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OPINION | LETTERS

On the Fed's Mandate and Its Performance

Since 1968 the Fed's record at meeting its three-pronged statutory objectives hasn't been strong.

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The Federal Reserve building in Washington, D.C. **PHOTO:** CHRIS WATTIE/REUTERS

Thank you, Judy Shelton, for covering the third of the Federal Reserve's statutory obligations: moderate long-term interest rates ("The Fed's Mandate Is Up to Congress and the President," op-ed, Sept. 17). While she points out one of the problems with the failure to have moderate rates, other problems include the inability of pension plans and insurance companies to rely on bonds to produce the returns they need to meet their long-term obligations, thus causing significant moves toward equities. The wealth gap increases as a result.

Since 1968 the Fed's record at meeting its three-pronged statutory objectives hasn't been strong. Concerning low unemployment (under 5%), the economy has hit it in 15 of the 50 years

—a success rate of 30%. Concerning inflation, the consumer-price index (CPI) rise has been 2% or less in nine of the past 50 years—an 18% success rate. The average annual increase in the CPI since 1968 has been 4.1%. Assuming a 10-year Treasury-note rate between 3% and 7% falls within the mandate parameters of "moderate long-term interest rates," the Fed has achieved this in 23 of the 50 years, producing a success rate of 46%. (Perhaps modesty prevents Fed from publicizing this?) In light of the growing federal debt, maybe it's time to re-examine the role of the Fed.

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