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Plosser: Fed should not target asset prices

WASHINGTON (MarketWatch) - The Federal Reserve should not target asset bubbles using monetary policy or try to influence asset prices in any way, Charles Plosser, the president of the Federal Reserve Bank of Philadelphia, said Thursday. "This is a policy that is easy to get wrong and fraught with risks," Plosser said in a speech at the Cato Institute, a libertarian think-tank. Policies designed to influence asset prices "would draw the Fed ever deeper into credit allocations and the determination of relative prices," Plosser said. He did not directly mention the Fed's second round of bond purchases in his prepared remarks. Plosser said he favors "systematic" Fed policy that alters interest rates in line with increases in underlying rates adjusted for inflation.

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