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BLOG POST
Lower for Longer
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The Federal Reserve met at the end of August for their annual symposium in Jackson Hole, Wyoming. Chairman Powell's comments demonstrated a shift in central bank policy. The objective of the Fed has evolved into maximum employment and the flexible use of "average inflation targeting" facilitating policy that aims inflation above 2 percent for an extended period of time, given periods of inflation below the 2 percent target. Powell makes the case for a new normal economic environment, allowing the Fed to be active in promoting employment as a means of lessening the impact of economic contraction. Chairman Powell is comfortable keeping rates low, with rising prices being a byproduct given that inflation has been running below the 2 percent target for a period of time.

- The new framework discussed at Jackson Hole is supported by elements of Modern Monetary Theory.
- Greater central bank involvement and intervention can drive equity appreciation with little to no benefit to small, private businesses.
- Additional liquidity provided by the Federal Reserve may foster a disconnect between corporate fundamentals and the stock price.