Document 0779

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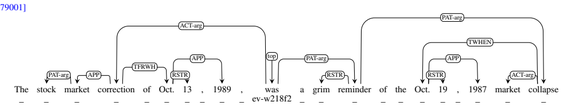

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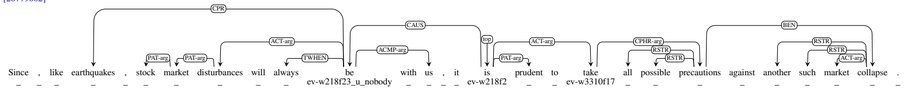

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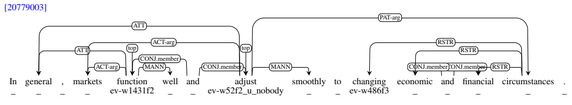

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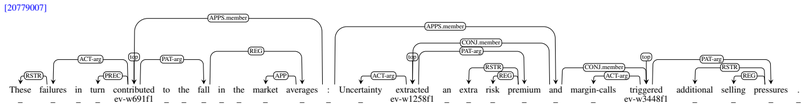

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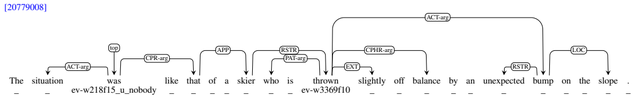

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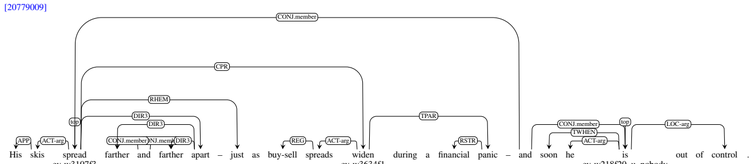

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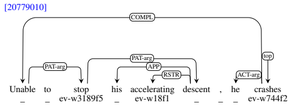

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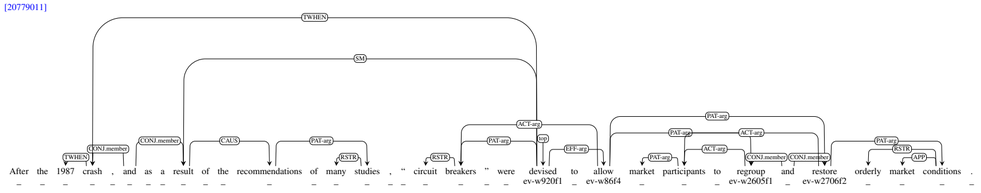

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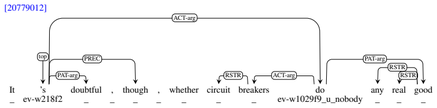

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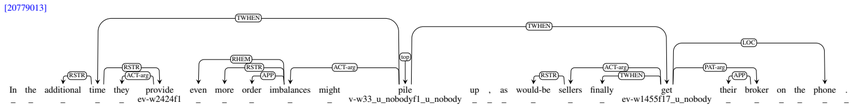

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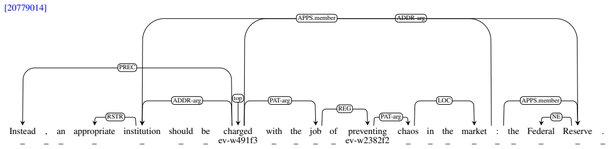

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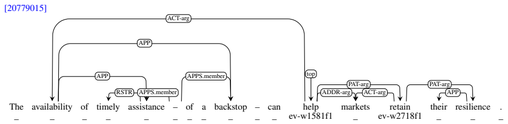

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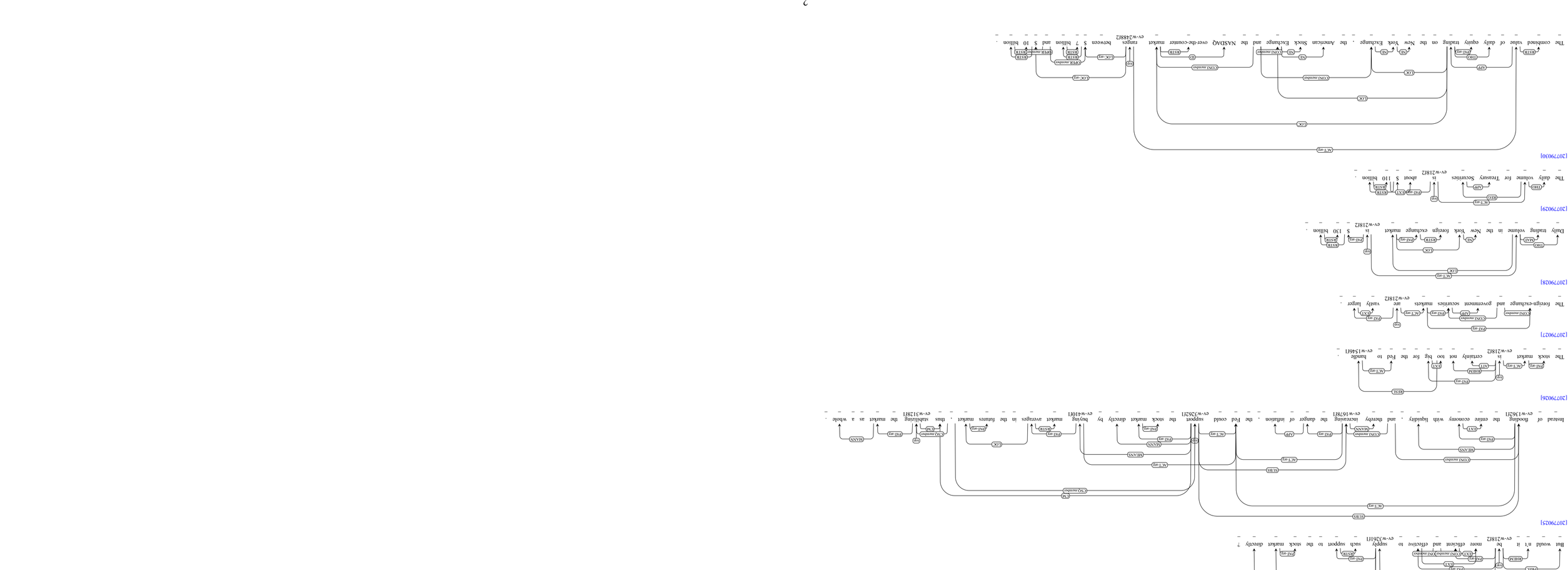
The Fed already buys and sells foreign exchange to prevent disorderly conditions in foreign-exchange markets . cv-w4101 cv-w28882 cv-w23824
But would n't it be more efficient and effective to supply such support to the stock market directly ? cv-w3261I1 cv-w2182
Instead of blocking the entire economy with liquidity , and thereby increasing the danger of inflation . the Fed could support the stock market directly by buying market averages in the future market . thus subsidizing the market as a whole . cv-w13621 cv-w16378 cv-w4101 cv-w3262I cv-w13128I
The Fed has assumed a similar responsibility in the market for government securities . cv-w153I
This does not mean that the Federal Reserve does not already play an important indirect role in the stock market . cv-w19991 cv-w2294I16_u_nobody
In 1987 , it pumped billions into the markets through open market operations and the discount window . cv-w2439I
It 's not long before the daily trading volume in the New York foreign exchange market is $ 130 billion . cv-w2182 cv-w1849I
The daily volume for Treasury Securities is about $ 110 billion . cv-w2182
The combined value of daily equity trading on the New York Exchange . the American Stock Exchange and the NASDAQ over-the-counter market is $ 7 billion and $ 10 billion . cv-w2488 cv-w1923I cv-w4101 cv-w1566 cv-w2900I cv-w1566I
Tiny , in turn , lost money to their customers – who were supposed to recognize the opportunity to make a profit in the turmoil and buy shares . cv-w1849 cv-w3263 cv-w2549 cv-w1923I cv-w4101
The Fed also has the power to set margin requirements . cv-w1566I cv-w2900I

[20779031]
The $ 13 billion Fed injected into the money market after the 1987 crash , but is more than enough to buy all the stocks traded on a typical day .
cv-w170?1 cv-w2182 cv-w4101 cv-w341?2
[20779032]
More carefully targeted intervention might actually reduce the need for government action .
cv-w3331?_u_nobody cv-w2577?
[20779034]
The Fed 's stock market rule ought not to be very ambitious .
cv-w2182
[20779035]
It should sock only to maintain the functioning of markets – not to prop up the Dow Jones or New York Stock Exchange at a particular level .
cv-w2878?2 cv-w19?1?2 cv-w2414?
[20779036]
The Fed should guard against systemic risk , but not against the risks inherent in individual stocks .
cv-w15?1?_u_nobody
[20779037]
But since the mention countries of the International Monetary Fund agreed to the " Guidelines to Floating " in 1974 , such difficulties have been avoided .
cv-w?2?2 cv-w1359? cv-w17?1
[20779045]
Thus . the mere existence of a market-stabilizing agency helps to avoid panic in emergencies .
cv-w1581? cv-w17?1
[20779038]
Instead , the Fed could buy the broad market composites in the futures market .
cv-w4101
[20779039]
The increased demand would noticeable reading and stabilize prices .
cv-w16?8? cv-w2077? cv-w31?1
[20779040]
Stabilizing the derivative markets would tend to stabilize the primary market .
cv-w31?1 cv-w3331?3 cv-w31?1
[20779041]
The Fed would eliminate the cause of the potential panic rather than attempting to treat the symptom – the liquidity of the banks .
cv-w1105?1 cv-w34?9?6 cv-w160?
[20779042]
Discovery market conditions could be observed quite frequently in foreign exchange markets in the 1960s and 1970s .
cv-w2096?
[20779051]
The Fed should guard against systemic risk , but not against the risks inherent in individual stocks .
cv-w15?1?_u_nobody
[20779052]
But since the mention countries of the International Monetary Fund agreed to the " Guidelines to Floating " in 1974 , such difficulties have been avoided .
cv-w?2?2 cv-w1359? cv-w17?1
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Thus . the mere existence of a market-stabilizing agency helps to avoid panic in emergencies .
cv-w1581? cv-w17?1

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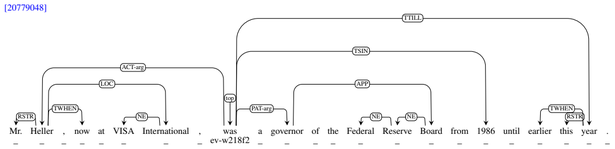

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