***Speech Title and Description- Dr Ed Seifried***

**Virginia School of Bank Management**

**2022 Resident Session**

**Take Home Study Problem**

**The Economic Environment**

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Currently, inflation as measured by the Consumer Price Index has increased by over 9.0% in the last 12 months. This extremely high rate of inflation has, finally, caused the Federal Reserve to begin the long fight to bring inflation back down to their stated goal of around 2.0%. The Fed has employed a number of its tools to reduce inflation.

The FOMC began to raise the target fed funds policy rate in March of 2022, and has continued to increase rates through mid-summer. Most experts predict the Fed will have to increase rates much more in order to tame inflation. In addition, beginning in June of 2022, the Fed began a program to reduce the size of its balance sheet. Most experts believe this balance sheet reduction policy will continue well into the future until the size of the balance sheet reaches pre-pandemic levels.

Of course, this tightening of monetary policy comes with substantial risks. The primary risk is whether the Fed can reduce inflation to its long-established goal without throwing the economy into a recession, the so-called soft-landing.

Please answer the following questions:

1. What is the official and unofficial definition of a recession?
2. What damage do recessions cause in the economy? Do certain economic sectors suffer more than others, explain.
3. Discuss, in great detail, the likelihood that the Fed can, in fact, accomplish a soft-landing.
4. As you prepare your paper what is the status of the economy?
5. If we do encounter a recession, what do you believe the Fed will do to restore economic growth?