

## The US Federal Reserve – how it works

Listen to this radio programme where the presenter is interviewing an economist about the US Federal Reserve.

### Optional listening exercise:

Decide whether these statements are true or false. (The answers are at the bottom of the page.)

1. Alan Greenspan was the previous Governor of the Federal Reserve.
  2. Greenspan talked a lot in the media.
  3. Ben Bernanke's economic ideas are very different from those held by Greenspan.
  4. The number of new houses being built has grown over the last few months.
  5. People do not expect Mr Bernanke to raise the interest rate.
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Radio presenter: The big news we're waiting for today is coming from Washington. Economists in the U.S. are waiting to hear from Ben Bernanke, the new Governor of the Federal Reserve, for his assessment of the situation of the U.S. economy. Here in the studio with me is Sally Reece from Bevan and Cox, the British merchant bank. Sally, do you think Mr Bernanke will have a different approach to that of Alan Greenspan?

Economist: Well, no I don't. The job of every Governor of the Federal Reserve is to ensure maximum growth with low inflation. Mr Bernanke will certainly aim to continue the successful policies of Mr Greenspan.

Radio presenter: So no changes whatsoever?

Economist: Well, obviously, we're talking about two different human beings here so some things will be different. During his terms of office Greenspan acquired an enormous media presence, not because he said a lot but because he said so little. Greenspan's comments on the U.S. economy were often difficult to interpret but they certainly were enormously influential. Now we've got a new man in the job the markets will need some time to get used to his way of doing things. But as I said, don't expect any radical shifts in policy.

Radio presenter: How is the U.S. economy doing at the moment?

Economist: Quite well, all the key economic indicators show the economy is growing well and there are no signs of inflation. Two key indicators, the retail price index and the number of house starts, have varied little over the last two months

Radio presenter: So more of the same?

Economist: Yes, I think so. The markets are expecting Mr Bernanke to keep the short term interest rate at the current level with the Prime Rate at 7.5%. Of course there's extra interest as this is the first time Mr Bernanke will give the Fed's report.

Radio presenter: He's not very well known ...

Economist: Compared to Alan Greenspan no, but remember when Greenspan started in the job he wasn't very well known either ...

Answers:

1 T, 2 F, 3 F, 4 F, 5 T