- Buy OEM Brainjuice Blogo MAC
- Download Photoshop Elements 8 for Mac: The Missing Manual
- Buy Lynda.com - SQL Essential Training (en)
- Discount - Apple Mac OS X 10.5 Leopard
- Buy OEM Autodesk AutoCAD Electrical 2015 (32-bit)
- Buy Microsoft Windows 7 Enterprise with SP1 (32 bit & 64 bit) (en,ar,bg,cs,da,de,el,es,et,fi,fr,he,hr,hu,it,ja,ko,lt,lv,nb,nl,pl,pt,ro,ru,sk,sl,sr,sv,th,tr,uk)
- Buy OEM ZoneAlarm Pro 9
- Buy Cheap Nik Software Viveza 2 MAC
- Download ESRI ArcGIS for Desktop 10.2
- Download iA Writer MAC
- Buy Infinite Skills - Learning Microsoft Excel 2013 (en)
- Download Solidworks 2014 Premium (32-bit)
- Buy Cheap Lynda.com - CSS3 First Look

Floor Statement of Senator Chuck Grassley

Nomination of Janet Yellen to be Fed Chairman

Delivered Monday, Jan. 6, 2014

Over the past five years the Federal Reserve has pursued unconventional and unprecedented monetary policy. As vice chair of the Fed, Janet Yellen has been a strong proponent of these policies. As chair, she is likely to continue these same easy money policies with the same, if not more, vigor than her predecessor.

I have deep concerns about the long-term effects of pursuing these policies. Historical evidence suggests that failing to rein in easy money policies on a timely basis risks fueling an economic bubble or even hyperinflation.

It is true that one of the lessons learned from the Great Depression was that an overly tight monetary policy in a recession risks economically debilitating deflation. Thus, understandably, when the recession hit in 2008 the Fed sought to avoid the mistakes of the past by lowering

interest rates to encourage investment. However, this expansionary monetary policy cannot continue into perpetuity without causing real and lasting damage to our economy.

Just as we should not repeat the mistakes of the Great Depression, we need to be careful not to repeat the mistakes that fueled our recent recession. Let us not forget that our current economic stagnation began with the bursting of the housing bubble in late 2007. A housing bubble fueled by rampant speculation that was driven, in part, by historically low interest rates maintained by the Fed between 2001 and 2004.

Yet, once again we see the Fed embarking on a policy of sustained historically low interest rates. The Fed has now maintained the Federal Funds rate essentially at zero for over five years. What may be the future consequences of this policy? What new bubble will arise? At this point, I do not think anyone can answer these questions definitively. But no one can deny that the risks are real and could be devastating.

The Fed though has not just sought to maintain record low interest rates. With its traditional monetary tool tapped out, the Fed has turned to a less conventional and more aggressive program in an attempt to jumpstart our economy and lower unemployment.

The Fed is now engaged in an open-ended policy it has termed quantitative easing. Essentially, this is a fancy way to say the Fed is flooding the economy with trillions of dollars through large purchases of mortgage-backed securities and longer-term Treasury securities. As a result of this program, the Fed has seen its balance sheet more than quadruple from around $800 billion to nearly $4 trillion. Vice Chairman Yellen has not presented a plan to Congress on how the Fed plans to deal with this issue.

While I welcome the news from the Feds' December meeting that it intends to reduce the monthly purchases, I fear it may already be in too deep. It remains unclear how the Fed will be able to go about unwinding its nearly $4 trillion balance sheet without spooking investors.

The stock market has become addicted to the Fed's easy money policies. This has led one notable investment advisor to question whether the Fed will ever be able to end the quantitative easing program.

While the stock market has become addicted to easy money, the benefit to Main Street has been questionable at best. Unemployment remains high, bank lending remains tight, and savers discouraged.

While the benefits to Main Street remain unnoticeable, Main Street most certainly will feel the pain should the Fed carry on its easy money policy for too long.

For an example of what Main Street could be in store for, one need look no further than the late 1970s and early 1980s. The easy money policies of the 1970s intended to spur employment resulted in stagflation, a period of hyperinflation and high unemployment. During this period unemployment topped 10 percent while inflation exceeded 14 percent.

The experience of the late 1970s and early 1980s made it clear that once you let the inflation genie out of the bottle it is very difficult to stamp it out. After suffering years of stagflation, Americans were then subject to the pain of unprecedented interest rates as high as 20 percent just to get hyperinflation back under control.

Statements by Ms. Yellen indicate she would be open to inflation exceeding the fed target of 2 percent as a means to achieve full employment. While achieving full employment may be a noble goal, the Fed has a dismal record at being able to produce sustainable job creation through expansionary monetary policy.

While inflation may aid employment in the very short term, our experience with stagflation in the 1970s shows this tradeoff falls apart quickly as people’s expectations change. Sustainable job growth comes not from inflation, but price stability that promotes long-run economic growth. We need a chairman focused on a strong dollar and low inflation.

My concerns about the Fed’s easy money policies and inflation led me to vote against Chairman Bernanke for his second term at the Fed. Because it appears that Ms. Yellen will continue to pursue these misguided policies, I cannot in good conscience vote in favor of her confirmation.

-30-