

And You Thought This Was a Joke

In the last DOY Newsletter (*April 2016*), there was an article discussing the possibility of negative interest rates. Some may have thought it was a joke or an internet hoax. But in a recent letter sent by Congressman Brad Sherman (*House Financial Services Committee Member*) he questions: When the Fed is debating whether to raise interest rates, even as global economies including the euro area and Japan employ negative-rate policies to stoke economic growth and inflation, are these tools an option. In response to the negative-rate query, Federal Reserve Chair Janet Yellen wrote to Congressman Sherman: “By some accounts, these policies appear to have provided additional policy accommodation. We certainly are trying to learn as much as we can from the experience of other countries. While I would not completely rule out the use of negative interest rates in some future very adverse scenario, policy makers would need to consider a wide range of issues before employing this tool in the United States.” Are negative interest rates possible in the USA? Well, they aren’t definitely ruling it out.