The Daily Dish

# What Remains in Reserve?

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**Eakinomics: What Remains in Reserve?**
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Today sees the second and last day of the Federal Reserve's July monetary policy meeting, and Federal Reserve Chairman Jerome Powell is expected to make remarks at the traditional closing press conference this afternoon. Despite what appear to be signs of rebound in the retail and manufacturing sectors and unprecedented new home sales, increasing unemployment claims and what are likely to be historically dire Q2 GDP results present a mixed view of the overall health of the economy. That even these mixed indices are possible are testament to the swift actions of the Fed in forestalling this crisis, by bringing interest rates down to zero, purchasing more than $2.5 trillion of Treasuries and mortgage-backed securities, and implementing wide-ranging credit relief programs via nine emergency lending facilities.

But what remains in reserve at the Reserve? The Fed deserves credit for the speed with which it brought interest rates to zero, but in that regard it left itself no further room to maneuver. Conversely, relief by means of the emergency lending facilities, and most obviously the Main Street Lending Facility, has been extraordinarily slow to get off the ground, with the Main Street facility opening its doors to loans almost three months after the declaration of the national emergency. That program, and the other eight, were intended to offer trillions of dollars in support largely as credit to investment-grade companies; to date, the credit extended is on the order of $12 million. Clearly something is wrong with these programs, from launching late, to confusing guidelines, to unattractive terms, but it does not seem likely that these programs will receive anything other than incremental change. The Fed has been most successful in simply buying assets directly from the market, with the Fed's balance sheet topping $7 trillion for the first time this month. This is not a complex strategy; any policy discussion is likely to concern the maturity of those assets as the Fed starts purchasing longer-dated securities, as it did after the previous financial crisis.

In its June meeting, the Fed committed itself to an "accommodative" approach to monetary policy, clearly indicating a desire to wait and see how market forces impact the economy. A mixed bag of economic health indices, and no indication of distress in the operation of financial markets, suggests that the Fed will likely continue this holding pattern.

Interesting times are certainly ahead for the Fed. This afternoon is not likely to be one of them. This is perhaps for the best — it remains unclear what, if anything, it has up its sleeves if further intervention becomes necessary, or that expanding the role of the Fed even further is the prudent course of action in the long term. In responding to the threats posed by coronavirus, the responsibility at this point lies squarely with Congress.