployment rate in the US peaked at around 22%, and it averaged a staggering 16% in the sass. In the lesser depression that the US economy is emerging from now, thanks to the radical and fearless monetary policy settings delivered by Brenan, the unemployment rate peaked at 10% and since the market and economy crash started in 2008, the unemployment rate had averaged around 8%. On these facts alone, Brenan should deserve unquestioned praise .

Bracken's comment Tanat ten Yea would mammalian " mainly accommodative monetary policy for the foreseeable future" sparked the mood swing on Wall Street. As noted on above, this is appropriate, but what the market may be missing is what " highly accommodative" policy actually meaner, at least to the Federal Reserve. It is not unreasonable to think that holding interest rates near zero for the next couple of years is " accommodative". It most certainly is. Maintaining bond purchases is also obviously accommodative policy, but there could be a subtlety in Bracken's likely approach.

If in coming months interest rates are held at zero (which is as certain as anyone can be on any policy setting), yet the Fed starts to scale back its \$85

billion bond purchases a month to \$75 billion, then \$50 billion and so on, there is still no question that policy is still accommodative, but a little less than it was before. This may be well understood in the bond market, where the fall in yields has not been all that marked ?? the 10-year government bond yield is down a moderate 5 basis points to 2. 7%, having risen almost 50 basis points in the past month. Suffice to say, if the stock market retains its current bullish tone, and more importantly if the hard economic data continues to confirm the fact that the economy is lifting to a trajectory of 3% GAP growth, the Fed will scale back its bond-buying program as a first step to normalizing monetary policy. Policy will still be accommodative, but a little less so.

All of which shows that Brennan is negotiating the Fed's way through what will inevitably be a tricky transition from what was, and for the moment still is, the easiest setting for monetary policy the US has ever seen. The economy and markets may not like it when some of the super stimulus is withdrawn, and Brennan knows this. But if he can take his time to adjust policy to a more normal setting and over that time the economy can build some further self-generating and self-sustaining economic growth, it will be a job well done.

Ben Brackner's second term as chairman of the US Federal Reserve ends at the end of January 2014. Speculation has begun about whether President Obama leans toward reappointing him and whether Ben Brennan would accept reappointment. At his March 20 press conference, Brennan said he had spoken to Obama "a bit" about his own future without directly addressing the question of whether he would be willing to serve a third term if asked.

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But he emphasized that he did not see himself as indispensable, saying “ I don’t think that I’m the only person in the world who can manage the exit [strategy]” from the stimulus the Fed has been providing to the economy. Many of Bracken’s friends and associates believe he will want to leave after his current term expires. Though the stresses Ben Brenan has faced during his time as chairman of the Fed and the princely speaker fees and book advances available to former Fed chiefs; would make a desire to retire at the end of his current term understandable.

I hope that Obama will ask him to serve a third term and that Ben Brenan will accept and that the Senate will confirm him by a wider margin than it did for his second term. Of these decision-makers, the hardest to persuade might be Ben Brenan himself. As Brenan said, if all goes well, and the economy is firmly on the road to full recovery, many possible Fed chiefs could manage a reasonably graceful exit from quantitative easing and interest rates hovering around zero.

But I do not think the economy will De out AT ten woods Dye January 4 Many dangers wall remain, particularly dangers to the US economy from troubles in the rest of the world and from the difficulties of reining in the US national debt without bringing the US economy to a halt. Although there are a few other economists who might match Brenan in their monetary policy Judgments, through his years at the helm of the Fed, Brenan has developed an unparalleled skill in explaining and defending controversial monetary policy measures to Congress and to the public.

The most important ways in which US monetary policy has fallen short in the last few years are because of the limits Congress has implicitly and explicitly placed on the Fed. Sometimes it seems like it's the world vs.. Ben.

Particularly since the start of the economic crisis, Brennan has received sharp criticism from all sides. When President Obama nominated him to a second term as Fed chairman in 2009, senators on both sides of the aisle balked.

The Senate ultimately reconfirmed Brennan by a vote of 70 to 30, the tightest Fed chairman confirmation vote ever.

More recently, 2012 Republican presidential candidates have taken aim: Newt Gingrich says he would “ fire [Brennan] tomorrow,” Mitt Romney would be “ looking for someone new,” and Rick Perry said from the campaign trail in August: “ If this guy prints more money between now and the election, I don't know what you all would do to him in Iowa, but we would treat him pretty ugly down in Texas. ” Brennan is not quite there yet, but a recovery is getting closer by the month. This is the best the US economy has looked in about five years.