Philly FedHead Plosser Suggests a Single Mandate for the Federal Reserve

FedHead Plosser believes that "full employment" should not be a concern of the Federal Reserve.

By: John Burke – November 17, 2013

One day prior to Janet Yellen's testimony at her confirmation hearing before the Senate Banking Committee about the role of the FederalReserve in helping to promote "full employment" as set forth in its "dual mandate", Philadelphia FedHead Charles Plosser suggested that the dual mandate should be abolished.

Plosser could not have found a more receptive audience for his idea: The Cato Institute – which was founded in 1974 by Charles Koch of the controversial Koch Brothers. Plosser's speech, "A Limited Central Bank" focused on the notion that the Fed's "dual mandate" of maintaining full employment and price stability, should be cut in half. Forget about "full employment". Enduring the regulatory hardships imposed on the nation's poor, struggling billionaires who are coerced into cooperating with the Fed's loathsome meddling under the pretext of maintaining "price stability" is more than enough to ask of those sanctified "job creators".

At the outset of his speech, Plosser complained that since the 2008 financial crisis, the Fed's monetary policy has encroached into the area of fiscal policy – which is not the Fed's responsibility. Nevertheless, as Ben Bernanke has pointed out many times, Congressional neglect – and actual *sabotage* (i.e. government shutdown) – of fiscal policy, has forced the Fed to do everything in its power to help the economy recover.

Plosser's "straw man" argument was focused on the ill-conceived premise that the Fed should not be attempting to address "short term fluctuations in unemployment". He would never dare talk that way to an audience which has been unable to find a job since 2008. With a straight face, Plosser attempted to characterize a five-year unemployment crisis, with the unemployment rate "down" to 7.2 percent – only because so many millions of people have dropped out of the labor force – a "short-term fluctuation in employment".

In fact, it has already been a full year since Fed Chair Ben Bernanke made these remarks about the employment crisis before the Economic Club of New York:

Similarly, the job market has improved over the past three years, but at a slow pace. The unemployment rate, which peaked at 10 percent in the fall of 2009, has since come down 2 percentage points to just below 8 percent. This decline is obviously welcome, but it has taken a long time to achieve that progress, *and the unemployment rate is still well above both its level prior to the onset of the recession and the level that my colleagues and I think can be sustained once a full recovery has been achieved. Moreover, many other features of the jobs market, including the historically high level of long-term unemployment, the large number of people working part time because they have not been able to find full-time jobs, and the decline in labor force participation, reinforce the conclusion that we have some way to go before the labor market can be deemed healthy again.*

Plosser was preaching to a choir which refuses to accept the fact that the United States has yet to escape from long-term structural unemployment. In fact, most of those people would not even acknowledge that such a thing exists.