Federal Reserve's Monetary Policies

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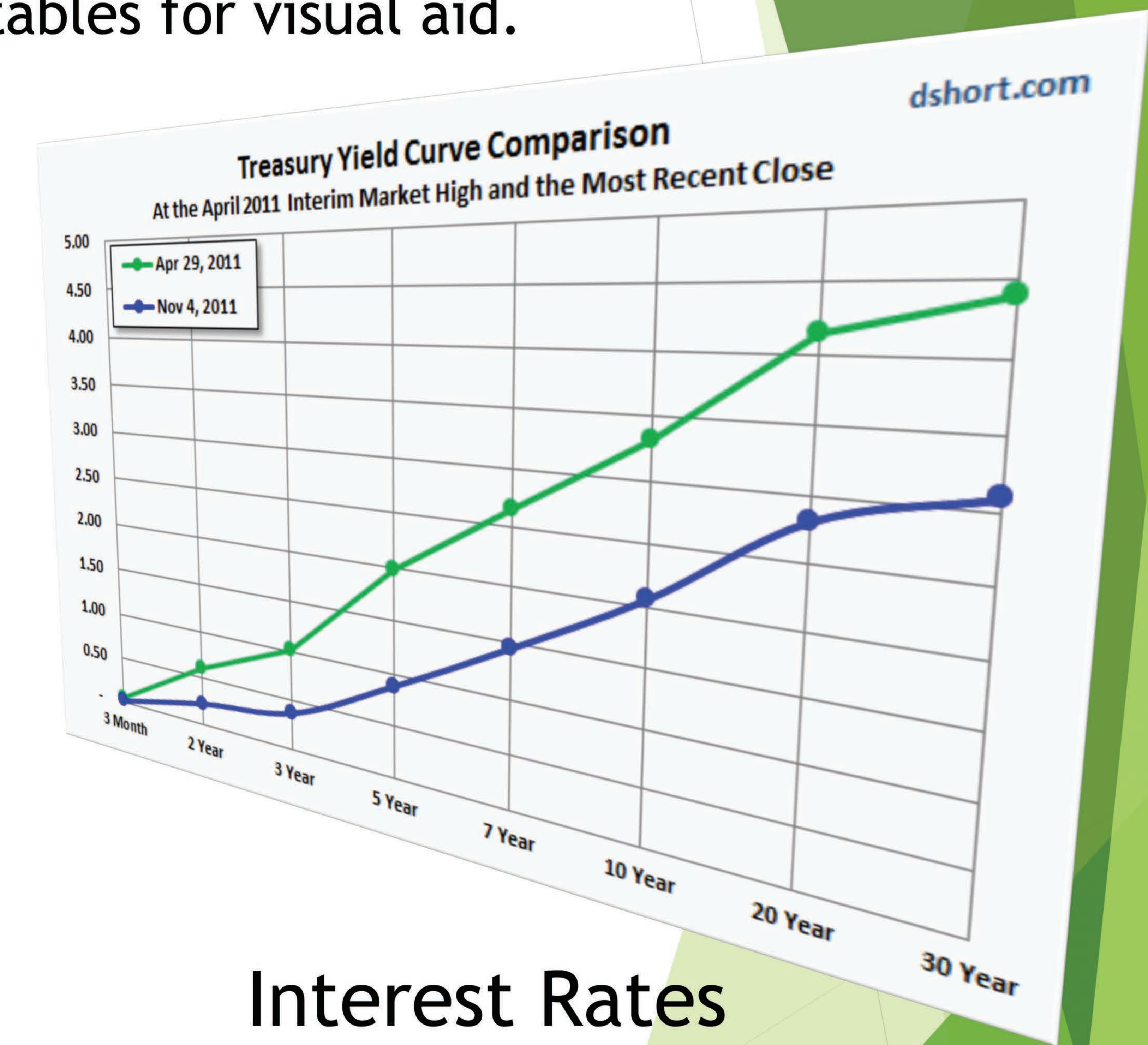
Introduction

- This research shows the impact of the policies put in place by the Federal Reserve on the GDP, unemployment rate, inflation, and the stock market. Usually research is done over what effect one policy had, but I chose three policies because each one's impact cannot be seen right after it is applied, it takes one to twelve months to see the effects of a policy. And sometimes after a policy ends, its effects overlap with the next policy.

Methodology

- I mostly used the data from Federal Reserve Bank of St. Louis as that is the most reliable source. I also used CNN Money, U.S. Bureau of Economic Analysis.
- I organized the raw data for the 2010-2012, and made graphs and tables for visual aid.



Interest Rates

Results and Conclusion

- QE2 played an important stabilization role, the stock market soared, unemployment went down, and GDP growth rate increased.
- QE2 drove up the average inflation from 1.6 (2010) to 3.2 (2011), whereas Operation Twist brought it down to 2.1 (2012).
- Unemployment continued to drop after QE2, and after the bond-buying program unemployment went down to 6.9.
- Each of these policies impacted important economic indicators in different ways, but taken together they were able to stabilize a struggling economy after the housing bubble crash in 2008.

QUARTERS	BILLIONS OF DOLLARS	GROWTH RATE
2nd of 2012 (started)	*16160.4*	-
3rd of 2012	16356.0	.0121
4th of 2012	16420.3	.0039
1st of 2013	16535.3	.0070
2nd of 2013	16661.0	.0076
3rd of 2013	16912.9	.0151
4th of 2013	17102.5	.0112