

Week 10 discussion 2

Recommend three policy changes that would make the Federal Reserve's job of controlling U.S. interest rates easier. Explain your reasoning.

1) Increased daily transparency would take the pressure off interest rate changes by making them less of a surprise when the FOMC announces policy changes. Since the purpose of controlling interest is a defense against inflation and recession, policies that limit those events reduce the frequency of radical interest rate movements.

2) Deciding beforehand what is the "largest size" institution that is deemed too big to fail (i.e. GM, Chrysler, Bank of America), and then limiting their growth to that size.

3) Repealing the changes made to the Glass–Steagall Act in 1999 (sometimes called Gramm-Leach) that prohibited banks from many of the activities that led to the 2008 financial meltdown.