

BERNANKE ADVISES FLEXIBLE MONETARY POLICIES TO ADDRESS UNEMPLOYMENT



Federal Reserve chairman Ben S Bernanke, during a speech in Arlington, Virginia on Monday, said that even though the decline in the unemployment rate to 8.3% is something to be buoyant about, a sustained accommodative monetary policy will be required to make further progress. This he felt, would probably require a quicker expansion of business production and an increased consumer demand. The chairman went on to say, that the decline in unemployment indicates a turnaround, from the period in the late 2008 and over 2009, when an unusually large number of layoffs took place. US stocks climbed as investors concluded that Bernanke's optimism could be forerunner to more Fed bond purchases and that easing of policy is in the offing. The Federal Open Market Committee reiterated that interest rates are likely to stay low at least through late 2014. Not many share Bernanke's optimism and Michael Feroli, chief U.S. economist JPMorgan Chase & Co. in New York, expressed his reservations saying, that whilst there has been some improvement, it is not so great. He expressed apprehension, that it was not clear whether this improvement would last. He said, "The bar is, and has been, pretty low for additional action." Policy makers across the board, are divided in their opinion about what course is best, to ensure that the improvement shown in the economy and decline in unemployment rates. Some of them are pushing for additional easing of the monetary policy; others feel that can be kept in abeyance for a few more years. Other Fed officials are in agreement with Bernanke and have echoed anxious sentiments regarding unemployment. New York Fed President William C. Dudley said, that while economic reports are improving it is "far too soon to conclude that we are out of the woods". He laid rest to the speculation that there could be more Fed Bond purchases, saying "nothing has been decided". Chicago Fed President Charles Evans said that "clearly, more accommodation would be appropriate" with unemployment too high. Bernanke has categorically stated that he feels that the problem is owing to structural factors and can be addressed by appropriate changes in the monetary policy. The changes he feels, will provide support for demand and for the recovery and this, over the long-term will reduce unemployment.

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