

Federal reserve paper

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Federal Reserve Paper Alex Layer Macroeconomics On October 23 and 24 the Federal Reserve Open Market Committee held a meeting to discuss what they need to do or continue to do to stimulate the economy. According to the statement consumer spending has increased, but investment in companies has continued to decrease. They also said that inflation has increased which causes energy costs to go up, but the expectations are looking good. The Fed decided that continuing to buy securities would be a good idea since they are trying to lower the long-term interest rates.

Their plan is to continue purchasing these mortgage backed securities until the labor markets improve. They will also plan on purchasing more assets if that is the case. The Committee wants to continue extending the holding of Treasury securities, and it is keeping the policy of reinvesting principal payments from the holding of agency debt and agency mortgage-backed securities. Their goal by doing this is to keep the Federal funds rate between 0 and . 25%. All of this will increase securities held in the long run. They influence the interest rates by buying securities through open market operations.

The Committee decided that the economy is getting better but too slowly so that is why they decided to take these actions to try and increase the speed. According to The New York Times article , they want to max out employment and price stability, which will help stimulate the economy. After reading the Committee’s statement I have concluded that they are using expansionary policies or “ easymoneypolicies”. I figured they are doing this since they are buying and holding their securities in an attempt to raise the aggregate demand.

I do agree with what the Fed is planning to do in an attempt to stimulate the economy. I think it is a good idea since our economy is still in somewhat of a slump to use the easy money policies to increase the aggregate demand by changing the interest rates. Overall I agree with what they plan to do seeing that it should give us a positive outlook on the economy in the time to come.

Sources http://www.nytimes.com/2012/10/25/business/economy/fed-affirms-low-rates-and-sees-moderate-growth.html?hp&_r=1 & <http://www.federalreserve.gov/newsevents/press/monetary/20121024a.htm>