A MONETARIST CRITIQUE OF THE FEDERAL RESERVE'S MONETARY POLICY IN THE 2008-2013 PERIOD IN RESPONSE TO THE GREAT RECESSION AND FINANCIAL CRISIS

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ABSTRACT

This paper uses the Monetarist model to critique the Federal Reserve's use of a very expansionary monetary policy from 2008 to 2013 to help the U.S. economy recover from the 2007-2009 Great Recession and 2008-2009 financial crisis, while keeping the U.S. inflation rate low and stable. Until the mid-1980s, the Monetarist model provided the strongest critique of the Keynesian model's recommended use of monetary stabilization policies in the short run, but it has not been widely used since then. The paper also provides the Keynesian model's response to each element of the Monetarist critique of this monetary policy. U.S. macroeconomic data is also researched and analyzed; it largely supports the Keynesian model and the Fed's monetary policy.

Keywords: *monetary policy, monetarist model, Keynesian model, Great Recession, financial crisis, Ben Bernanke, U.S. economy, unemployment, inflation, international coordination of monetary policies*