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G.O.P. Urges No Further Fed Stimulus

By CATHERINE RAMPELL

Even though the financial markets have been counting on the [Federal Reserve](#) to take action, Republican Congressional leadership sent a letter to the Federal Reserve chairman on Tuesday evening urging it not to engage in further stimulus.

The letter was sent in the midst of a two-day meeting in which Fed officials are widely expected to undertake policies to lower long-term interest rates. That move would be intended to loosen up credit in hopes of promoting growth. The meeting ends Wednesday, and the Fed is expected to release a statement Wednesday at 2:15 p.m.

“We have serious concerns that further intervention by the Federal Reserve could exacerbate current problems or further harm the U.S. economy,” said the letter, signed by four of the top Republicans in Congress: Mitch McConnell of Kentucky, the Senate Republican leader; Jon Kyl of Arizona, the Senate Republican whip; House Speaker John Boehner of Ohio and House Majority Leader Eric Cantor of Virginia.

The Fed’s chairman, Ben S. Bernanke, has not said further stimulus was in the works, but economists and analysts have repeatedly asserted that they believe the central bank will announce more easing.

“I just don’t think the Fed will sit idly as momentum fizzles in this recovery,” said Dana Saporta, a

United States economist at Credit Suisse.

[Minutes from the Fed's latest meeting](#) revealed sharp dissent within the group of policy makers, so further stimulus is not necessarily a sure bet.

As the Republican letter notes, economists are divided on how much the move would help the stalled recovery. The Fed, after all, has tried several rounds of monetary stimulus in the last four years.

Republican Congressional leaders expressed not only skepticism that further easing would improve the recovery, but also concerns that such actions might be damaging.

“Such steps may erode the already weakened U.S. dollar or promote more borrowing by overleveraged consumers,” the letter from Republicans said.

Many economists, however, are unconvinced by these risks and argue that a weakened dollar would be good for the country because it would make American exports more attractive.

With unemployment at 9.1 percent and Congress unable to agree on fiscal policies that might encourage job creation, many advisers have been calling on the Fed to continue using whatever ammunition it has left.

The Federal Reserve is an independent body whose decisions do not have to be ratified by the president or Congress, and efforts to influence monetary policy are discouraged to maintain its credibility.

“Even if I agreed” with the Republican letter, Tony Fratto, a former adviser to President George W. Bush, [wrote in a Twitter post](#), “I’d still disagree with the effort to put public political pressure on Bernanke.”

Over the years, there have been many efforts by members of both parties, from both the White House and Congress, to influence Fed policies, according to Allan H. Meltzer, a political economy historian at Carnegie Mellon.

Less than a year ago Michele Bachmann, a Minnesota congresswoman who is running as a Republican presidential candidate, [sent a letter](#) to Mr. Bernanke urging him to refrain from the last round of stimulus, which the Fed ultimately decided to do.

In recent months other Republican presidential candidates have stepped up their attacks on Fed policy, with Rick Perry, the governor of Texas, [calling further easing](#) “treasonous.”

Fed critics have said they are merely trying to counter pressure from Democrats for the Fed to do more.

“This is the most politicized Fed we’ve ever had,” Mr. Meltzer said. “They’ve been doing the Treasury’s work for quite some time, buying things like Treasuries and bonds. It’s no surprise that there’s political pressure coming from the other direction.”

The Federal Reserve was meant to be independent so that it would be shielded from short-term political interests, and Fed officials have repeatedly said they are unmoved by external political pressures. A Fed spokeswoman acknowledged receiving the letter on Tuesday evening but she declined to comment further.

Appearing to cave to political interests — on the left or the right — could compromise the Fed’s authority and jolt markets even more than a popular or unpopular policy decision.

If anything, Federal Reserve members seem to be trying show their ability to exert their own influence. Traditionally, Fed officials have refrained from commenting on fiscal policy except in the vaguest of terms, but in an August speech Mr. Bernanke called on Congress to avoid steep spending cuts in the near future. He also gave specific recommendations for fiscal measures to promote long-term growth.



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