

Hey, Janet, How's That Interest Rate Increase Working Out?

But the real problem is that the Fed has not understood why banks are holding all those reserves. There are two reasons. First, there is incredible risk aversion caused by the random, frequent regulations and lawsuits emanating from the Obama administration. Second, there is the small matter of loan demand. Banks are holding reserves because they don't see demand for loans whose return is worth the risk. The only way loan demand will increase is for the economy to ascend to a decent growth rate. Until that happens, the Fed should just give up.

Yellen Decries Wealth Inequality, Fails to Mention Fed's Role

It happens that the Fed critics are exactly right. While interest rates on debt held by those in the bottom 80% may be slightly cheaper, much of that debt is probably credit cards. Those interest rates are still way, way above 1%.