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BILL POOLE CRITICIZES FED OVER QE3

BY DAVID NICKLAUS – September 18, 2012

During his 10 years as president of the **Federal Reserve Bank of St. Louis, Bill Poole** sometimes voted against moves to ease monetary policy. Poole has been retired since 2008, but he's still watching policymakers with a critical eye. This morning, writing for the **Cato Institute**, Poole offers three criticisms of the Fed's latest action, popularly known as QE3.

First, he says that by buying $40 billion a month worth of mortgage-backed securities, the Fed

> is supporting the long-standing federal policy of special aid to housing, real estate and mortgage interests. These federal policies were the largest single contributor to the financial crisis. Why would the Federal Reserve want to encourage continuation of these federal policies? ... This action is not monetary policy but fiscal policy, extending credit to a favored industry. This policy is crony capitalism ....

Poole also says the bond-buying creates "yet another exit problem for the Fed" when the economy eventually improves. Finally, he says the Fed is sending a mixed message to Congress:

> In his press conference, Chairman Bernanke appropriately emphasizes the need for fiscal policies to stabilize federal finances. Yet, he is promising that the Fed can make a material contribution to bringing down unemployment. That promise reduces the pressure on Congress to act.

Slate blogger **Matthew Yglesias** responds to Poole's last point, saying that the Fed can't get into the business of targeting political outcomes. He says, correctly, that the central bank's job is to stabilize demand, and that's what it's trying to do with QE3.

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