AMERICAN BANKER

Letter to the editor:

The Fed needs to be more careful with its 'money printer'

By Pierre E. Debbas **January 31, 2024, 1:37 p.m. EST 1 Min Read**

To the editor,

2024 is anticipated to be the year of victory in combating inflation and a light at the end of the tunnel for record level interest rates. The Federal Reserve is expected to reduce rates three times in 2024 and potentially up to 10 times over the next two years. The difficulty in going into 2024 is that any interest-rate-sensitive segment of the economy (which is essentially the vast majority of the economy) will continue to take a wait-and-see approach until a meaningful reduction in interest rates occurs.

Economic statistics last year showed signs of a strong economy, but statistics can easily be manipulated to serve a specific agenda. Take, for instance, real estate. Real estate is the backbone of the U.S. GDP between construction, finance, real estate transactions and so much more. 2023 was one of the most stagnant years for real estate in the country's history. We saw housing transaction volume plummet drastically due to an ultra-aggressive increase in interest rates. We saw three of the largest bank failures in U.S. history with interest rates being a significant factor leading to their demise. We have a commercial real estate crisis on the horizon, predominantly in the office sector, which was prompted by the COVID-19 pandemic and compounded by interest rates.

While some may say these actions were needed to combat inflation and the concerns mentioned above are simply collateral damage, the Fed must go into 2024 remembering that printing $7 trillion in less than two years is the sole reason we ever got to this point. The most basic lesson in economics is supply and demand. Since the pandemic, the supply of the U.S. dollar has increased by 40%. This was not earned money; this was money that was printed and handed out. The chair of the Federal Reserve, Jerome Powell, has acknowledged the system was flooded with money, but has not acknowledged this is the reason Americans had to deal with inflation at its highest level in 40 years. As we go into the New Year, we ask the Federal Reserve to make a New Year's resolution that responsibility for the money printing machine in Washington is not to be taken lightly. Next time, let's not treat our currency like Monopoly money.

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