



## Barnett Discusses Controversy Over Fed Policy on National TV

Dr. William A. Barnett, the Oswald Distinguished Professor of Macroeconomics at KU, made a special guest appearance on national TV on October 12 to discuss a sudden controversy triggered in part by President Trump about the role of the Federal Reserve and its use of monetary policy. Dr. Barnett appeared on CNBC's *Closing Bell* along with Greg Ip from the *Wall Street Journal* to answer questions about how comments by Fed officials and the fear of additional interest rate hikes had roiled stock markets.

Major stock market averages had just closed with their worst week since March, and Trump earlier in the week had launched unprecedented public attacks on the Fed, calling the nation's central bank "crazy" and "out of control". He called the rate hikes unnecessary and ridiculous, adding, "I think I know more about it than they do."

Dr. Barnett told CNBC that he generally was in favor of what the Fed is doing, noting that "I don't hesitate to criticize the Federal Reserve when I believe criticism is warranted. But in this case, I believe the Fed is getting it right." In fact, he is the author of the award-winning book, *Getting it Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy* (MIT Press, 2012),

which outlines his efforts to convince the Fed to abandon its widespread use of simple-sum aggregate measures of the money supply in favor of more sophisticated (Divisia) aggregates – and how the Federal Reserve’s failure to adhere to that advice likely was a major contributing factor behind the Great Recession and has continued to provide misleading information about the economy and monetary policy.

CNBC’s Sara Eisen asked him whether the Fed seemed to now be on autopilot with respect to current and future interest rate hikes and may be overlooking pockets of weakness in the economy, suggesting that the hikes might be unwarranted.

“In my opinion, the worst thing that could happen at the present stage of the expansion would be reappearance of extreme exuberance – what happened prior to the financial crisis,” Dr. Barnett said. “What is happening at the present time in the stock market basically indicates that people recognize that there are risks – you have mentioned some of these risks. There are a number of such reasons to be concerned. The fact that the stock market is adjusting to it is good. I view all of this as positive.”

Recognized internationally as the leading advocate for the increased use of monetary aggregation and index-number theory in economic analysis, Dr. Barnett is the founder and President of the Society for Economic Measurement; and serves as Director of the Center for Financial Stability in New York City and Director of the Institute for Nonlinear Dynamical Inference in Moscow.

The live appearance was filmed on campus at Anschutz Library.