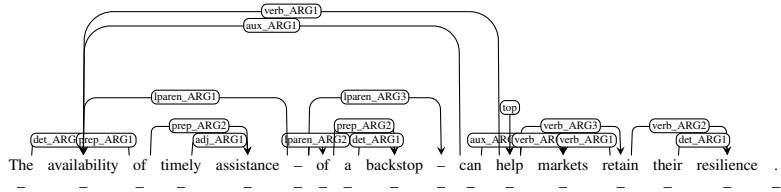
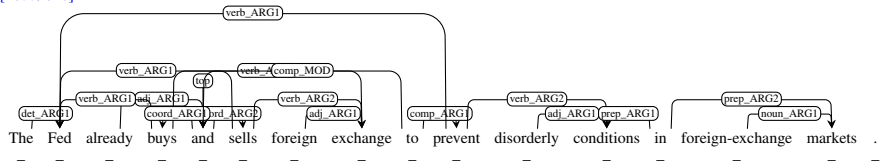


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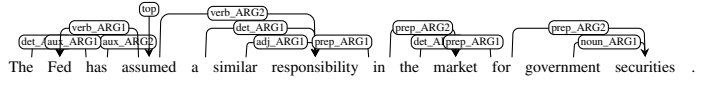




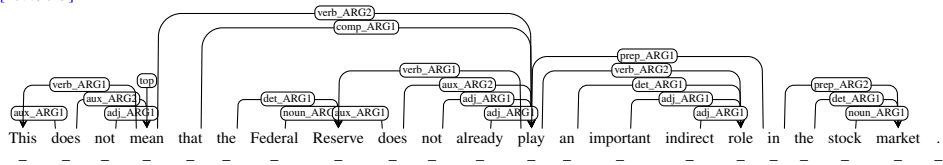
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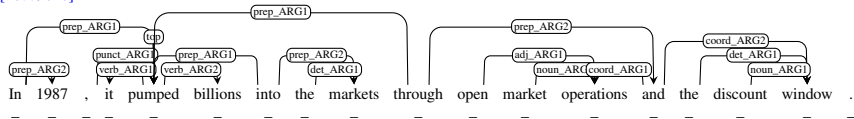
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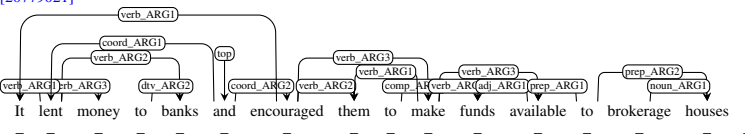
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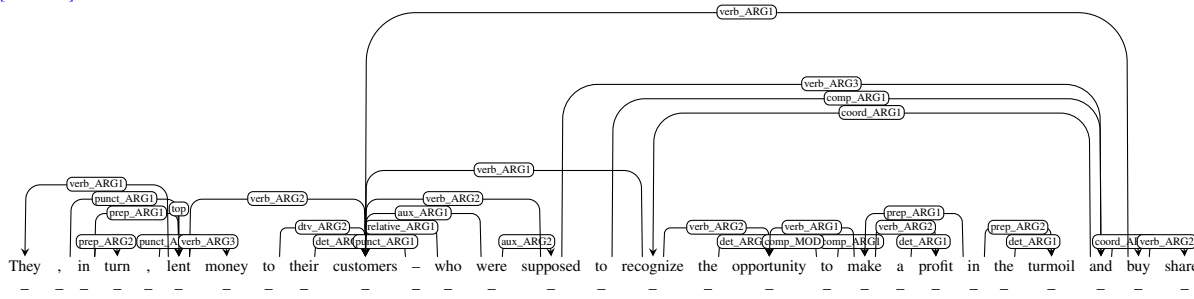
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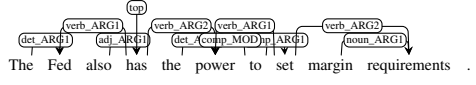
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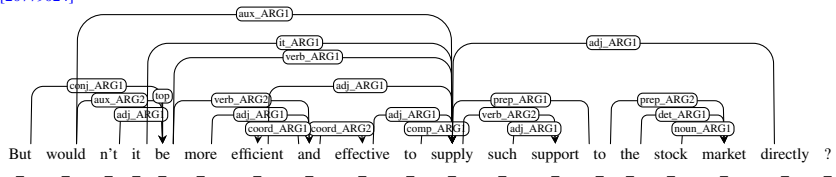
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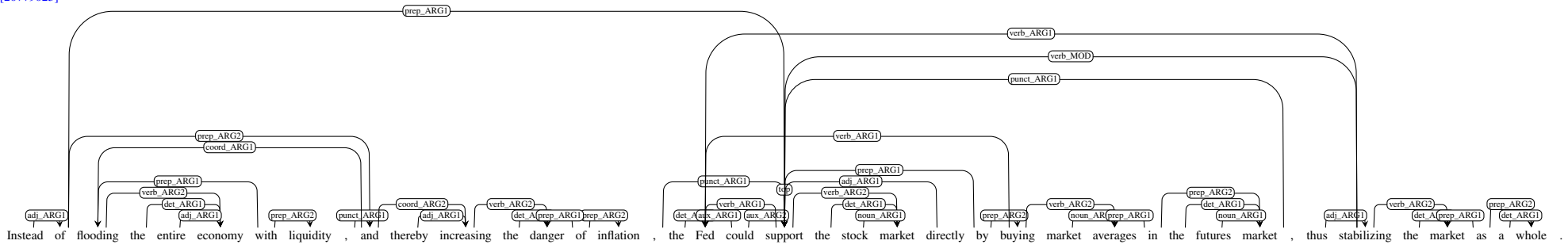
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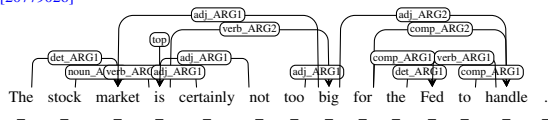
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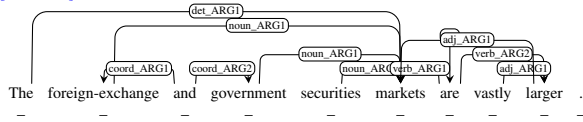
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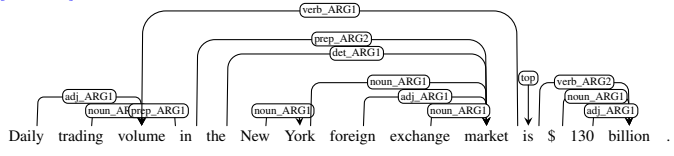
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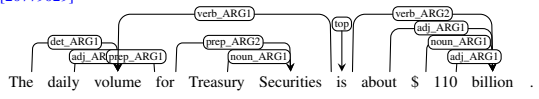
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[20779028]



[20779029]



[20779030]

The combined value of daily equity trading on the New York Exchange, the American Stock Exchange and the NASDAQ over-the-counter market ranges between \$ 7 billion and \$ 10 billion .

The \$ 13 billion the Fed injected into the money markets after the 1987 crash is more than enough to buy all the stocks traded on a typical day .

More carefully targeted intervention might actually reduce the need for government action .

The Fed 's stock market role ought not to be very ambitious .

It should seek only to maintain the functioning of markets - not to prop up the Dow Jones or New York Stock Exchange averages at a particular level .

The Fed should guard against systemic risk , but not against the risks inherent in individual stocks .

It would be inappropriate for the government or the central bank to buy or sell IBM or General Motors shares .

Instead , the Fed could buy the broad market composites in the futures market .

The increased demand would normalize trading and stabilize prices .

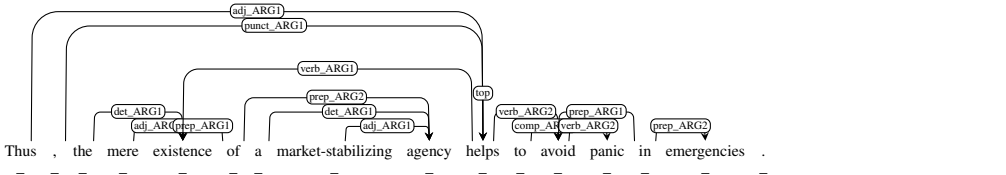
Stabilizing the derivative markets would tend to stabilize the primary market .

The Fed would eliminate the cause of the potential panic rather than attempting to treat the symptom - the liquidity of the banks .

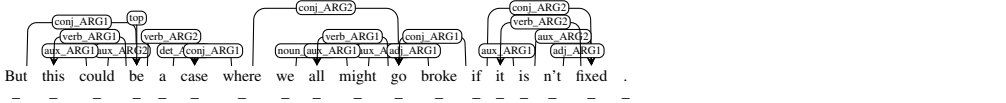
Disorderly market conditions could be observed quite frequently in foreign exchange markets in the 1960s and 1970s .

But since the member countries of the International Monetary Fund agreed to the " Guidelines to Floating " in 1974 , such difficulties have been avoided .

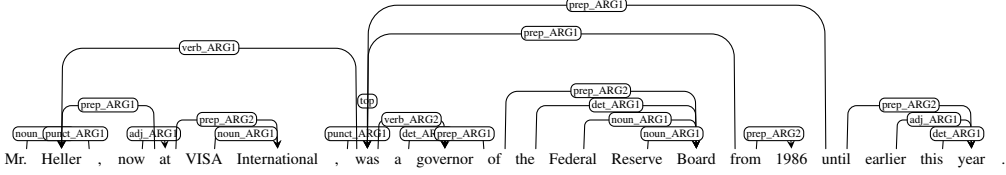
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[20779048]



[20779049]

