THE DAILY CALLER

Federal Reserve announces plan to maintain low interest rates

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Federal Reserve Chairwoman Janet Yellen announced Wednesday that interest rates would remain low for an extended period of time.

This is a slight detour from the Fed's previous plan of keeping interest rates low until unemployment dropped below 6.5 percent. Instead, explained Yellen, the Fed will analyze incoming information about the labor market before they begin to raise the unprecedentedly low interest rates.

"The Committee will closely monitor incoming information on economic and financial developments in coming months and will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability," said Yellen during her prepared remarks at the press conference.

"If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings," she continued.

She made it clear that the Fed's plan is subject to change depending on the health of the economy. The asset purchases, said Yellen, "are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases."

The federal funds rate — the short term interest rates set by the Fed — are currently being held down at 0.25 percent.

Mark Calabria, the director of financial regulation studies at the Cato Institute, told The Daily Caller News Foundation this signals that the "Fed is unfortunately moving away from anything resembling a rules-bound course and becoming ever more ad hoc."

Yellen also confirmed what many anticipated – the Fed will continue to scale back its bond purchasing program by another $10 billion, lowering the asset buying initiative to a monthly $55 billion.

The stimulus, which in 2008 was set at $85 billion in monthly bond purchases, was intended to stimulate the economy in the wake of the recession. The Fed's decision to move forward with its tapering of the program indicates the central banks relative confidence in the slowly recovering economy.

In conjunction with Yellen's address in front of the press, the Central Bank also released its economic forecast for the coming year. Fed officials expect the U.S. economy to grow at a modest pace in 2014 despite weather-related setbacks this winter.

The bank estimates growth of 2.8 percent to 3 percent this year, which is a decline from its December projection of between 2.8 percent and 3.2 percent.