

**Critics say Fed's stimulus program has widened income gap**

By: Breanna Deutsch – December 18, 2013

The Federal Reserve announced Wednesday that it would begin to scale back its bond purchasing program by \$10 billion a month. But has this effort to stimulate the economy also stimulated income inequality?

Some experts say yes.

"I do think the Fed's policies have exacerbated income inequality," Mark Calabria, the director of financial regulation studies at the Cato Institute, told The Daily Caller News Foundation.

The Fed's bond purchasing program has driven up bond prices and artificially lowered interest rates, which made stocks more attractive to investors and therefore drove up stock prices.

As a result, wealthy individuals who held large assets benefited more than the general population who had little invested in the stock market.

The Fed's quantitative easing policy also disproportionately benefited big banks.

"You have seen differences not only across households, but also across the banking sector in terms of who has benefited and who has not," said Calabria.

He explained, "Main Street banks rely on a reasonable spread between their borrowing and lending. Current Fed policies have reduced that spread by flattening the yield curve, making lending less attractive; whereas Wall Street depends more on turnover in the capital markets, especially the stock market, which has been fueled in part by current Fed policies."

"I do not think it is by accident that the last year has not been a bad one for Wall Street banks," added Calabria. He argued the Fed's policies were true "trickle-down economics."

"The Fed's quantitative easing policy has also driven up house prices," Edward Pinto, Resident Fellow and Codirector of AEI's International Center on Housing Risk, told TheDCNF.

He explained, "House prices are now 11 percent above the equivalent level for rent. Once you get a deviation like that it basically means that housing prices are beginning to get unsustainable and by driving up housing prices it makes it difficult for lower income individuals to buy a home."

"I do think the quantitative easing program has had a negative impact on working class families because it has driven up the prices of homes needlessly," Pinto added.

The Fed's stimulus will still amount to \$75 billion per month. Wednesday's meeting was likely the last presided over by outgoing Chairman Ben Bernanke.