Federal Reserve’s Monetary Policies

By: Asad Choudhry
Advisor: Dr. Mark Scanlan

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.

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.

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.