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Press Releases

June 22, 2012

Richmond Fed President Lacker Comments on FOMC Dissent

Richmond, Va.

"The Federal Open Market Committee voted on June 20, 2012, to continue the maturity extension program. Under that program, which began in September 2011, the Fed purchases Treasury securities with remaining maturities of six years to 30 years and sells an equal amount of Treasury securities with remaining maturities of three years or less. The Committee decided to continue the maturity extension program in order to put downward pressure on longer-term interest rates and promote a stronger economic recovery.

"I dissented on this decision because I do not believe that further monetary stimulus would make a substantial difference for economic growth and employment without increasing inflation by more than would be desirable. While the outlook for economic growth has clearly weakened in recent weeks, the impediments to stronger growth appear to be beyond the capacity of monetary policy to offset. Inflation is currently close to 2 percent, which the Committee has identified as its inflation goal. A significant increase in inflation could threaten the Fed's credibility and make it more difficult to achieve the Committee's longer-run goals, including maximum employment. Should a substantial and persistent fall in inflation emerge, monetary stimulus may be appropriate to ensure the return of inflation toward the Committee's 2 percent goal.

"My views on the economy and monetary policy are also available on richmondfed.org."

The Richmond Fed serves the Fifth Federal Reserve District, which includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia and most of West Virginia. As part of the nation's central bank, we're one of 12 regional Reserve Banks that work together with the Federal Reserve's Board of Governors to strengthen the economy and our communities. We manage the nation's money supply to keep inflation low and help the economy grow. We also supervise and regulate financial institutions to help safeguard our nation's financial system and protect the integrity and efficiency of our payments system.

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