Richmond Fed eBrief

December 2012

Lacker on the Economic Outlook

Richmond Fed President Jeff Lacker addressed the Charlotte, N.C., Chamber of Commerce's Annual Economic Outlook Conference on December 17. He discussed the reasons why he believes the recovery from the Great Recession has been relatively slow and argued that it is reasonable to believe the economy will grow at an annual rate of 2 percent in 2013, provided there is meaningful progress on federal budget issues; improvement in economic conditions in Europe; and gradual gains in consumer confidence. Lacker also argued that the current supply of bank reserves is sufficient to support economic recovery, and additional asset purchases are likely to have little to no effect on growth. In addition, he stated that it is useful for the Federal Open Market Committee to provide a qualitative assessment of the conditions that would likely dictate future changes in monetary policy, but the Committee's decision at its December meeting to tie such changes to specific improvements in the unemployment rate could prove problematic. By attempting to improve labor market conditions through very accommodative monetary policy, the Fed could endanger its record of achieving price stability.

Lacker Interviewed on CNBC's "Squawk on the Street"

Jeff Lacker appeared December 17 on CNBC to discuss the December FOMC meeting and his view on the economy. He appeared in a live interview and later in an expanded discussion online.

Lacker's Perspectives on Monetary and Credit Policy

In a recent speech to the Shadow Open Market Committee, Jeff Lacker discussed the Fed's actions to keep the federal funds rate near zero and the issuance of "forward guidance" that it anticipates rates to remain at exceptionally low levels through mid-2015. (Fed policy leaders took a new step in their final meeting of 2012, held December 11–12, to tie future changes in the federal funds rate to a specific improvement in the unemployment rate, provided inflation remains well-contained.) Lacker also discussed the Fed's purchase of mortgage-backed securities. He argued that such explicit forward guidance could be problematic and that by buying mortgage-backed securities the Fed is effectively engaging in credit policy, which is beyond its mandate.

A Citizen's Guide to Unconventional Monetary Policy

Historically, the Federal Reserve's primary monetary policy tool has been the federal funds rate. Since pushing that rate in December 2008 to as low as it can effectively go, the Fed has turned to alternative policy tools to stimulate economic growth and keep inflation near 2 percent. This Economic Brief provides a nontechnical guide to how these unconventional policy tools are intended to work and discusses some of the risks.

Are Depression-Era Employment Swings Overstated?

The rapid fall in unemployment after the Great Depression suggests that there is nothing inherently persistent in a high unemployment rate. But, a closer examination of the data indicates that changes in the unemployment rate might not have been as pronounced as generally believed.

Fifth District Labor Markets Improved

According to the latest Regional Update, payroll employment increased and unemployment rates fell as Fifth District labor markets improved.

Economic Snapshot, December 2012

According to the latest Economic Snapshot, the Fifth District economy generally improved in recent months.

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