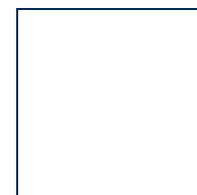


**Monetary Policy: Opportunities and Limits**  
**Jeff Lacker**  
**VCU April 2013**



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# Longer Run Goals and Policy Strategy

FOMC, January 25, 2012

*“The inflation rate over the longer run is **primarily determined by monetary policy**, and hence the Committee has the ability to specify a longer-run goal for inflation. The Committee judges that inflation at the rate of **2 percent**, as measured by the annual change in the price index for personal consumption expenditures, is most consistent over the longer run with the Federal Reserve's statutory mandate.”*





# Longer Run Goals and Policy Strategy

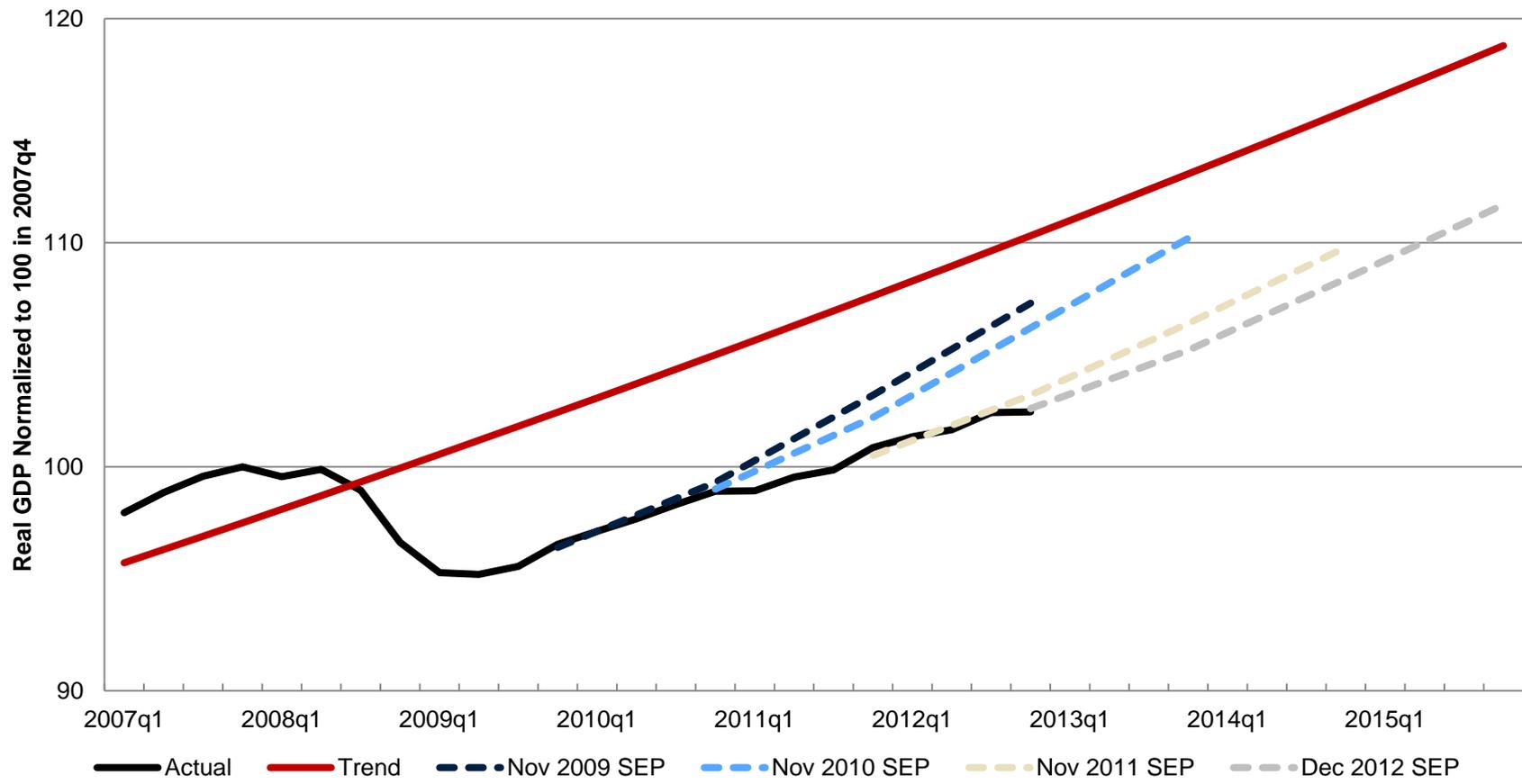
FOMC, January 25, 2012

*“The maximum level of employment is **largely determined by nonmonetary factors** that affect the structure and dynamics of the labor market. These factors may change over time and may not be directly measurable. Consequently, **it would not be appropriate to specify a fixed goal for employment**, rather, the Committee's policy decisions must be informed by assessments of the maximum level of employment, recognizing that such assessments are necessarily uncertain and subject to revision.”*



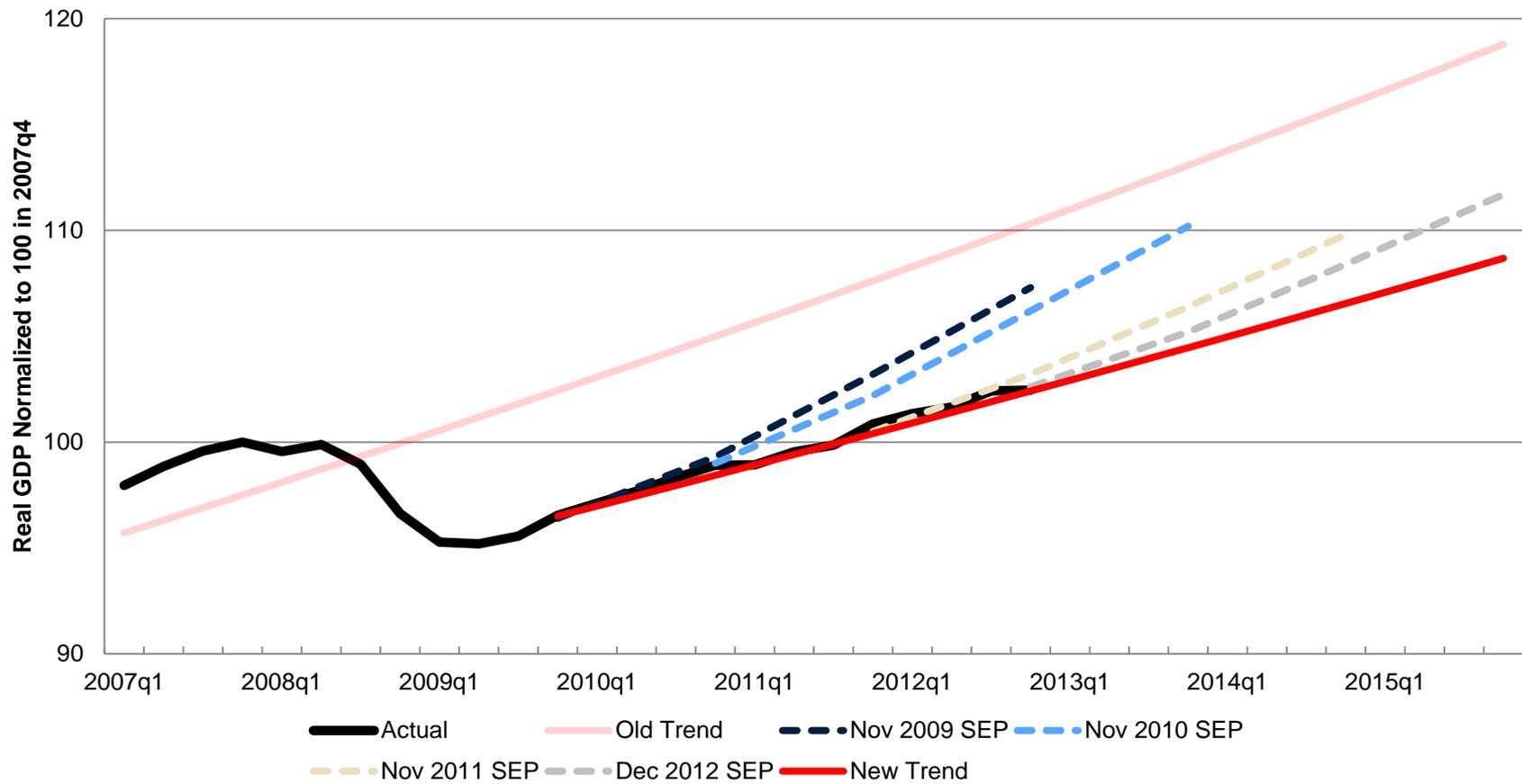


# Real GDP: Actual, Trend, and Forecasts

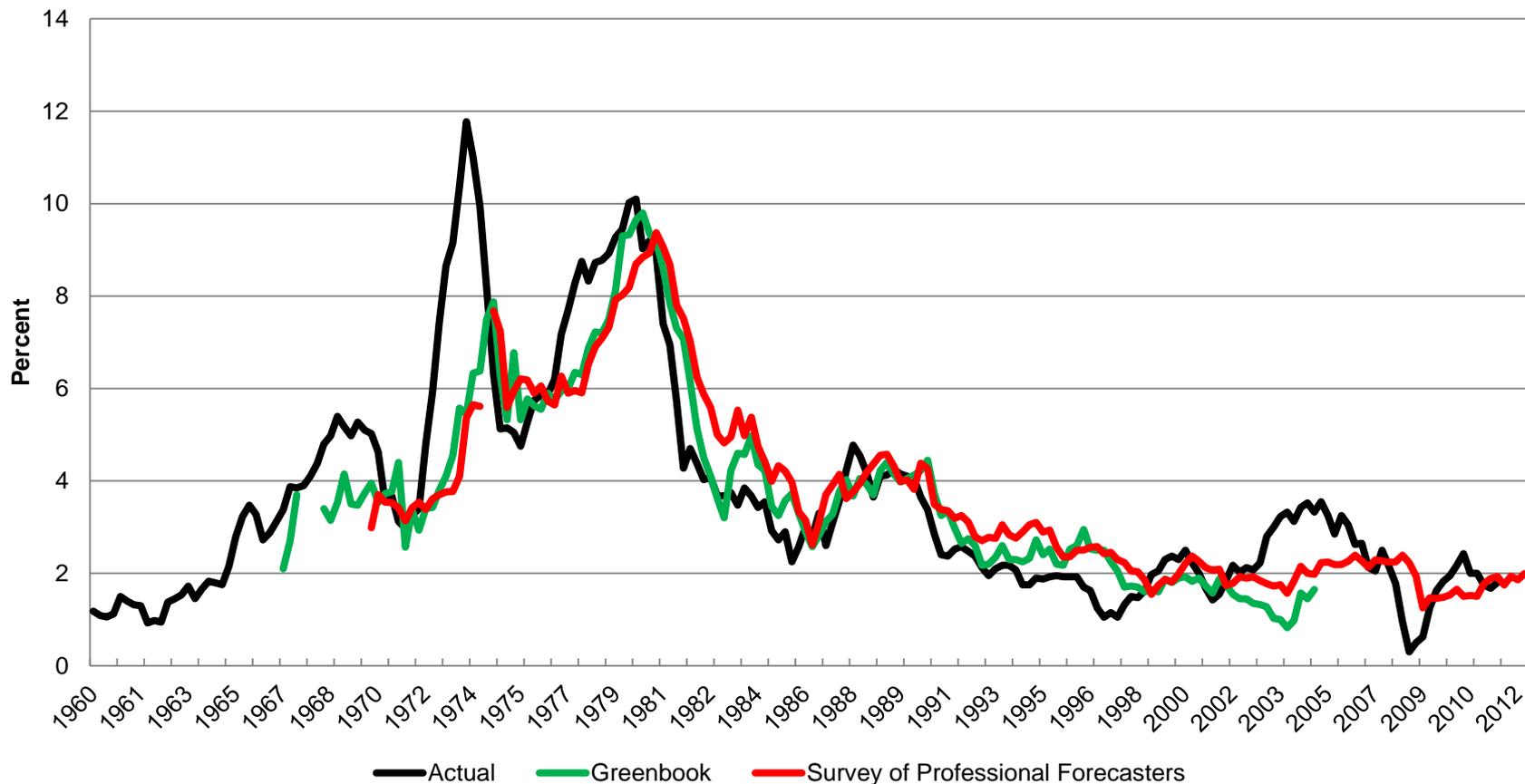


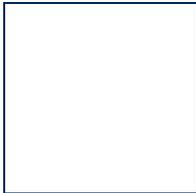


# Real GDP: Actual, Forecasts, and New Trend?



# One Year Ahead GNP/GDP Inflation, Actual and Forecasted





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