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Fed's monetary policy goal an "impossible dream": economist

WASHINGTON, Nov. 9 (Xinhua) -- U.S. Federal Reserve Chairman Ben Bernanke could succeed in raising the inflationary expectations both at home and abroad, but "rising commodity prices and a debased dollar have proved harmful to many businesses because inflated costs mean deflated profit margins," Alan Reynolds, a senior fellow with the Cato Institute, said on Tuesday.

The U.S. central bank's recent announcement to purchase 600 billion U.S. dollars worth of long-term Treasury obligations to push inflation up and bond yields down in a bid to "maximize employment" might lead nowhere, Reynolds noted in an article published on the Wall Street Journal on Tuesday.

The Federal Open Market Committee (FOMC), the interest rate policy making body of the central bank, announced on Nov. 3 to start a controversial plan of buying 600 billion U.S. dollars in Treasury bonds till the second quarter of 2011, known as the " Quantitative Easing" (QE2) monetary policy, in a bid to jumpstart the sluggish U.S. economic growth, which has invited wide concerns and criticism both at home and abroad.

Bernanke may be "an excellent economist, but he is not a very good bond salesman," he contended, adding that Bernanke and his FOMC allies are risking higher interest rates and inflated commodity costs in the pursuit of the contradictory objectives of higher inflation and lower bond yields, seemingly oblivious to all the evidence that they are pursuing an impossible dream.

The U.S. central bank cut the interest rate to the history's lowest level in December 2008 to cope with the worst recession after the Great Depression in the 1930s. And it has purchased about 1.7 trillion dollars in U.S. government debt and mortgage- linked bonds, known as the QE1.

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