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The R-star Fallacy

There Are No Strong Dollars

(Eurodollar University)





ECONOMY

NATIONAL SECURITY

BUDGET

IMMIGRATION

THE OPIOID CRISIS

ECONOMY & JOBS

Economy Reaches Longest Expansion in U.S. History in Third Quarter of 2019, Beats Market Expectations

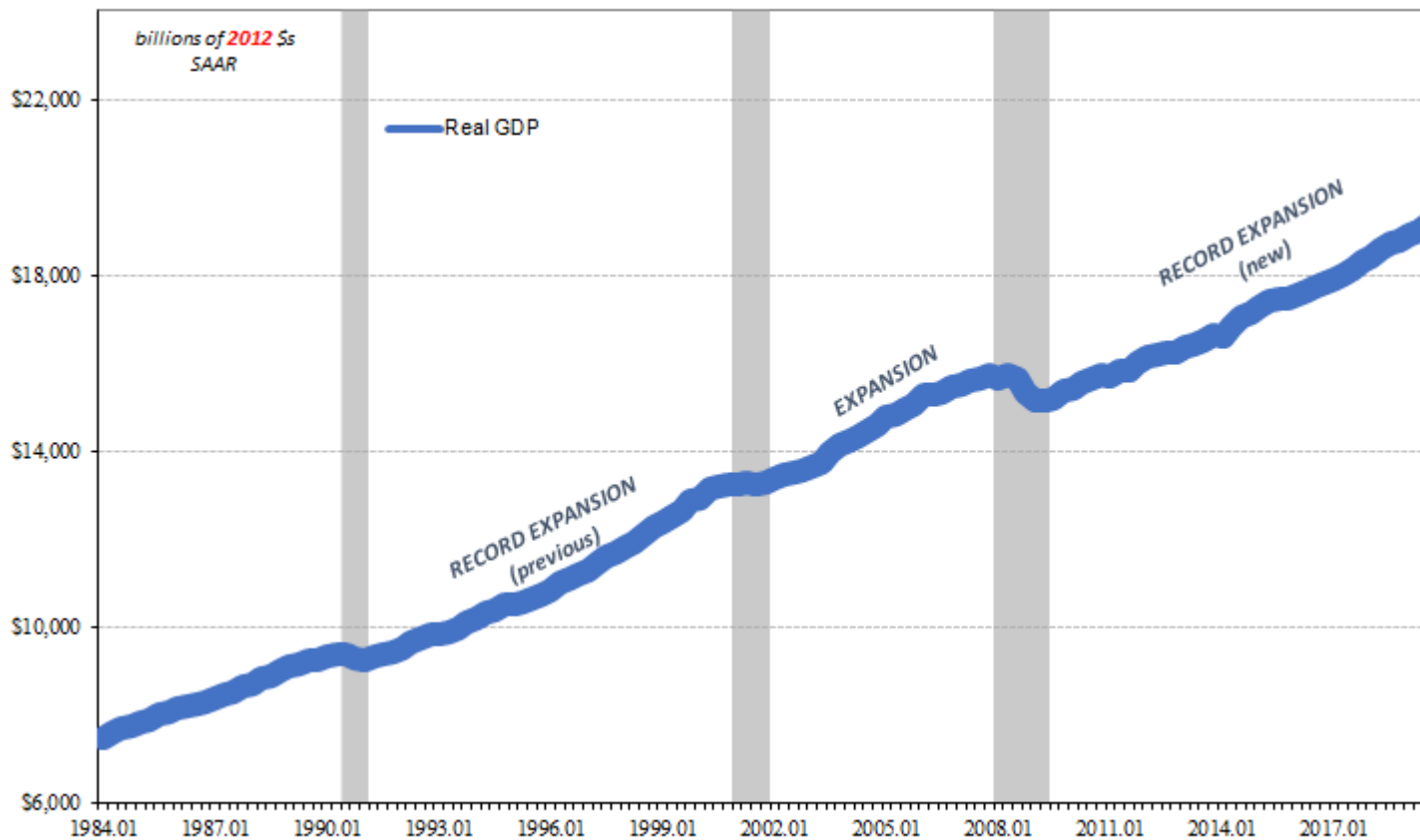
October 30, 2019 | 3 minute read

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Advisers*

The current economic expansion, which began roughly a decade ago, became the longest in U.S. history on July 1, 2019, beating the previous record that lasted from March 1991 through March 2001. As today's advance Gross Domestic Product (GDP) release confirms, economic growth continued in the third quarter of 2019, beating market expectations and adding to the expansion's record length. The release also confirms that the Trump Administration's policies support sustained

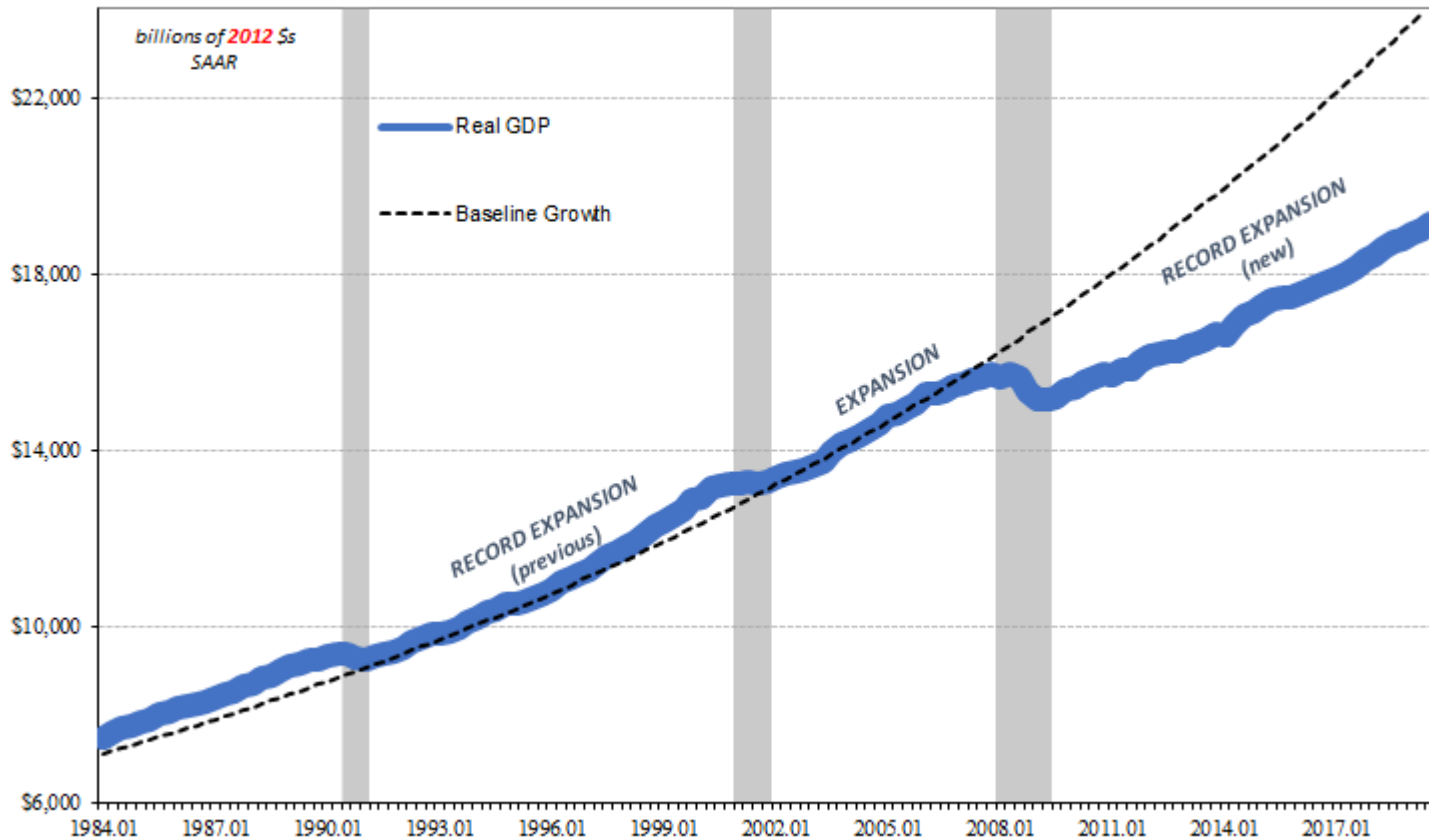


US Economic Expansion



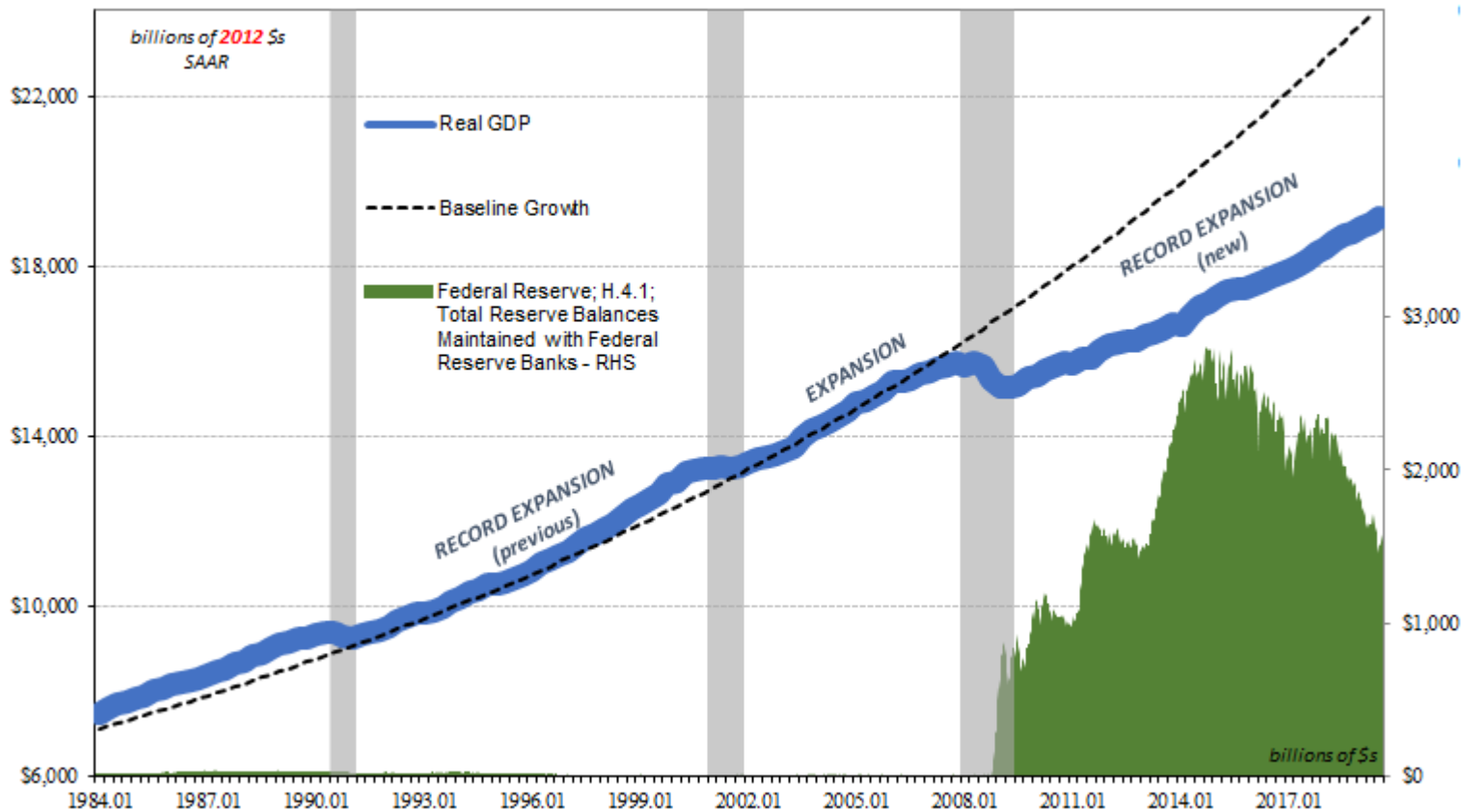


US Economic Expansion



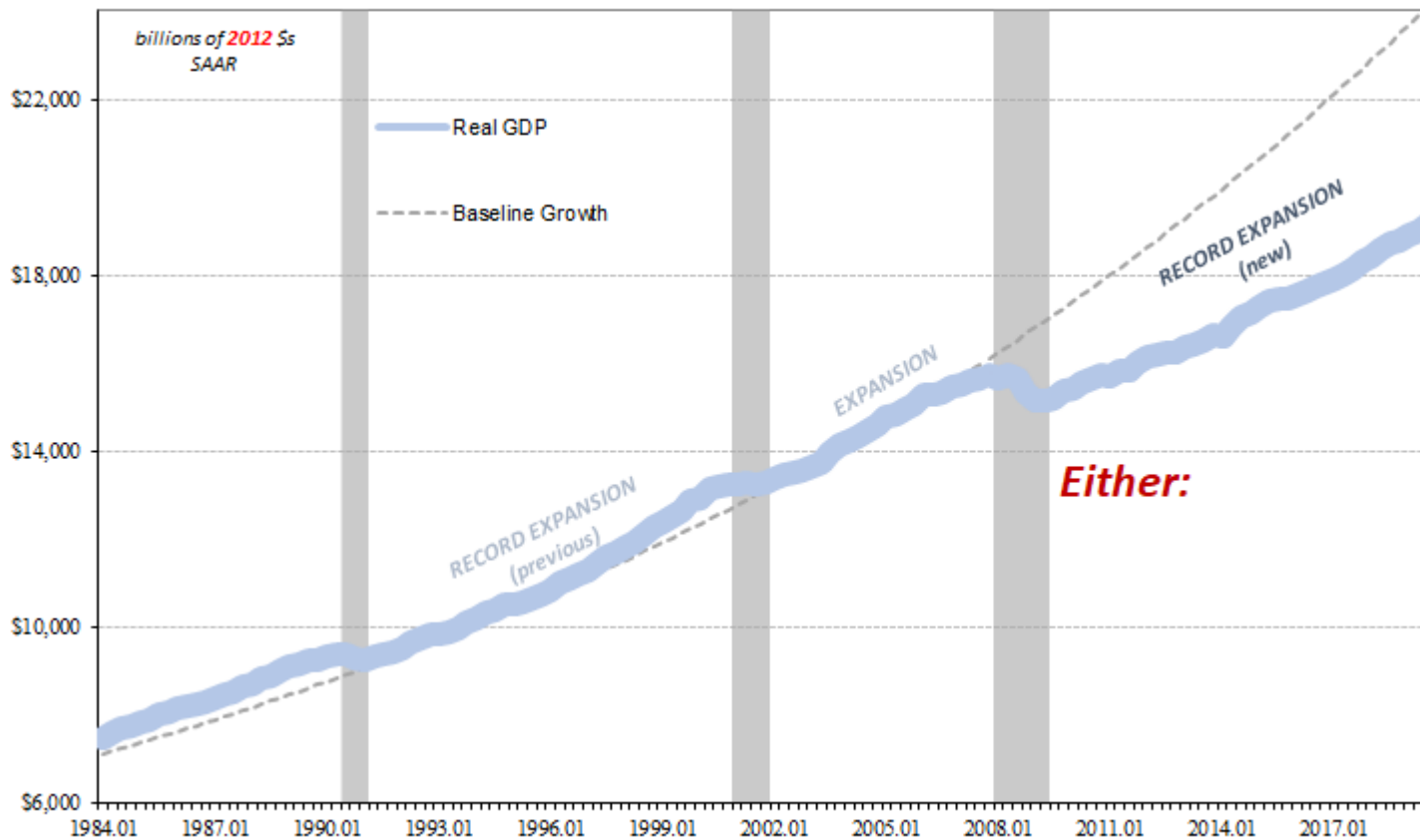


US Economic Expansion



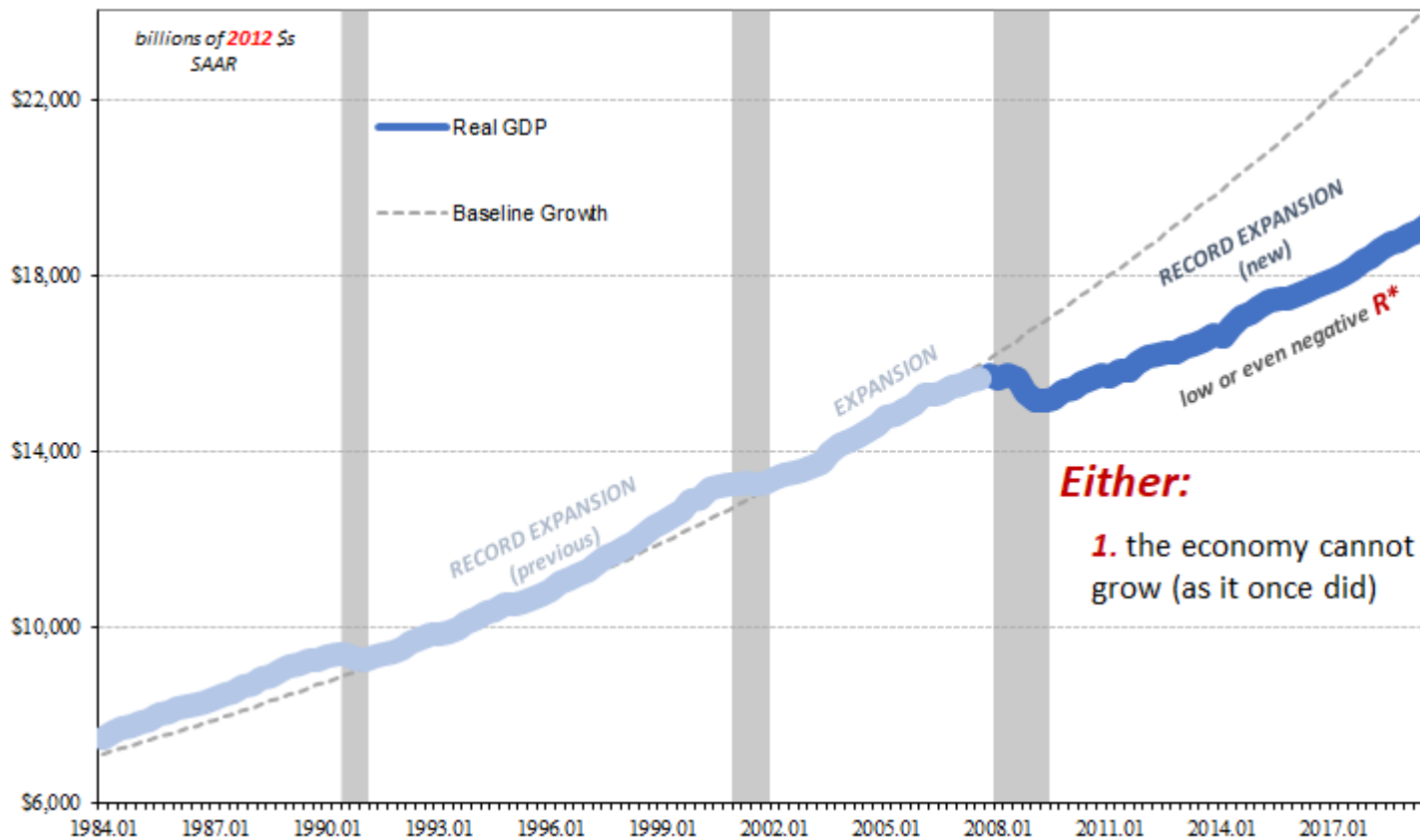


US Economic Expansion



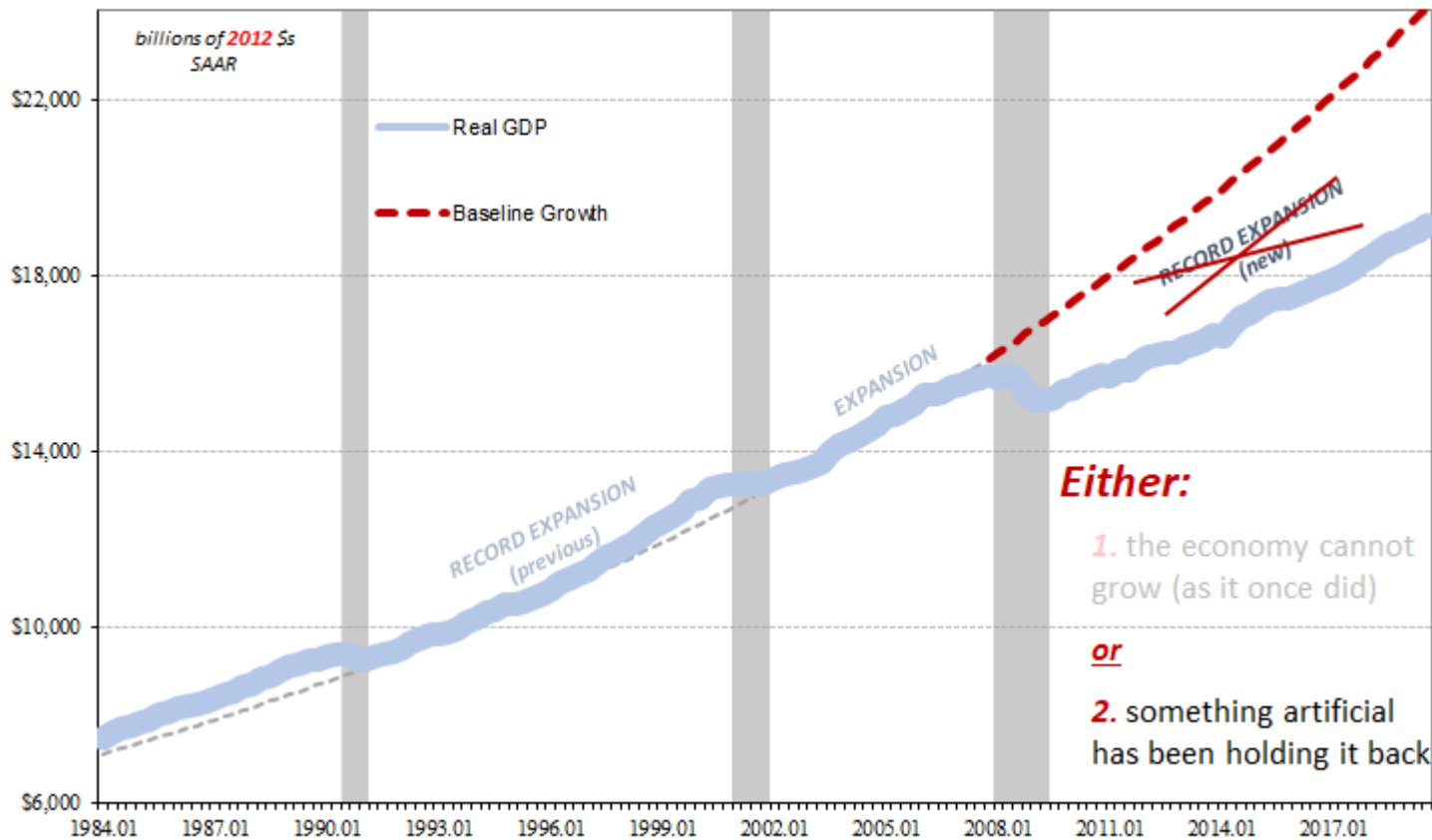


US Economic Expansion



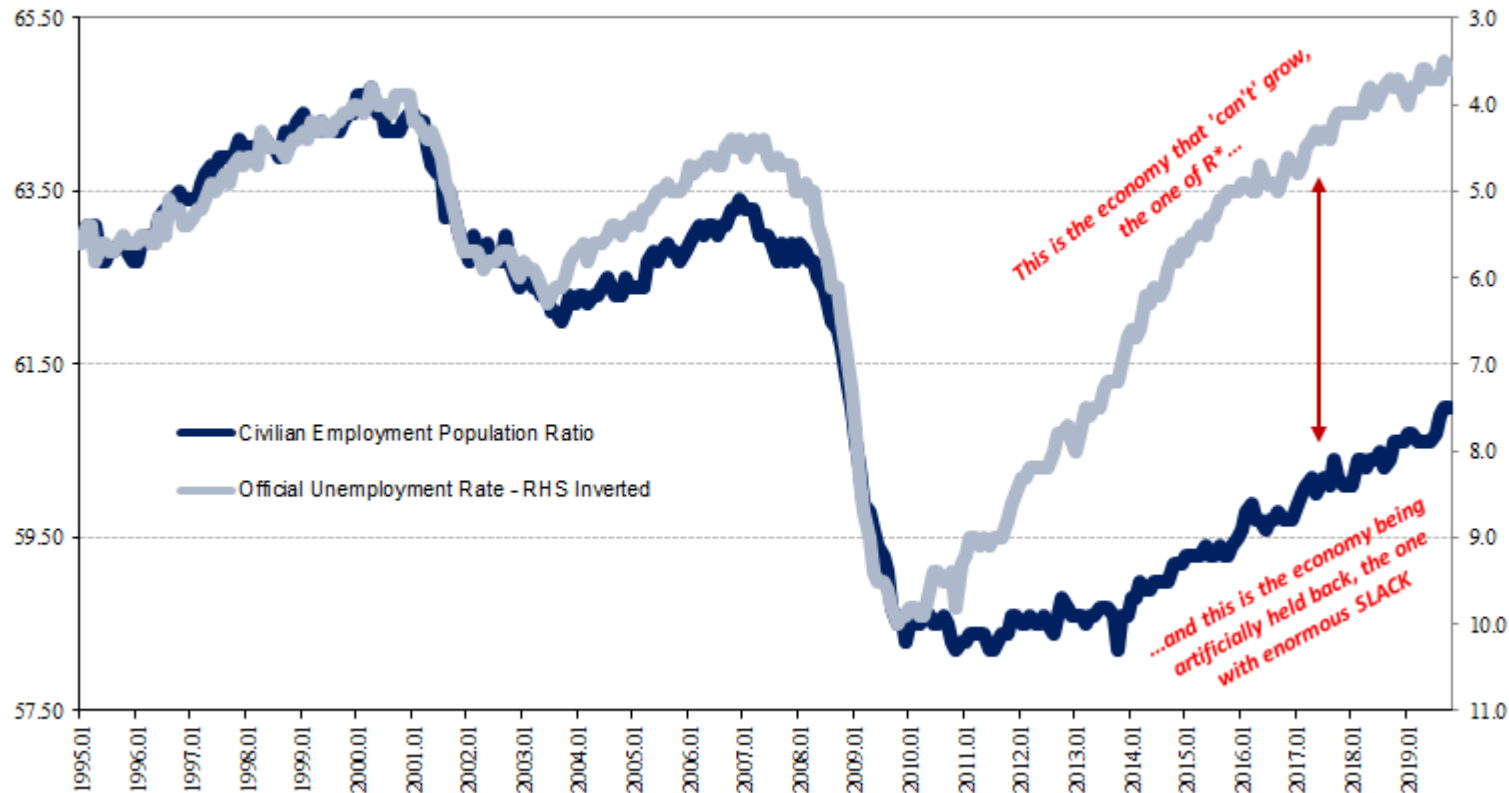


US Economic Expansion





Two Labor Stories



The Interest Rate Fallacy



The American Economic Review
Volume LVIII MARCH 1968 Number 1

THE ROLE OF MONETARY POLICY*
By MILTON FRIEDMAN**

“ As an empirical matter, **low interest rates are a sign that monetary policy has been tight** - in the sense that the quantity of money has grown slowly; **high interest rates are a sign that monetary policy has been easy** - in the sense that the quantity of money has grown rapidly. The broadest facts of experience run in precisely the opposite direction from that which the financial community and academic economists have all generally taken for granted.

Milton Friedman

*Presidential Address; American Economic Association
December 29, 1967*

The Interest Rate Fallacy

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*Indeed, **confusing low nominal interest rates with monetary ease** was the source of major problems in the 1930s, and it has perhaps been a problem in Japan in recent years as well. The real short-term interest rate, another candidate measure of policy stance, is also imperfect, because it mixes monetary and real influences, such as the rate of productivity growth.*

*The Legacy of
MILTON AND ROSE FRIEDMAN'S
Free to Choose*

*Friedman's Monetary Framework:
Some Lessons*

Ben S. Bernanke

I it an honor and a pleasure to have this opportunity, on the anniversary of Milton and Rose Friedman's popular classic, *Free to Choose*, to speak on Milton Friedman's monetary framework and his contributions to the theory and practice of monetary policy. About a year ago I also had the honor, at a conference at the University of Chicago in honor of Jeffrey Herbster, to discuss the contribution of Friedman's classic 1962 work with Anna Schwartz, *A Monetary History of the United States*. I mention this earlier talk, not only to indicate that I am ready and willing to praise Friedman's contributions wherever and whenever anyone will give me a venue but also because of the critical influence of *A Monetary History* on both Friedman's own thought and on the views of generations of monetary policymakers.

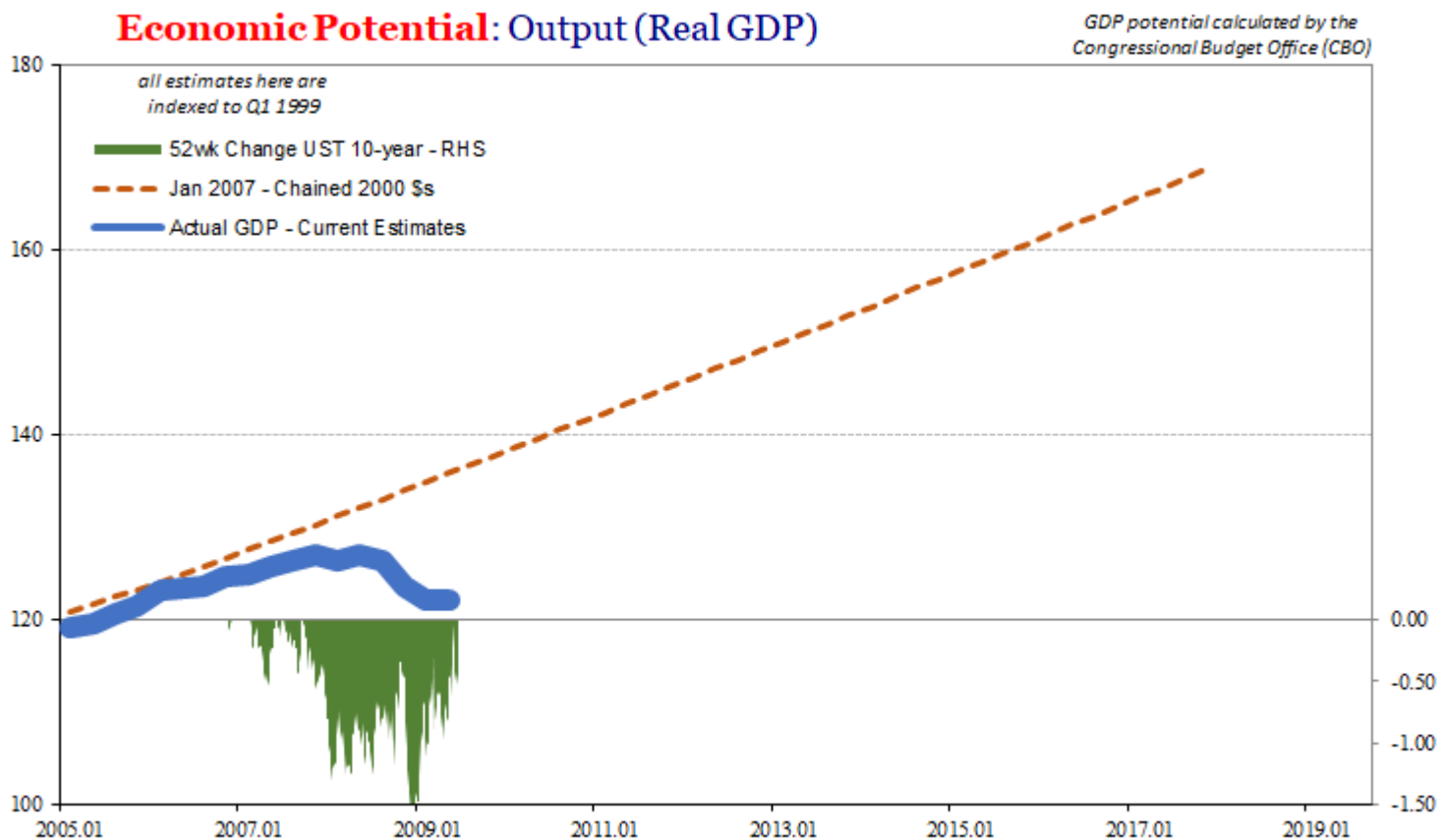
In *Free Monetary History*, Friedman and Schwartz reviewed nearly a century of American monetary experience in painstaking detail, providing an historical analysis that demonstrated the importance of monetary forces to the economy far more convincingly than any purely theoretical or even econometric analysis could ever do. Friedman's clear attention to the lessons of history for economic policy is an aspect of his approach to economics that I greatly admire. Milton has never been a big fan of government hearings of professionals, but maybe he would make an exception in the case of monetary policymakers. With an appropriately designed hearing examination, focused broadly on the fine details of the *Monetary History*, perhaps we could ensure that policymakers had at least some of the appreciation of the lessons of history that always informed Milton Friedman's views on monetary policy.

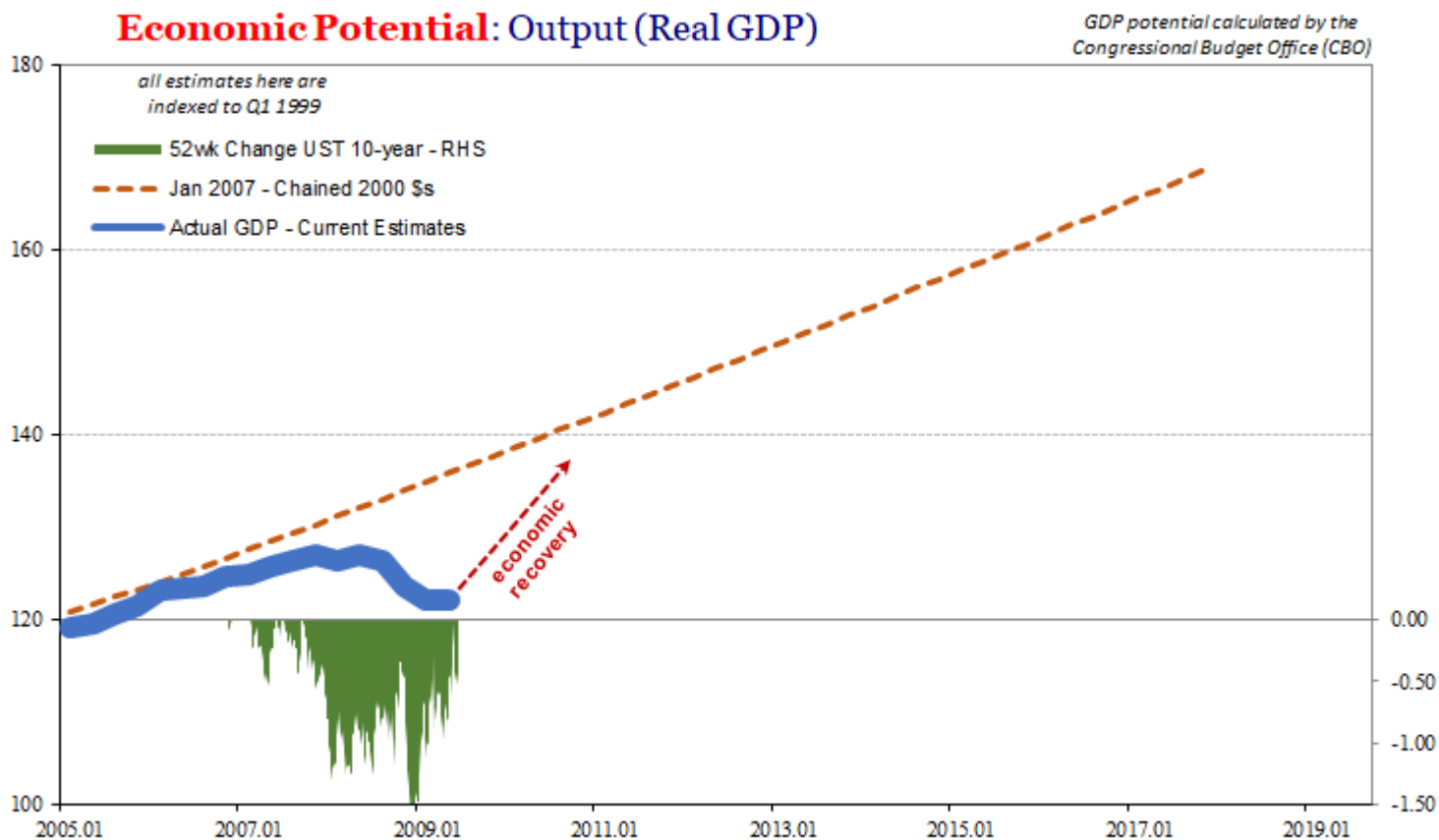
Today I will pass over Friedman's contributions to our knowledge of monetary history and focus instead on how his ideas have influenced our understanding both of how monetary policy works and how it should be used. That is, I will discuss both the positive and the normative implications of Friedman's

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Ben Bernanke

*FRBDallas Conference on the Legacy of Milton and Rose Friedman's Free to Choose
October 24, 2003*

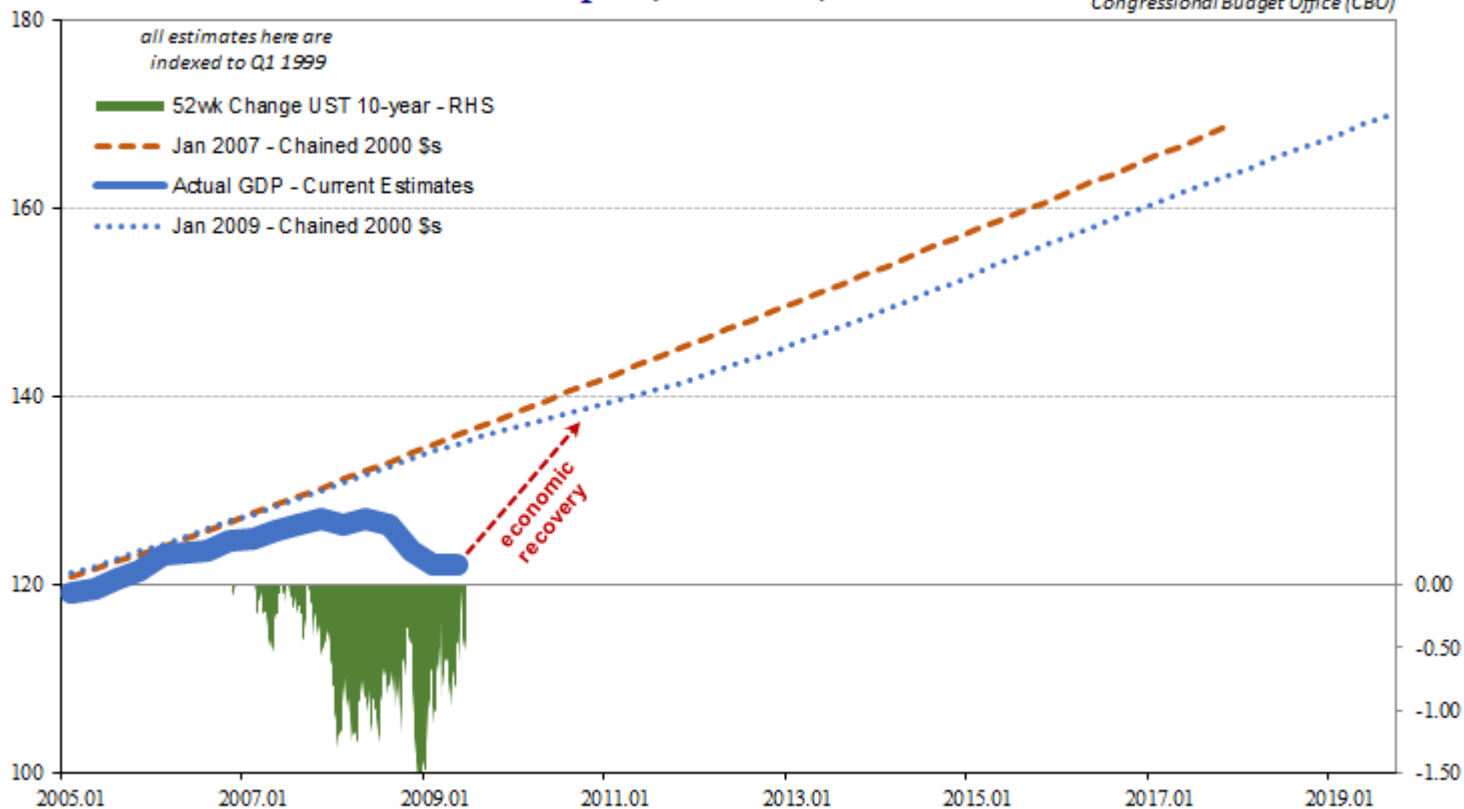


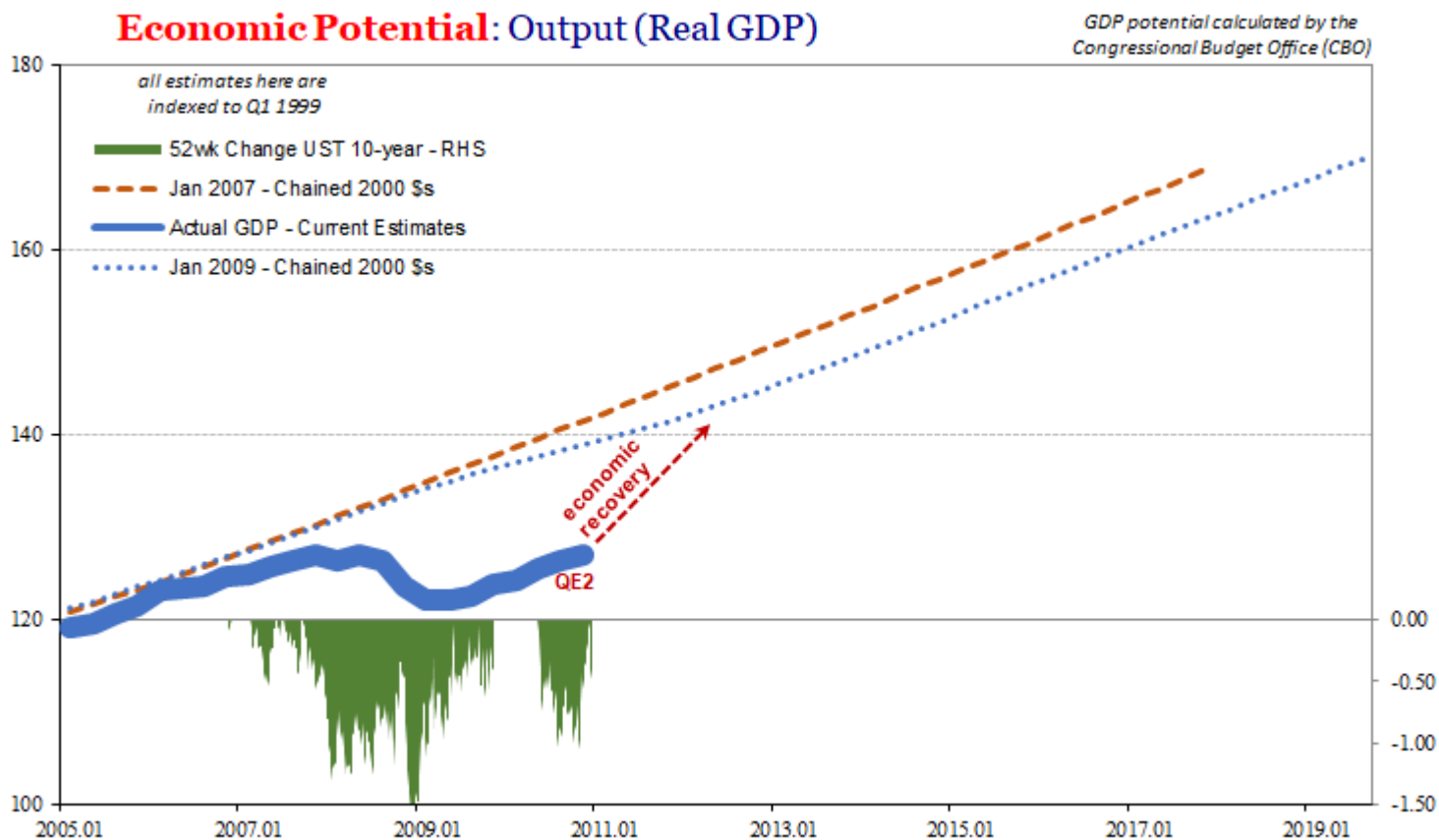


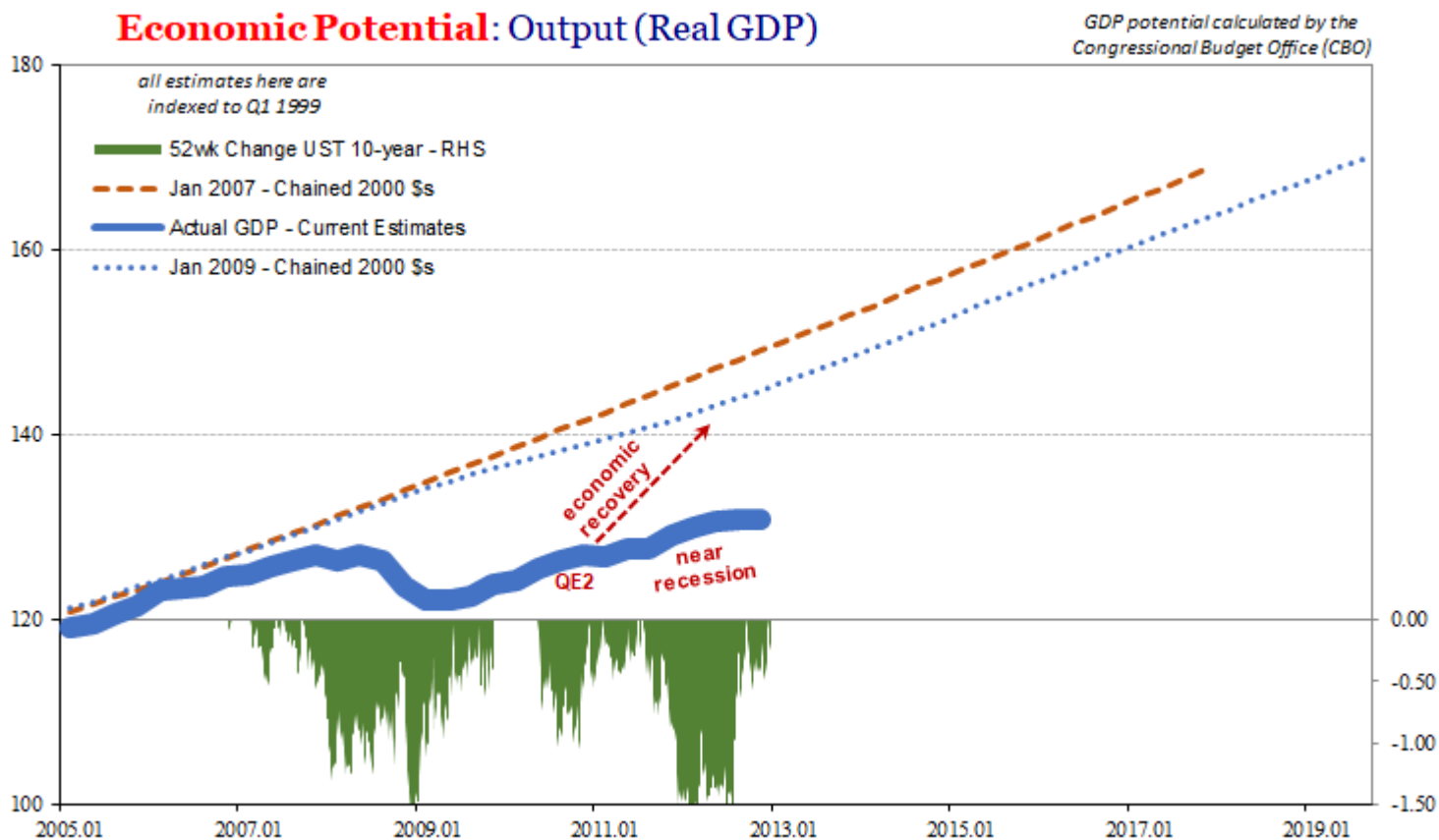


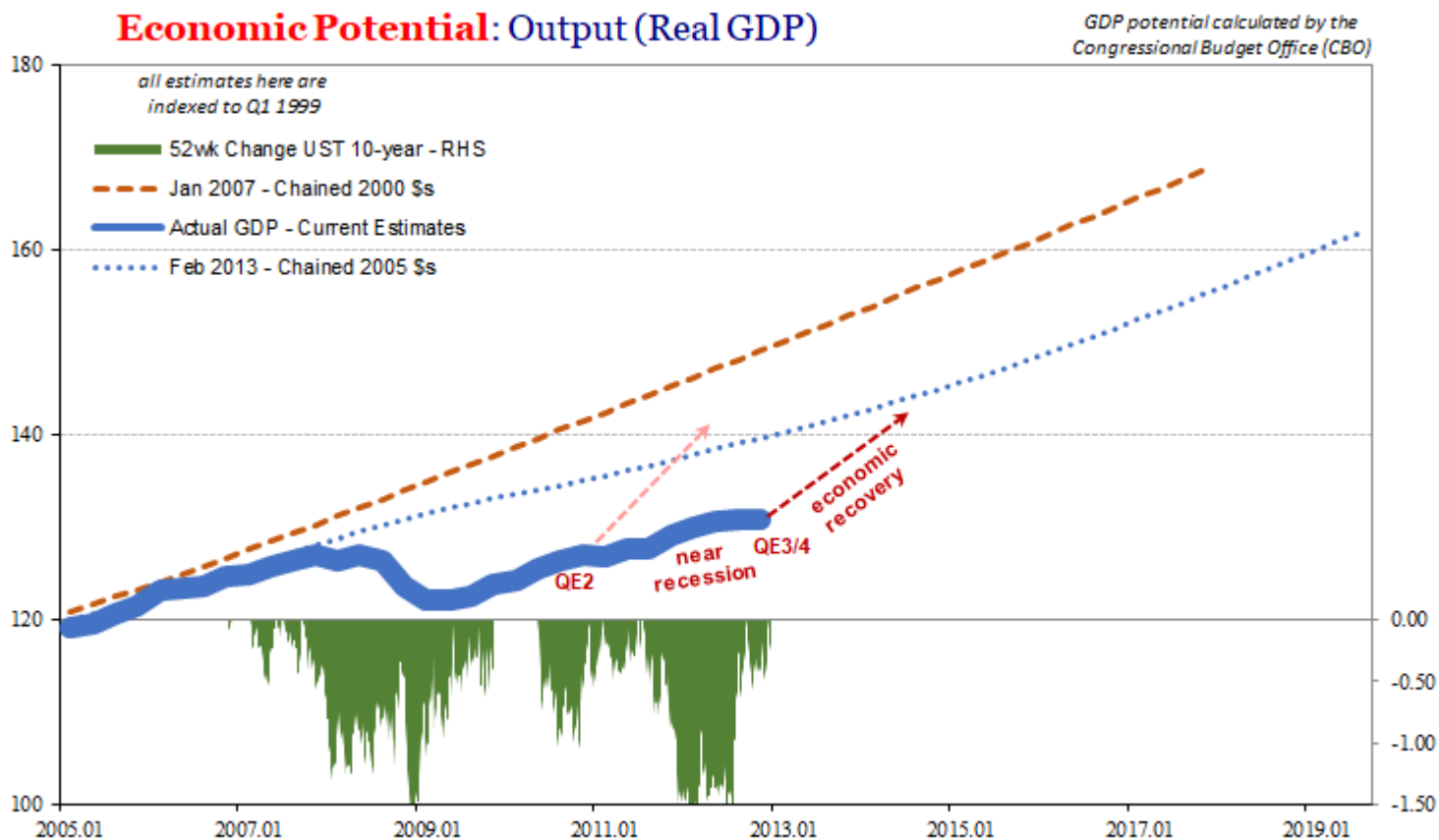
Economic Potential: Output (Real GDP)

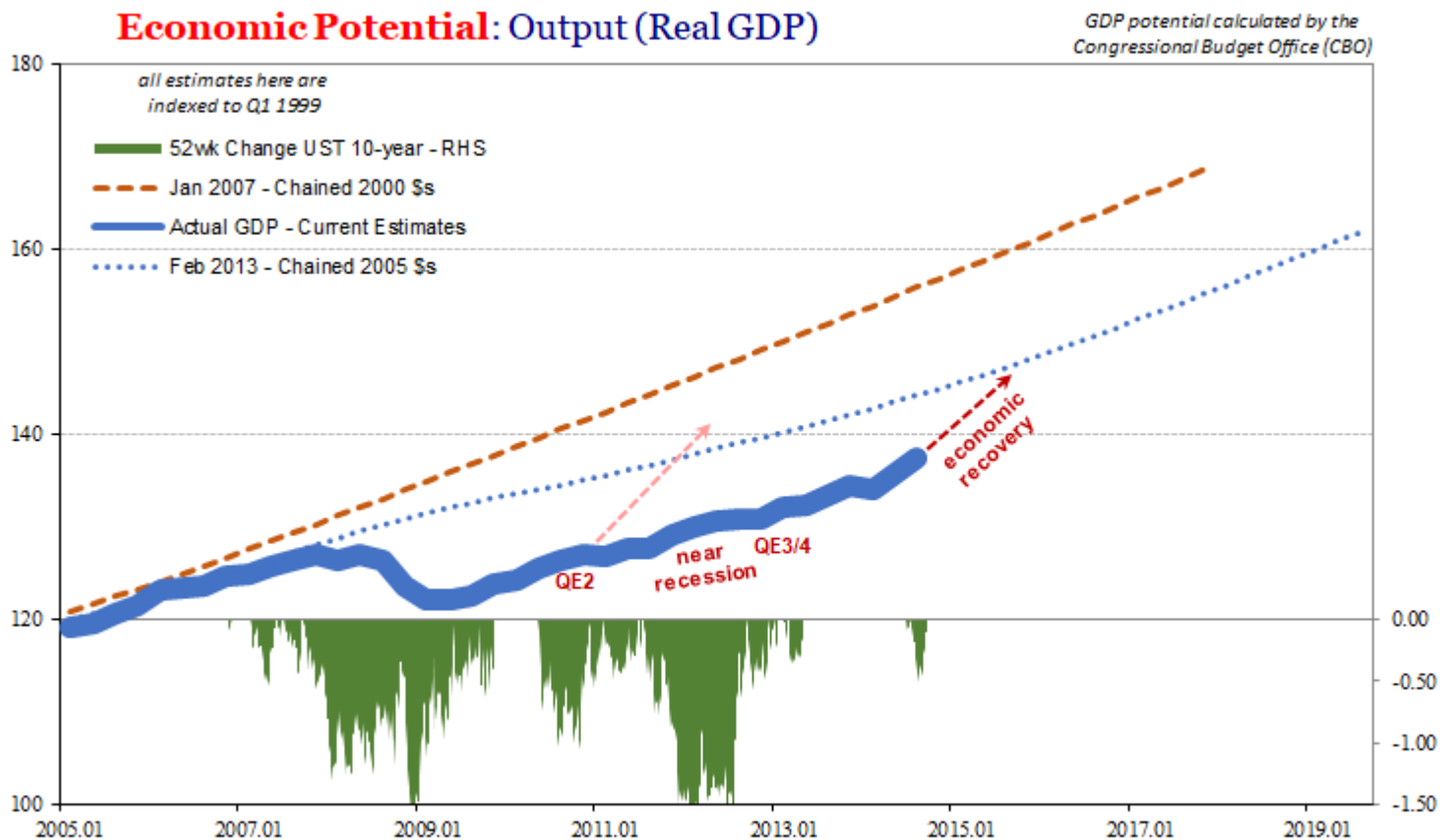
GDP potential calculated by the
Congressional Budget Office (CBO)

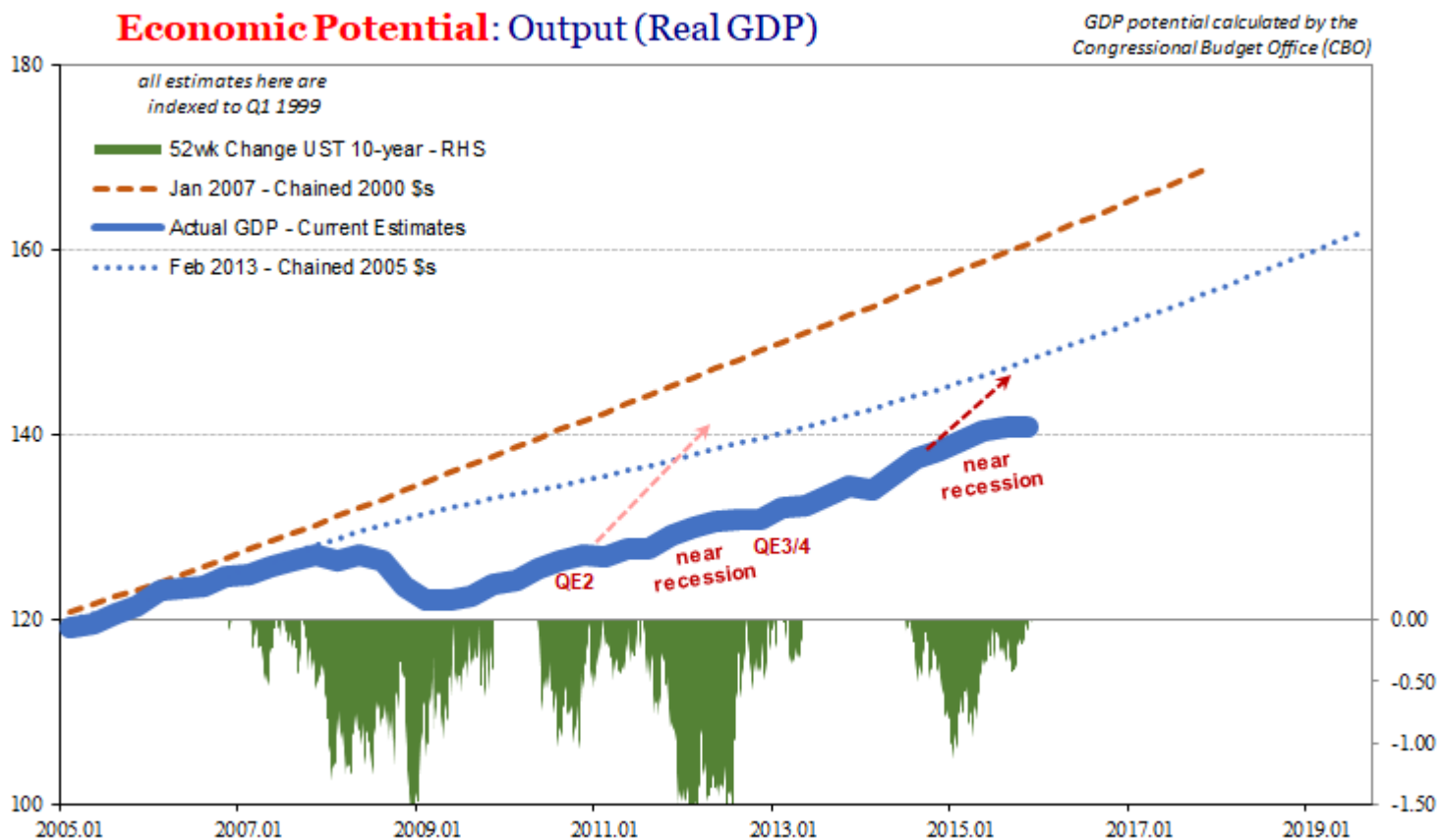


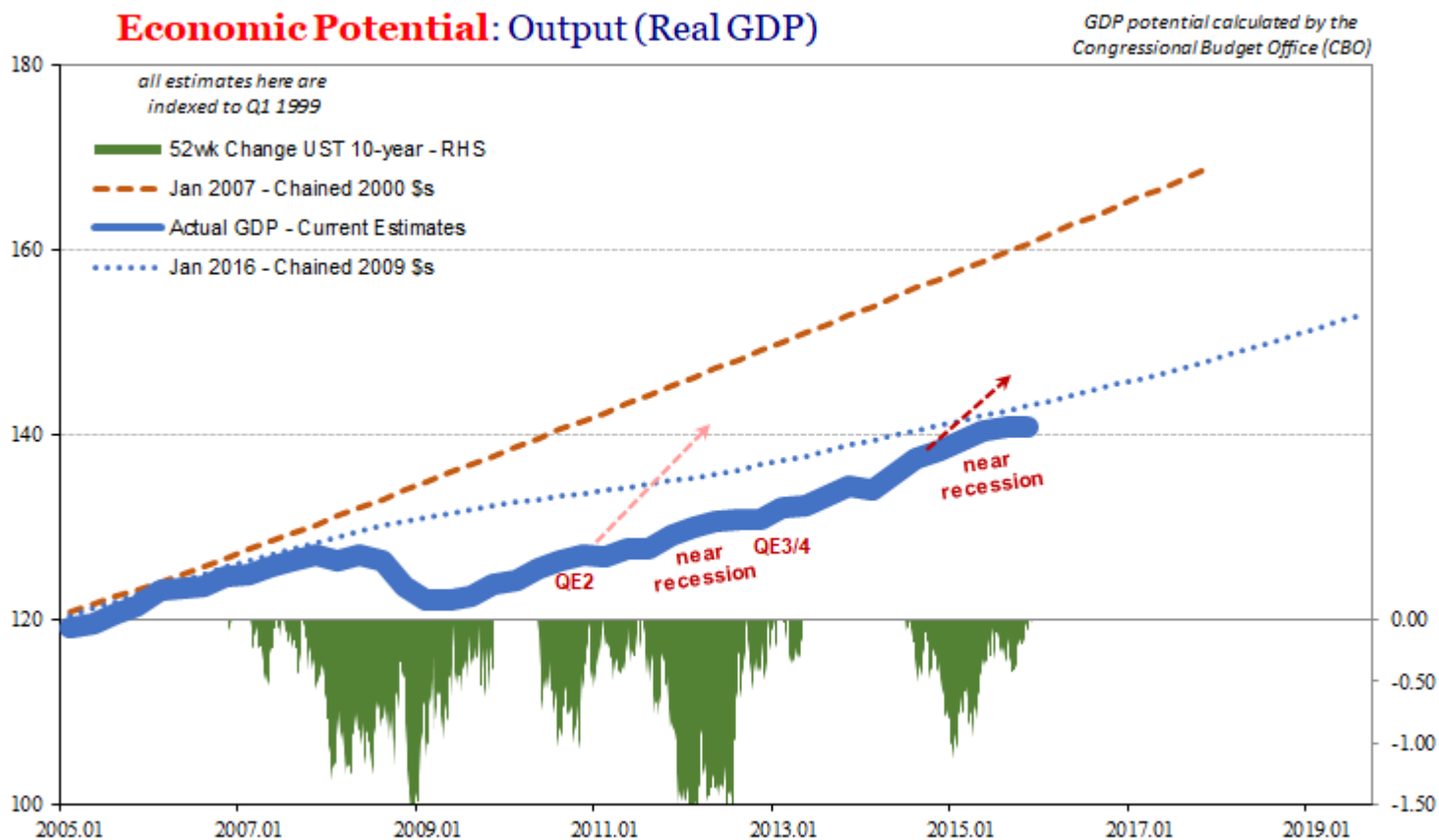


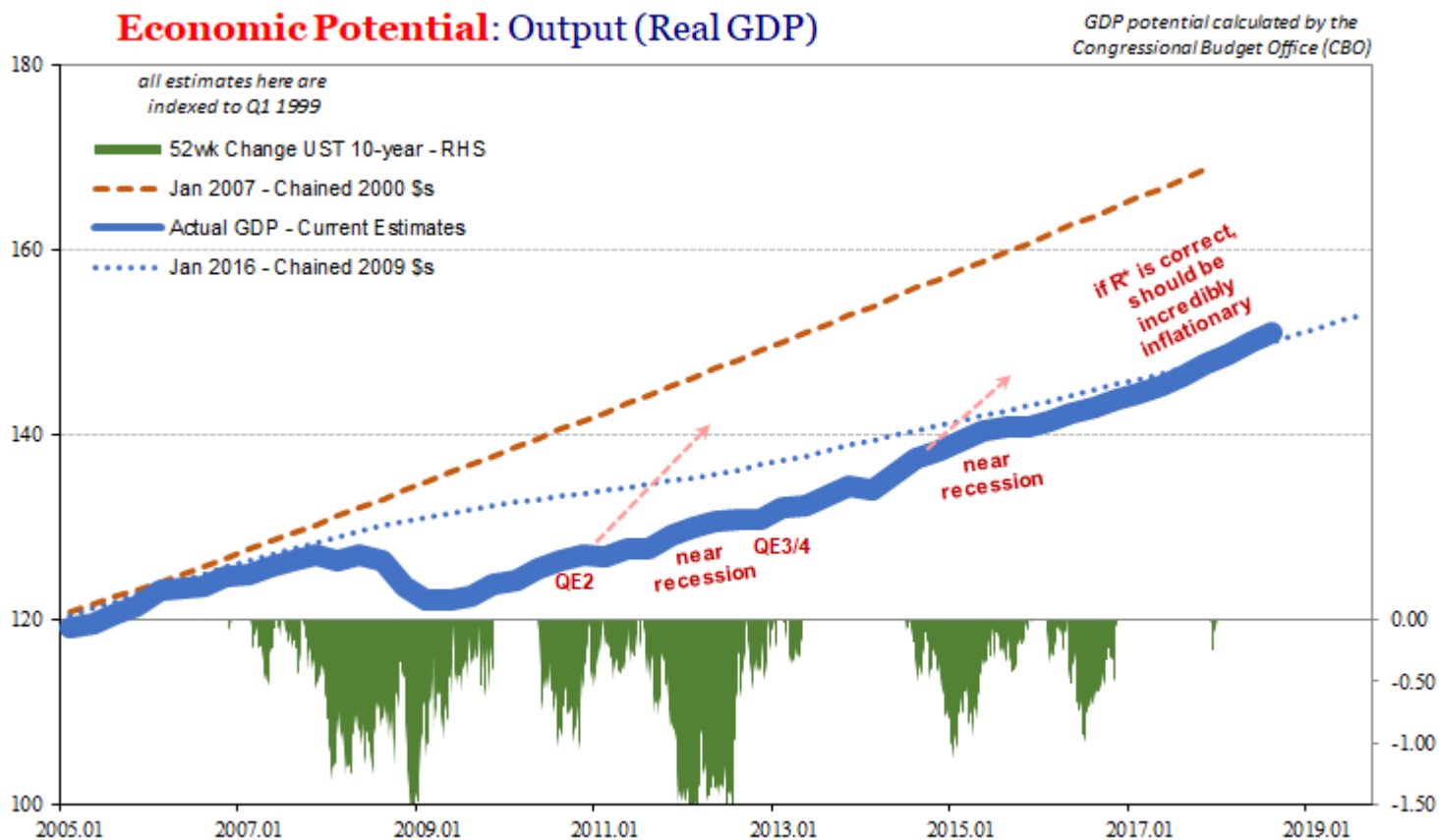


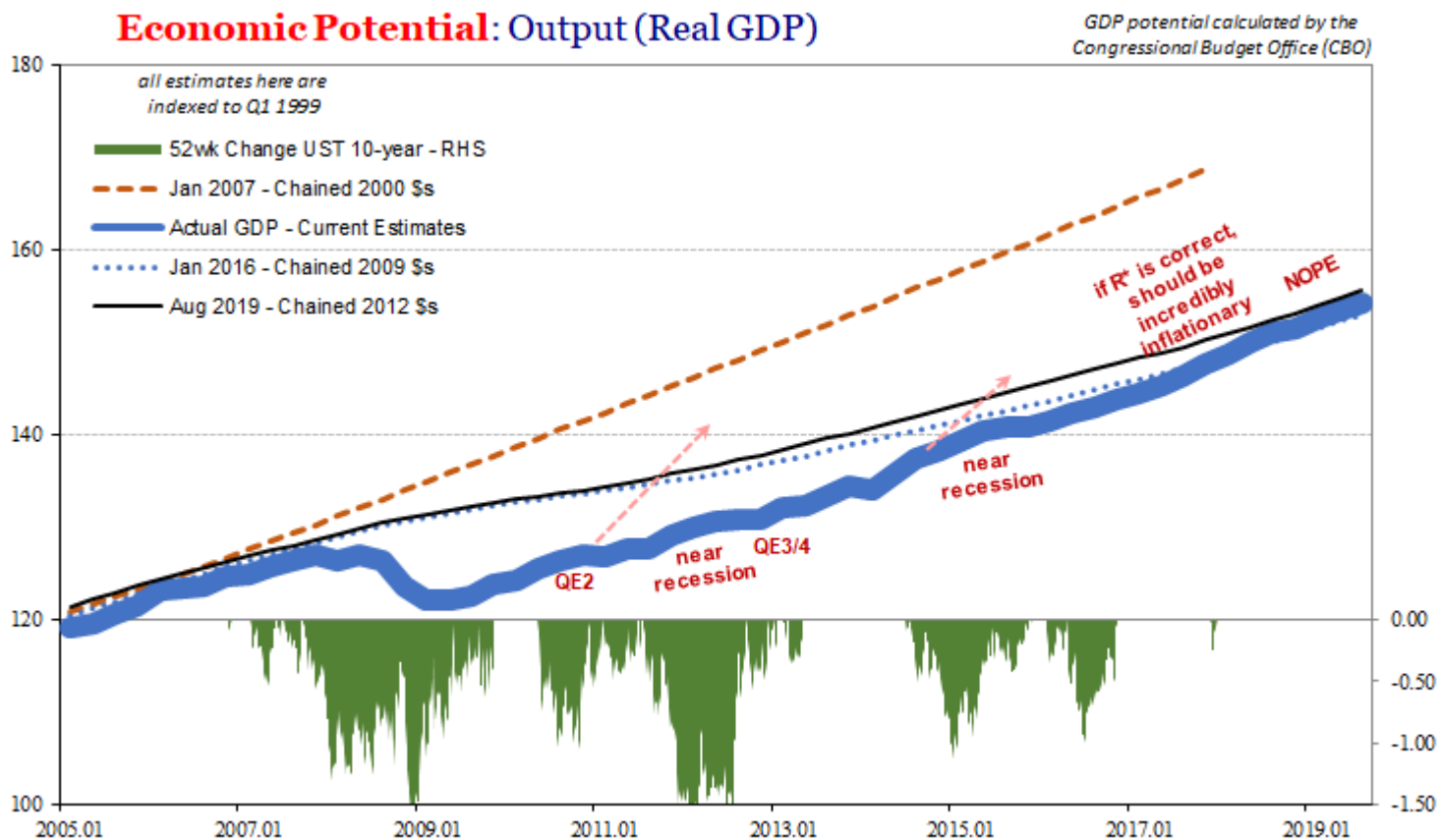








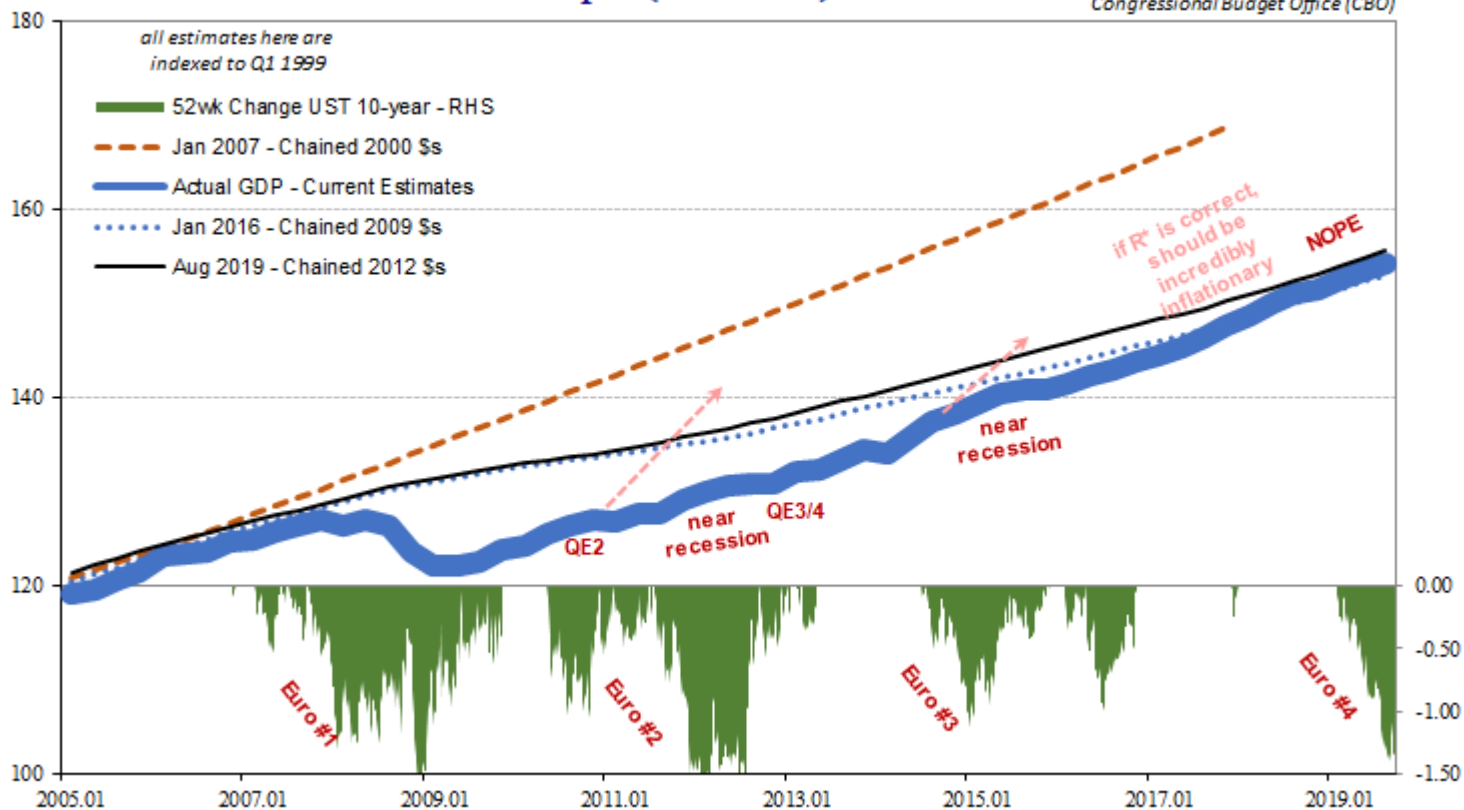






Economic Potential: Output (Real GDP)

GDP potential calculated by the
Congressional Budget Office (CBO)



The Interest Rate Fallacy

“ We have in the past seen sort of **false dawns**, periods in which we thought growth would speed, pick up, and the labor market would improve more quickly, and later events have proven those hopes to be **unfortunately overoptimistic**.



Janet Yellen

FEDERAL RESERVE'S SECOND MONETARY POLICY REPORT FOR 2014
July 15, 2014

The Interest Rate Fallacy

“ *But when we see diminished labor force participation among prime-age men and women, that suggests something that is not just demographic. And so my personal view is that a portion of the decline in labor force participation we have seen is **a kind of hidden slack or unemployment.***



Janet Yellen

FEDERAL RESERVE'S SECOND MONETARY POLICY REPORT FOR 2014
July 15, 2014

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The imperfect reliability of money growth as an indicator of monetary policy is unfortunate, because we don't really have anything satisfactory to replace it.

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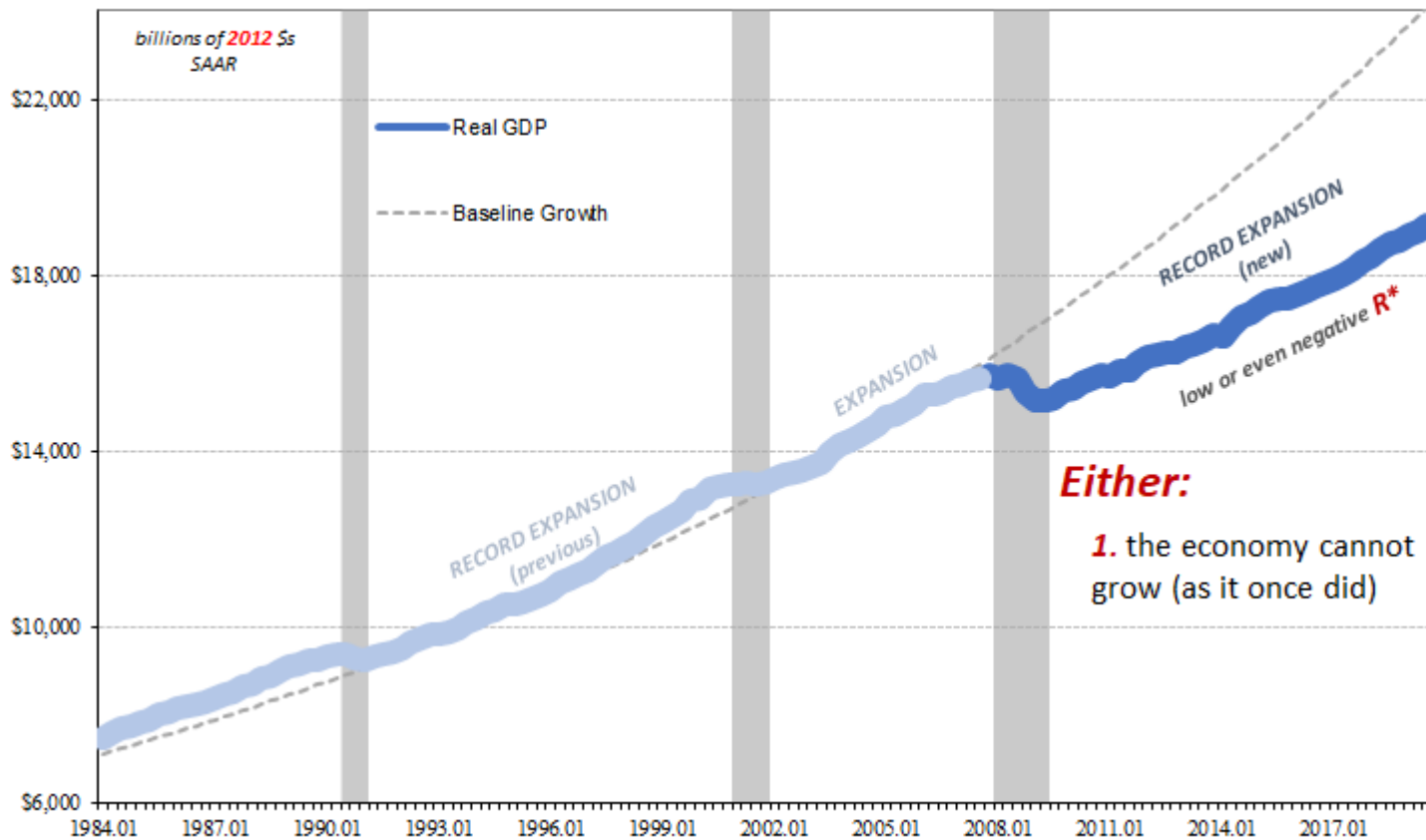
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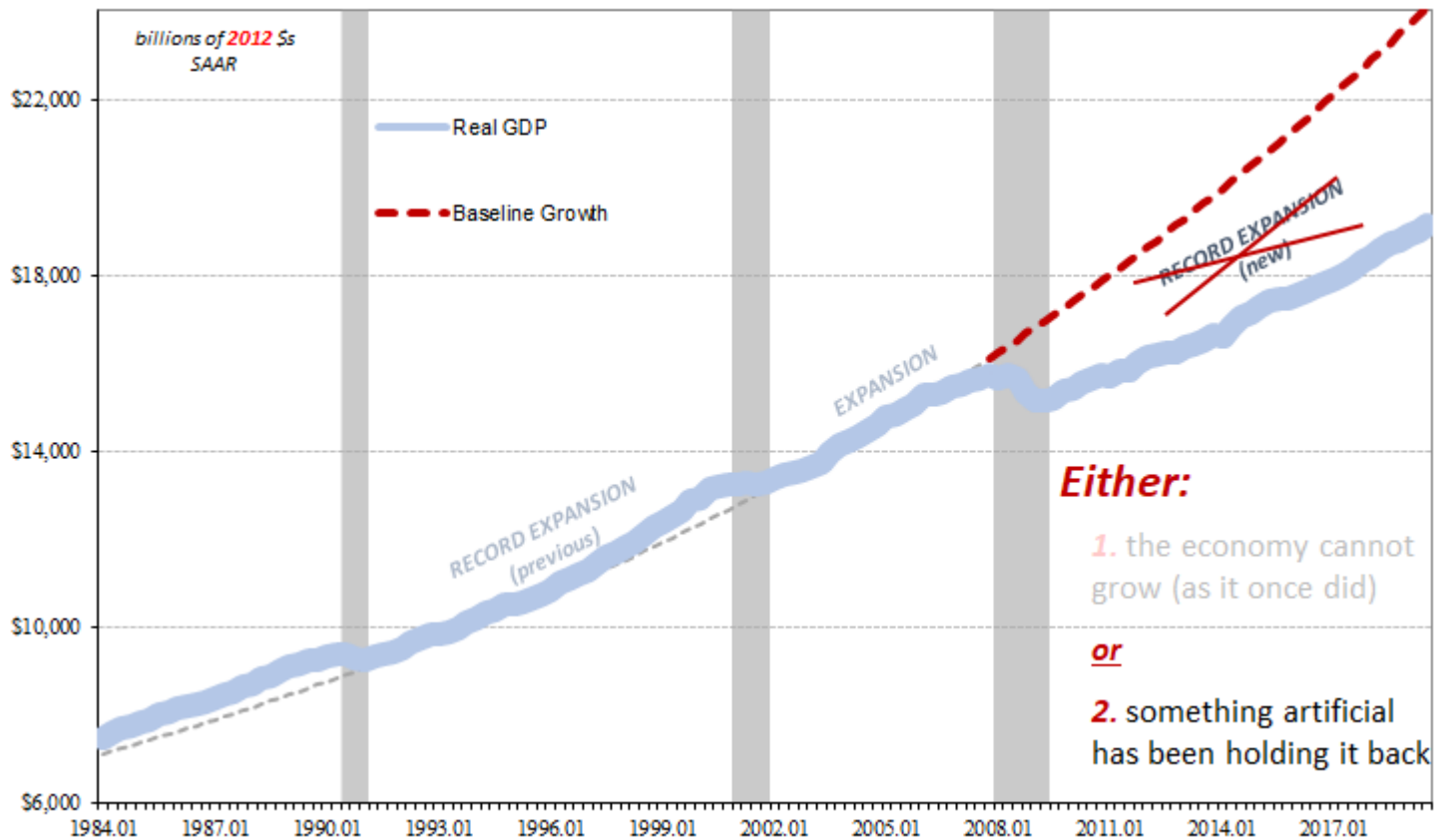


US Economic Expansion



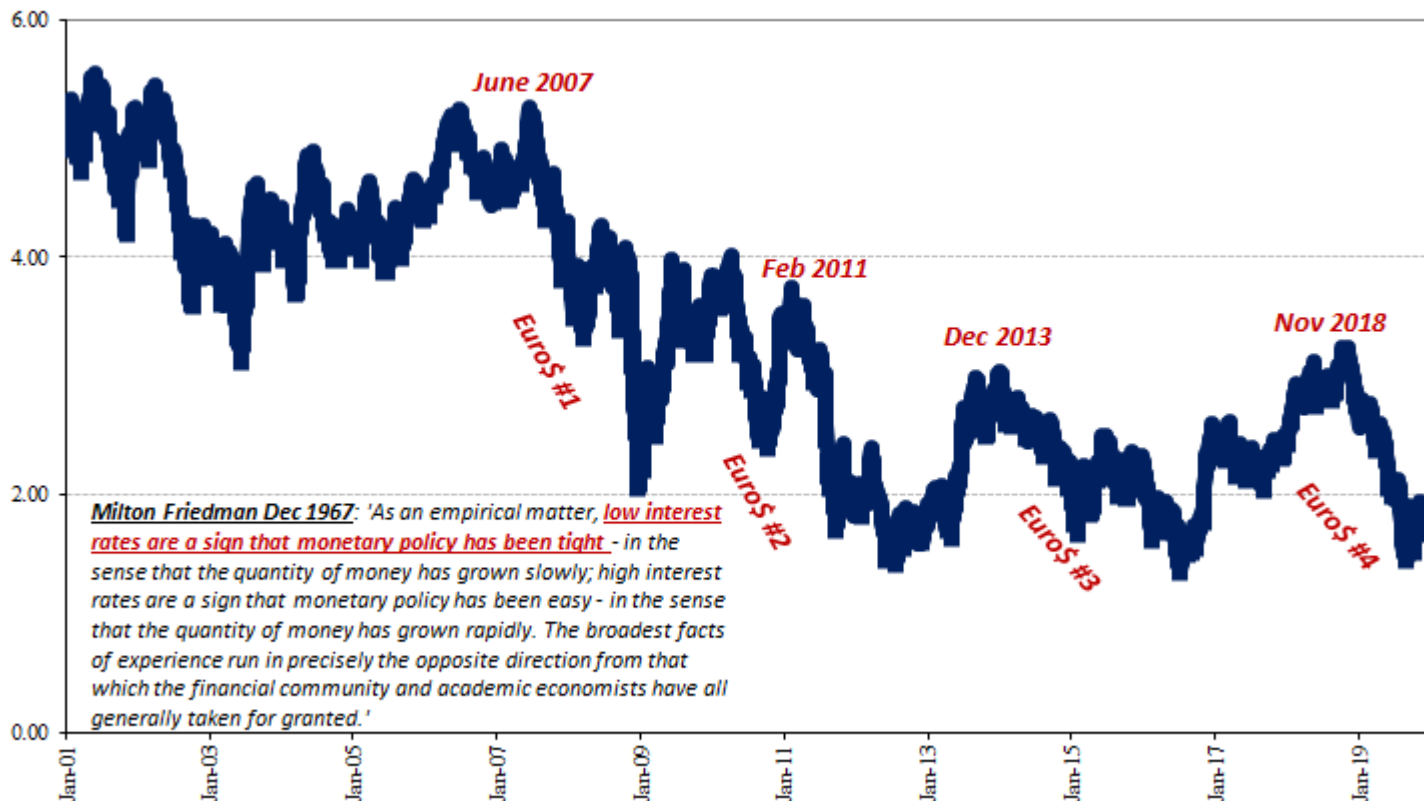


US Economic Expansion





Benchmark 10-year UST





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