



## The New Chairwoman's Challenge: Can She Do It? You tell us!

SHAWN RILEY | RESTRUCTURING STRATEGIES | DEC 17, 2013

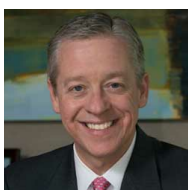
A few weeks ago, Phil Gramm, a former senator from Texas, and Thomas Saving, a professor at Texas A&M University, published a piece in *The Wall Street Journal* detailing the challenges facing the next Federal Reserve chief – which, subject to Senate confirmation, will be Janet Yellin. Their view is that Ms. Yellin will face an almost impossible task in guiding the Fed through the end of its Quantitative Easing program, the related divestiture of its mortgage-backed securities and the removal from its balance sheet of hundreds of billions in US Treasuries.

Messrs. Gramm and Saving seem to have little faith in the Fed's belief that it will be able to avoid an explosive growth in the money supply, and the concomitant spike in inflation, when the economy begins a "real" recovery. They likewise question the Fed's belief that it will be able to soak up excess bank reserves by selling Treasuries and MBSs. Instead, they believe that the Fed will either smother in the crib a nascent recovery or, faced with intense political pressure, hesitate and thereby allow inflation to explode.

The writers' skepticism and worry led me to revisit both my financial planning and business development efforts. I wonder what others think. Accordingly, two questions:

1. Can the Fed pull off the fiscal trick as described above?
2. If not, what will likely occur – another recession or explosive inflation?

Join our dialogue and share your thoughts.



### SHAWN RILEY

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