

“Bernanke and Yellen: the Federal Reserve must reduce long-term damage from coronavirus” by Janet Yellen and Ben Bernanke, *Financial Times*, March 18 2020

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Summary: According to Janet Yellen and Ben Bernanke, as the damage from the virus spreads federal fiscal policy makers will certainly have to do more as the size of the hit to economic activity becomes apparent. Monetary policymakers are already taking actions as the Federal Reserve has announced it is reducing short-term rates to nearly 0% and will buy \$700bn of treasuries and mortgage-backed securities.....One thing the Fed can do to stimulate lending from banks is to supplement the discount window the Term Auction Facility, which auctions funds to banks. Doing this has historically been very effective in getting banks to make loans to people, something the discount window has historically been less effective at as utilizing it often is seen as a bank showing weakness to financial markets. The Fed could also restart the Term Asset-Backed Lending Facility, a program that was highly successful in the 2008 crisis at expanding credit to many households and businesses. Finally, reinstating the Commercial Paper Funding Facility could be a huge boon to businesses as it did a great job of unfreezing the commercial paper market during the 2008 crisis. The final item the Fed could do is ask Congress for authorization to buy limited quantities of investment-grade corporate debt; something that the ECB and BOE have already been doing on regular basis. The Fed cannot eliminate the virus or its effects, but it can heavily help mitigate the downstream economic consequences and help the economy rebound rapidly.

LS Comment: These two past U.S. Federal Reserve Board Chairs are publicly giving their “blessing” to the current Fed to apply quantitative easing to infinity.....