

Essay on a letter to federal reserve chairwoman:

[Finance](#), [Investment](#)



Recommending prolific changes in the monetary policy

This assignment is being submitted on July 13, 2015

The Chair

U. S. Federal Reserves

Washington D. C.

Dear Madam,

The international monetary fund has lowered the global economic growth rate by 0. 2 points to 3. 3% and causal for the same is chain link between stable and crisis struck economies. The prevailing economic scenario across the world is extensively affected by the vagaries of crisis struck nations, Greece and China (Zeng, 2015). Although both countries are resorting to possible stabilization, the resultant impact of their economic upheavals is imminent over US economy. As monetary policy adopted by the Federal Reserve regulates the flow of cash within the economy, I have analyzed the various aspects linked to it and came up with following recommendations. The US economy is on a positive track, with declining employment and inflation under control, but subsequent impact of a lenient policy can affect the further chances of deflation (Zeng, 2015). Owing to the China's stock market crash and subsequent lowering of commodity prices (like copper, oil and iron ore) the US economy is not witnessing inflation effect. Simultaneously, more investors are resorting to federal bonds to safeguard their fixed income prospects from global economic upheavals. However, the interest rates and term premium figures should be raised by the government, prior to third quarter of the financial year, so as to ensure

tightening of the increased liquidity in the market (Cox, 2015).

The above recommendation of increasing interest rates and premium will ensure that a deflation scenario gets averted and possibility of collaborative economic collapse leading to a real estate crisis (as in 2009) could be evaded (Yu, Fan & Wu, 2015). Consequently, the bank lending and bond issuance will be cumulatively affected and capital flows across borders (to and from crisis struck economies) will be negatively impacted. Hence, the US economy's sturdy growth can be kept at least steady, if not rapidly rising.

Thank you for giving your valuable time and considering my recommendations.

Sincerely,

References

- Cox, J (2015). Fed Chair Janet Yellen: Interest rate hike to come 'later this year'. CNBC. Retrieved from <http://www.cnbc.com/2015/07/10/fed-chair-janet-yellen-interest-rate-hike-to-come-later-this-year.html>
- Yu, Q., Fan, H. & Wu, X (2015). Global saving glut, monetary policy, and housing bubble: Further Evidence. Brookings. Retrieved from <http://www.brookings.edu/research/papers/2015/07/10-global-saving-glut-yu-fan-wu>
- Zeng , M. (2015). U. S. Government Bonds Post Biggest Two-Day Selloff since 2013. The Wall Street Journal. Retrieved from <http://www.wsj.com/articles/u-s-treasury-bonds-extend-selloff-as-fears-on-greece-china-ease-1436533964>