

NO TOLERATION FOR INFLATION TO BOOST EMPLOYMENT



The Chairman for the Federal Reserve, Ben S. Bernanke, has defended the central bank and the new price goal that it has established. He has also rejected any suggestions that were made about allowing higher inflation to take place as a means of creating available positions and boosting employment. In response to questioning he received from Paul Ryan, the Republican Representative, Bernanke said, "We are not seeking higher inflation." He also said, "We do not want higher inflation and we're not tolerating higher inflation." Bernanke was specifically replying to Ryan and the suggestion he made about allowing inflation to take place as a means of creating jobs and promoting employment. At some time last week, the Federal Reserve set up a goal of 2 percent yearly inflation, even after it said that it would work hard to keep the interest rate as low as possible, particularly until 2014, to help boost the economy and reduce the percentage of unemployed individuals. Ryan, who typically supports the legislation of having the Federal Reserve focus primarily on stable set prices, admits to being concerned after hearing that the Federal Reserve announced it would possibly accept higher inflation. The meeting and hearing took place a day before the Labor Department released a report, which showed that the jobless rate during the month of January remained at 8.5 percent. The survey also showed that employers typically added around 140,000 jobs on payroll for the month, which was down from 200,000 jobs on payroll added during the previous month, in December. Bernanke made statements saying that the economy has improved and continues to show signs of improvement even while it is still vulnerable. Bernanke said, "To achieve economic and financial stability, U.S. fiscal policy must be placed on a sustainable path that ensures that debt relative to national income is at least stable or, preferably, declining over time." As a means of adopting a specific inflation target, the Federal Reserve joined with central banks in areas of both New Zealand and Sweden, both of which have the same goals. Bernanke said, "I don't think you should read into this any unwillingness to keep price stability as a critical goal of the central bank." He continued by saying, "In looking at the two sides of the mandate, the rate of speed, the aggressiveness, may depend to some extent on the balance between the two objectives." As a conclusion, Bernanke said, "If the situation continues with inflation below target and unemployment declining at a rate which is very, very slow, then the logic of our framework says we should be looking for ways to do more." Bernanke provided this information at a press conference, which took place on January 25th, 2012.