

## UNITED STATES POSSIBLY CLOSE TO FULL EMPLOYMENT



If unemployment continues to fall down, there is a concern of inflation occurring. In this case, the Federal Reserve has decided to start the exit from the monetary policy within the next few months. The Fed President in Minneapolis, Narayana Kocherlakota, says that inflation will likely be at 2 percent during 2012, which is the target they have set but he also says that it will likely rise to about 2.3 percent during the following year. If the expectations actually come true, the committee that set policies will likely need to make some changes, especially about keeping the rates lower until the end of 2014. The Fed has worked to ensure that rates were left low ever since the recession took place. The recession started in 2007 and they have been making sure rates were as low as possible since 2008. Kocherlakota says that he is constantly checking inflation and reviewing it carefully. He says he wants to know about the stability of prices but he also uses it as a guide to see how well the United States is doing and how close the country is to reaching full employment as well. He says that if the committee does agree with his predictions, the statement will likely change within the next six months or possibly a few months longer than that. During the month of April, the Fed's continue to promise their commitment that was made about ensuring rates stayed low for the next few years, at least until late 2014. This is their way of helping the citizens of the United States, especially during a time period in which the economy is still not the way that it was. The Fed Chairman, Ben Bernanke, said that the policy put into place is basically just right at the moment. Bernanke also said that if the economy were to become weak once again, that they would be able to help. Economists believe that the Fed will shortly start initiatives for bond-buying. There is still a debate on what the level of maximum employment actually is and that is the type of debate that is essentially quite important. There are some people who pay close attention to inflation, such as Kocherlakota, that believe that because of the great recession and how badly it ruined the economy, the unemployment rate may not reach levels that were once considered normal before the recession ever took place. Some also believe that with job openings that have gone unfilled, there are workers who simply do not have the skills and training to fit those positions. Kocherlakota also said that he believes that an unemployment rate of 6 percent would be ideal for the United States, although levels will likely remain at 8.1 percent for quite some time.