RARELY has a central bank been lambasted so loudly by so many. The Federal Reserve’s decision on November 3rd to start a second round of quantitative easing, or QE—printing money to buy government bonds—gave rise at first to loud protest abroad. A chorus of finance ministers accused America of wilfully pushing the dollar down. Now the Fed is under attack at home, as Republicans accuse it of fuelling asset bubbles and inflation (see article). Several want to narrow the Fed’s dual mandate to curb inflation and maintain full employment to a single goal of price stability.

Like any other policy, QE deserves scrutiny. Reasonable people can disagree about whether its benefits outweigh the risks. But too much of the cacophony of criticism is confused, hypocritical or ideologically motivated. Par for the course in policy matters, you may say. But by politicising or paralysing the technocratic Fed, it could have dangerous consequences.

Begin with the confusions. A common theme among the most vocal critics is that QE is some sort of voodoo monetary policy. That is nonsense. QE follows the same logic as standard monetary policy. In normal times central banks loosen monetary conditions by pushing down their policy interest rates. They do so by creating bank reserves (“printing money”) to purchase government bills temporarily. But today short-term rates are virtually zero. So the Fed wants to push down longer-term rates by buying longer-term government bonds. The approaches are not identical: rather than targeting a specific interest rate (the yield on ten-year Treasury bonds, say), the Fed has announced the total amount of bonds it intends to buy. But the principle is the same.

**Chinese pots and American kettles**

That is why the charge of currency manipulation is false. In countries with floating currencies, looser monetary policy often (though not always) results in a weaker exchange rate. But central banks that cut short-term interest rates are not routinely accused of deliberately driving their currencies down. Nor should the Fed be now. Yet one of its loudest foreign critics, China, has amassed $2.65 trillion of reserves to stop its exchange rate rising, while trying to keep a lid on inflation. If there is currency manipulation, it is in Beijing.

Confusion also shows in worries about QE’s effects. The Fed’s domestic critics sometimes says that it won’t work and sometimes that it will send inflation spiralling. Both are unlikely to be true at once. Prices will accelerate if the money created by buying bonds is put to use—but that would boost the economy. If the Fed’s strategy caused inflation, thus, it would do so because it was
“working”.

More thoughtful sceptics worry that buying bonds won’t boost the economy much in the short term and that the Fed will find it hard to tighten policy later when the economy recovers. Granted, when people and companies are trying to save more and borrow less, monetary loosening is less effective than usual. Rather than rely only on the Fed, America would be better off with more short-term fiscal stimulus (coupled with a plan to cut the deficit in the medium term). But in the absence of that, QE still beats doing nothing. The economic weakness that justifies action today also makes it unlikely that prices will suddenly surge. The Fed has the tools to unwind QE. Its officials may prove too slow to use them, particularly if unemployment remains high. But the possibility of mistakes tomorrow is a poor justification for inaction today.

It is not just the substance of the criticisms that matter, it is also their source. By dragging the Fed into a political argument, Republicans risk undermining its effectiveness. Attacks on it may cow officials into acting less boldly than they otherwise would; even if that does not happen, financial markets’ uncertainty about the Fed’s ability to sustain the policy may make QE less effective.

Most developed countries have put their monetary policy in the hands of independent central banks for a good reason: technocrats are better at running it than elected officials are. The Fed is doing its job as best it can. QE may or may not help America’s economy. But putting political pressure on the Fed certainly won’t.