



Policymaking with a Diversity of Views

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Advantages of a Federated System

- ▶ Diversity of views can flourish – less likely under a more centrally controlled system
 - ▶ Particularly valuable with changing paradigms and with new facts confronting the economics profession
 - ▶ My focus is on how the Boston Fed has contributed to diversity of views and actions during and since the financial crisis
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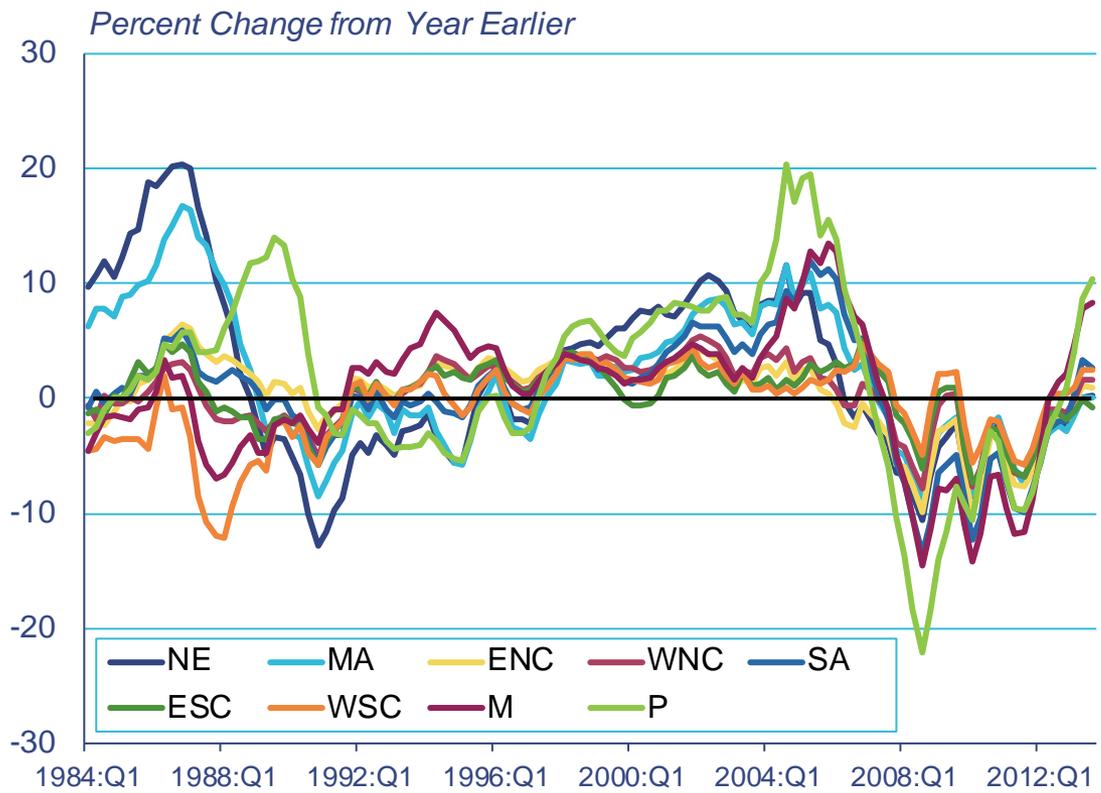


Mortgage Foreclosure Issues

- ▶ Surfaced as community affairs area and advisory councils reported elevated foreclosures in low- and moderate-income areas of New England
 - ▶ Research focused on how falling house prices and life events – health issues, divorce, unemployment – generated elevated foreclosures
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Figure 1: Growth in Real House Prices by Census Region 1984:Q1 - 2013:Q3



Note: The 9 census regions are: New England (NE), Middle Atlantic (MA), East North Central (ENC), West North Central (WNC), South Atlantic (SA), East South Central (ESC), West South Central (WSC), Mountain (M) and Pacific (P).

Source: Federal Housing Finance Agency, BLS, Haver Analytics

Figure 2: Foreclosure Workshop



Source: Federal Reserve Bank of Boston

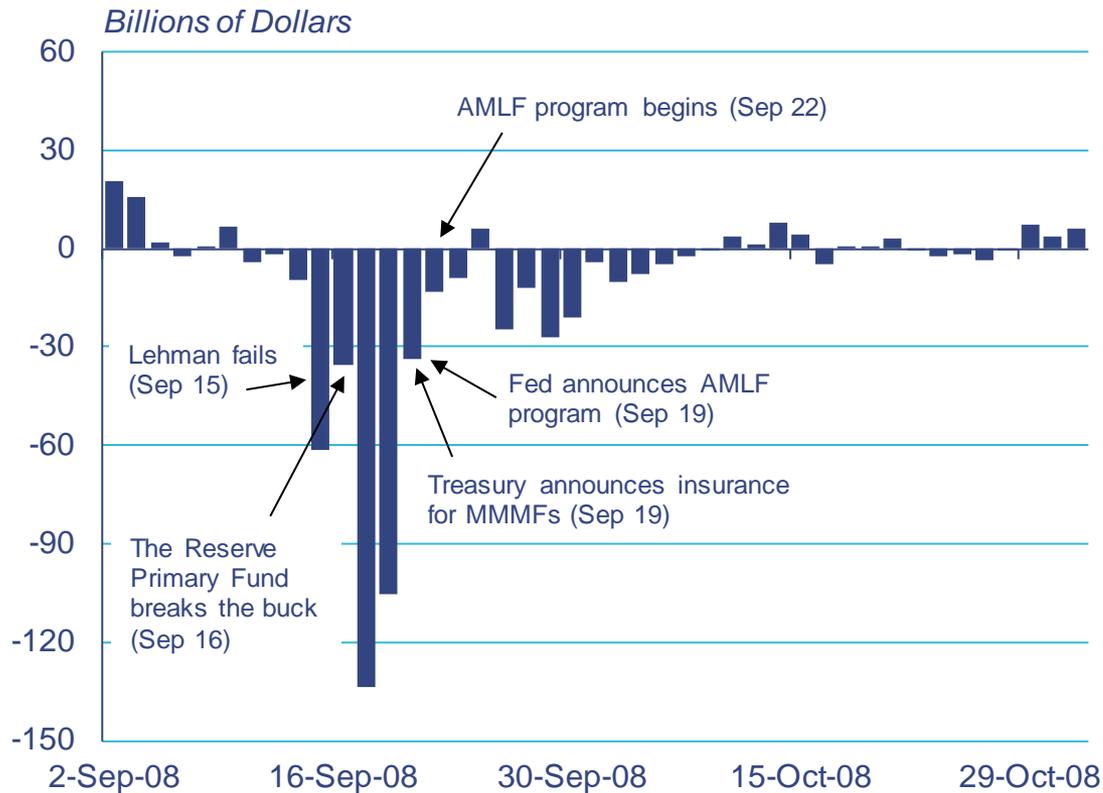


Financial Stability

- ▶ Concentration in New England of less traditional financial intermediaries such as MMMFs
 - ▶ In the fall of 2008, that expertise became particularly useful in considering a liquidity facility targeting runs on MMMFs
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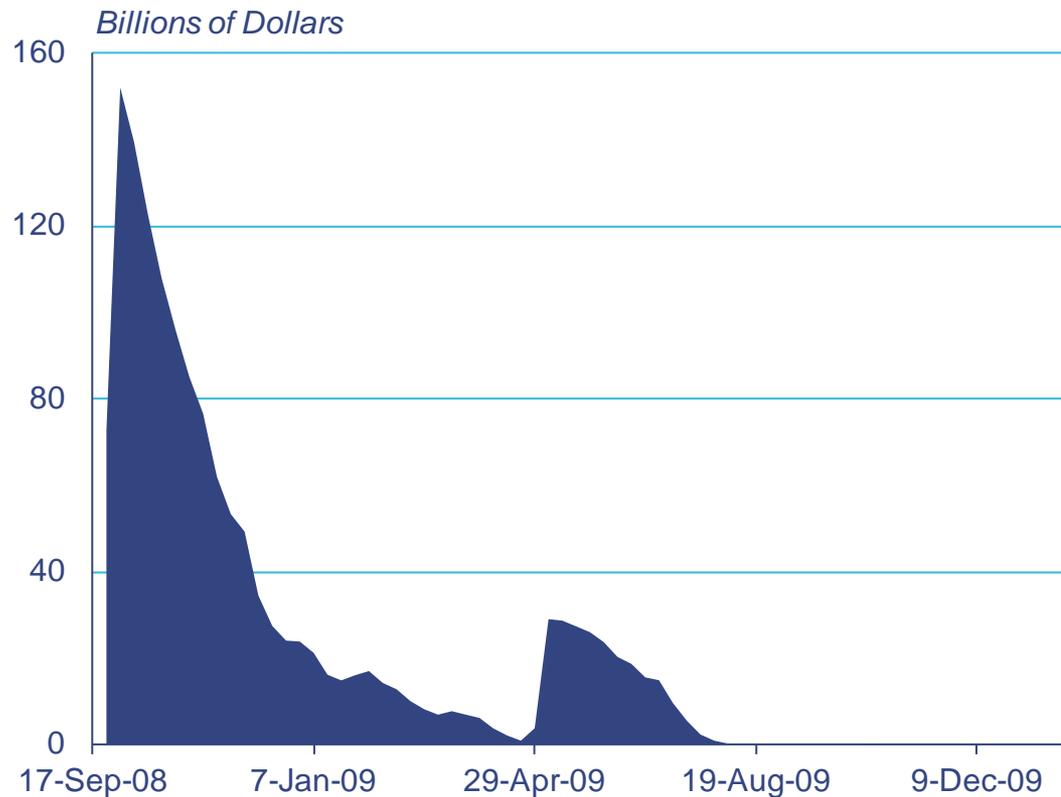
Figure 3: Daily Change in Money Market Mutual Fund Assets Under Management

September 2, 2008 - October 31, 2008



Source: iMoneyNet

Figure 4: Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) Utilization
Weekly, September 17, 2008 - January 27, 2010



Source: Federal Reserve Statistical Release H.4.1, Haver Analytics

Actions to Avoid Repetition of Problems Experienced During the Crisis

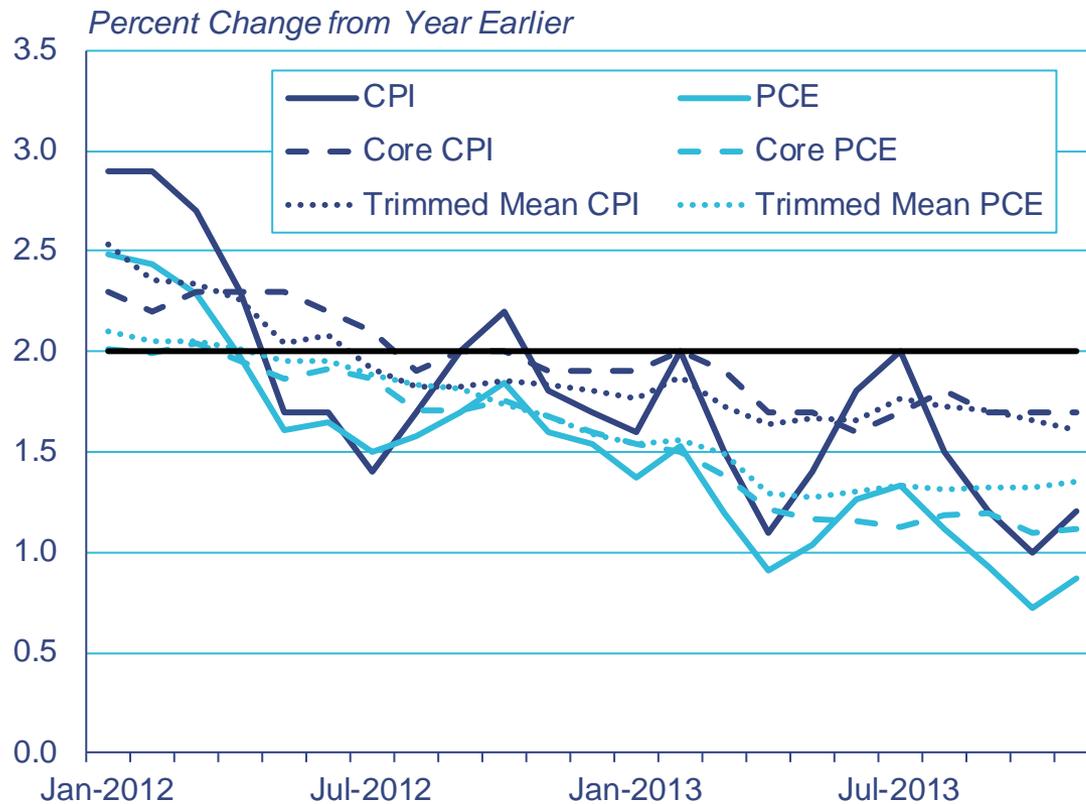
- ▶ Studies highlighted that sponsors had provided substantial support for MMMFs and their current structure posed financial stability concerns
 - ▶ Comment letters to FSOC and SEC signed by all 12 Reserve Bank presidents
 - ▶ Op-eds in *Wall Street Journal* advocating for regulatory reform
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The Boston Fed and Monetary Policy

- ▶ Balanced approach to dual mandate
 - ▶ Supported flexible inflation targeting
 - ▶ Concern if inflation remains too low relative to target
 - ▶ Concern with long-term labor market repercussions from only a gradual return to full employment
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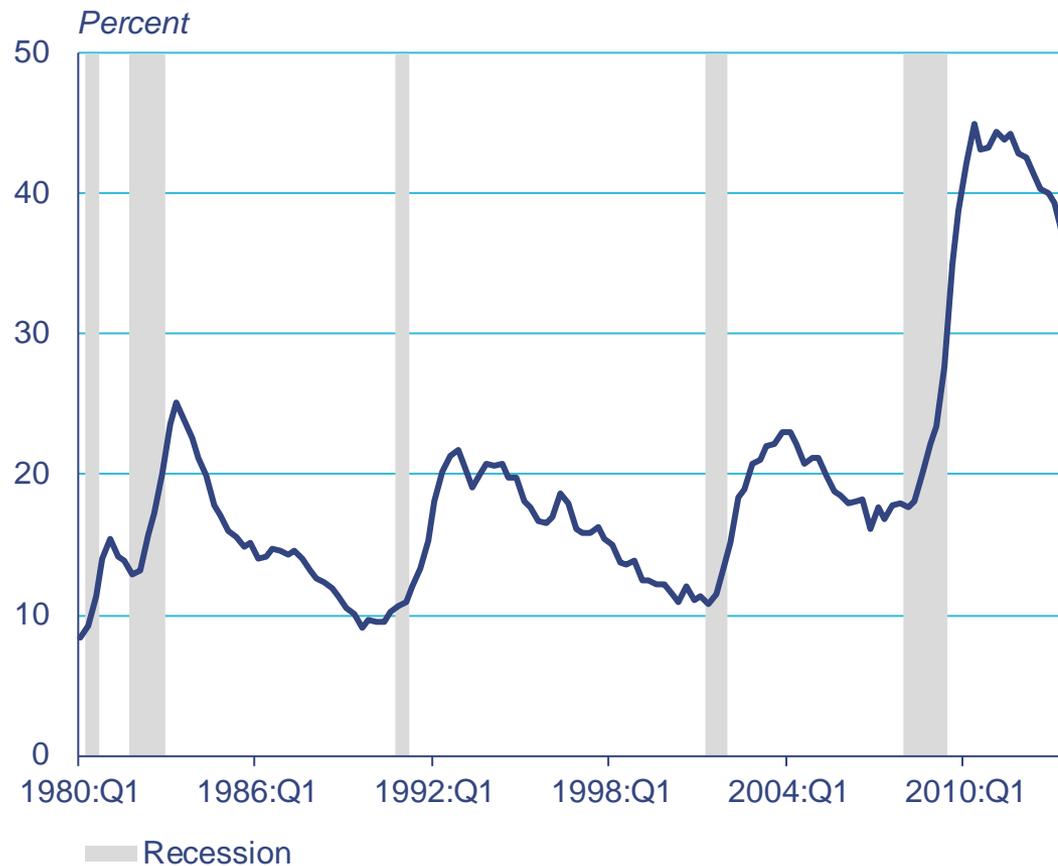
Figure 5: Measures of Inflation: Changes in Total, Core and Trimmed Mean CPI and PCE Indices January 2012 - November 2013



Source: BEA, BLS, Federal Reserve Bank of Cleveland, Federal Reserve Bank of Dallas, Haver Analytics

Figure 6: Long-Term Unemployment: Percent Unemployed for 27 Weeks or More

1980:Q1 - 2013:Q3



Source: BLS, NBER, Haver Analytics



In Sum: Highlighted Three Areas of Recent Focus at the Boston Fed

- ▶ We provided not only diverse policy perspective but also diverse actions
 - ▶ Work highlighted in major economic journals – prepared text provides cites to work by Boston Fed staff in journals such as:
 - ▶ American Economic Review
 - ▶ Quarterly Journal of Economics
 - ▶ Journal of Finance
 - ▶ Journal of Money, Credit, and Banking
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Additional Research Questions

- ▶ What generates bubbles in real estate? Why is the experience so different across countries?
 - ▶ Financial instability is most likely to emerge when experience diverges from historical relationships. How can the profession do a better job of considering potential outlier experiences?
 - ▶ Is the recent experience/behavior of inflation well captured in our models?
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