

Should Full Employment Be a Mandate for Central Banks?

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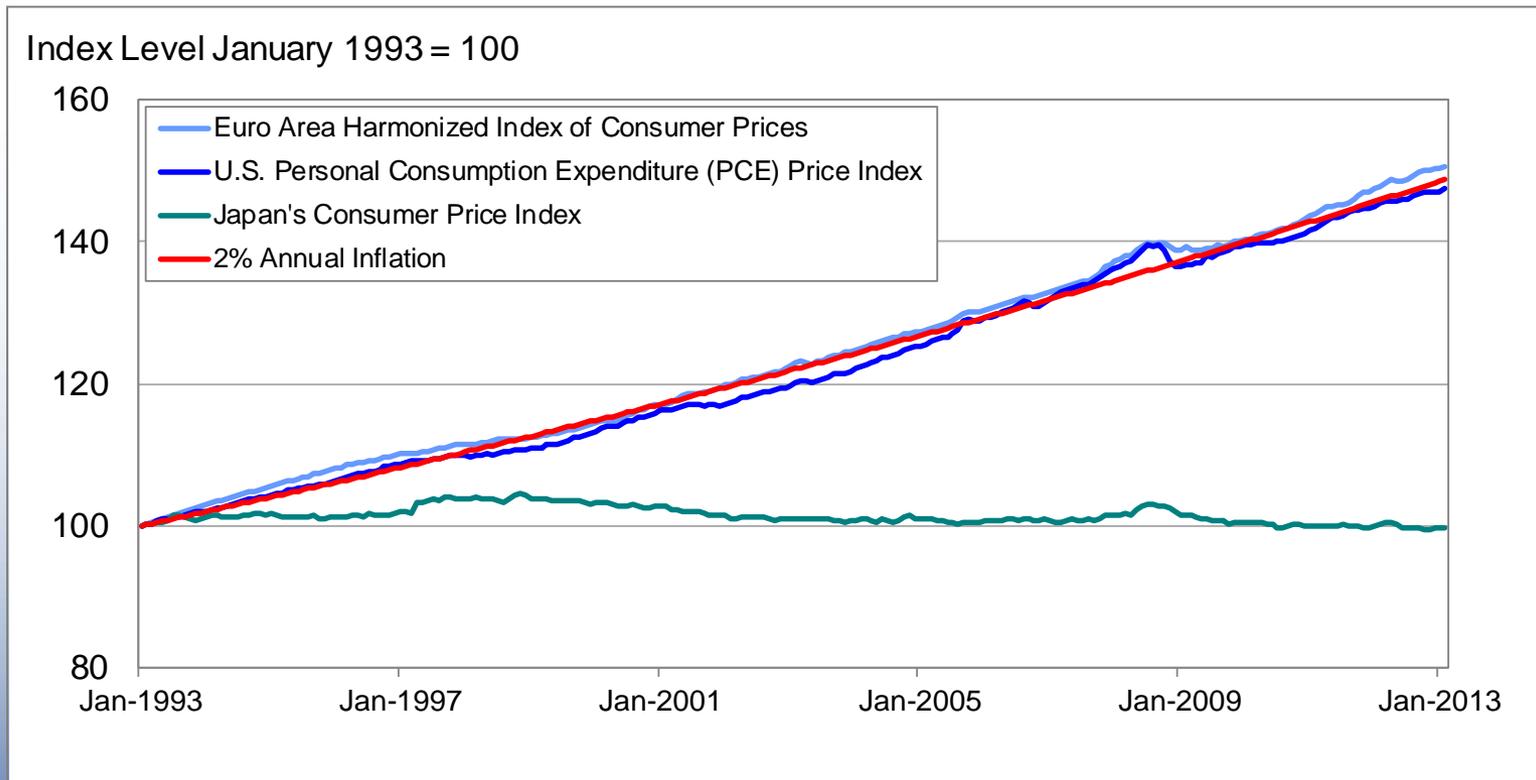
April 12, 2013

The data in this speech have been updated to reflect revisions to the data series that occurred after it was delivered. These updates were made because the speech was being prepared for publication in an issue of the Journal of Money, Credit, and Banking.

Figure 1

Price Level Path in Europe, the United States and Japan

January 1993 - February 2013

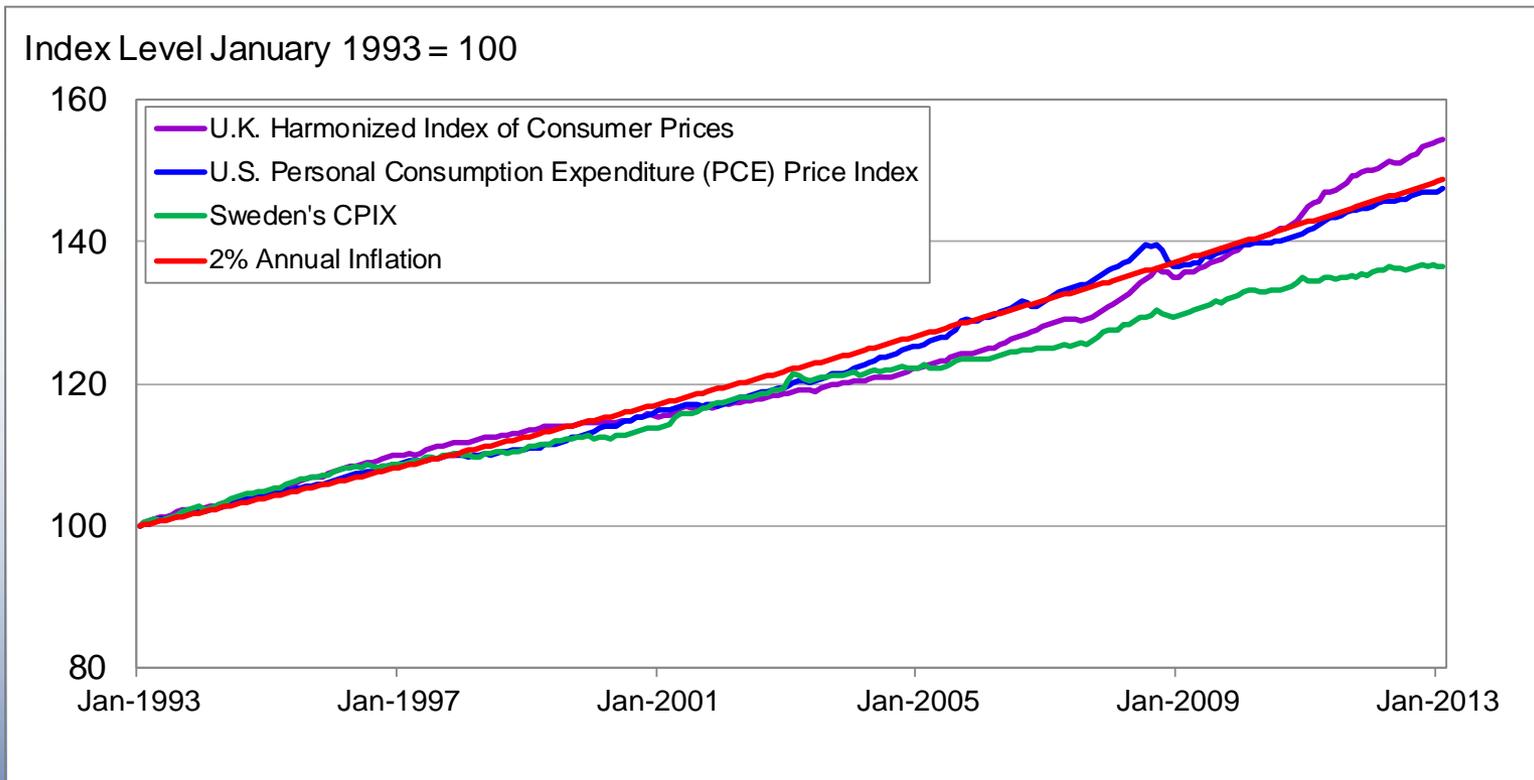


Source: Eurostat, BEA, Japan's Ministry of Internal Affairs and Communications / Haver Analytics

Figure 2

Price Level Path in Sweden, the United Kingdom and the United States

January 1993 - February 2013



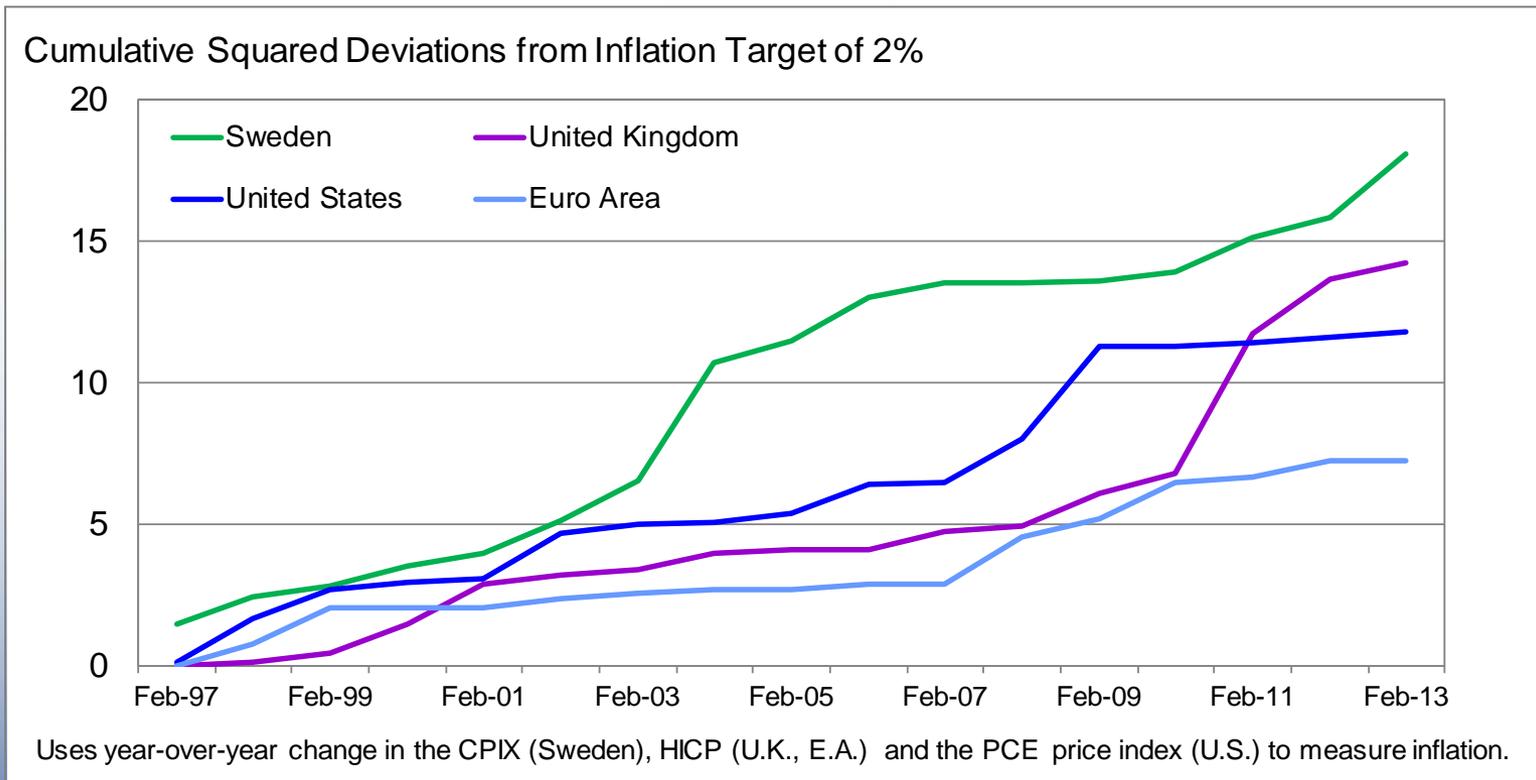
Note: Sweden's CPIX is the National CPI excluding mortgage interest and adjusted for taxes and subsidies.

Source: Sweden's Statistiska Centralbyran, U.K. Office for National Statistics, BEA / Haver Analytics

Figure 3

Deviations from Inflation Target in Sweden, the United Kingdom, the United States and the Euro Area

February 1997 - February 2013

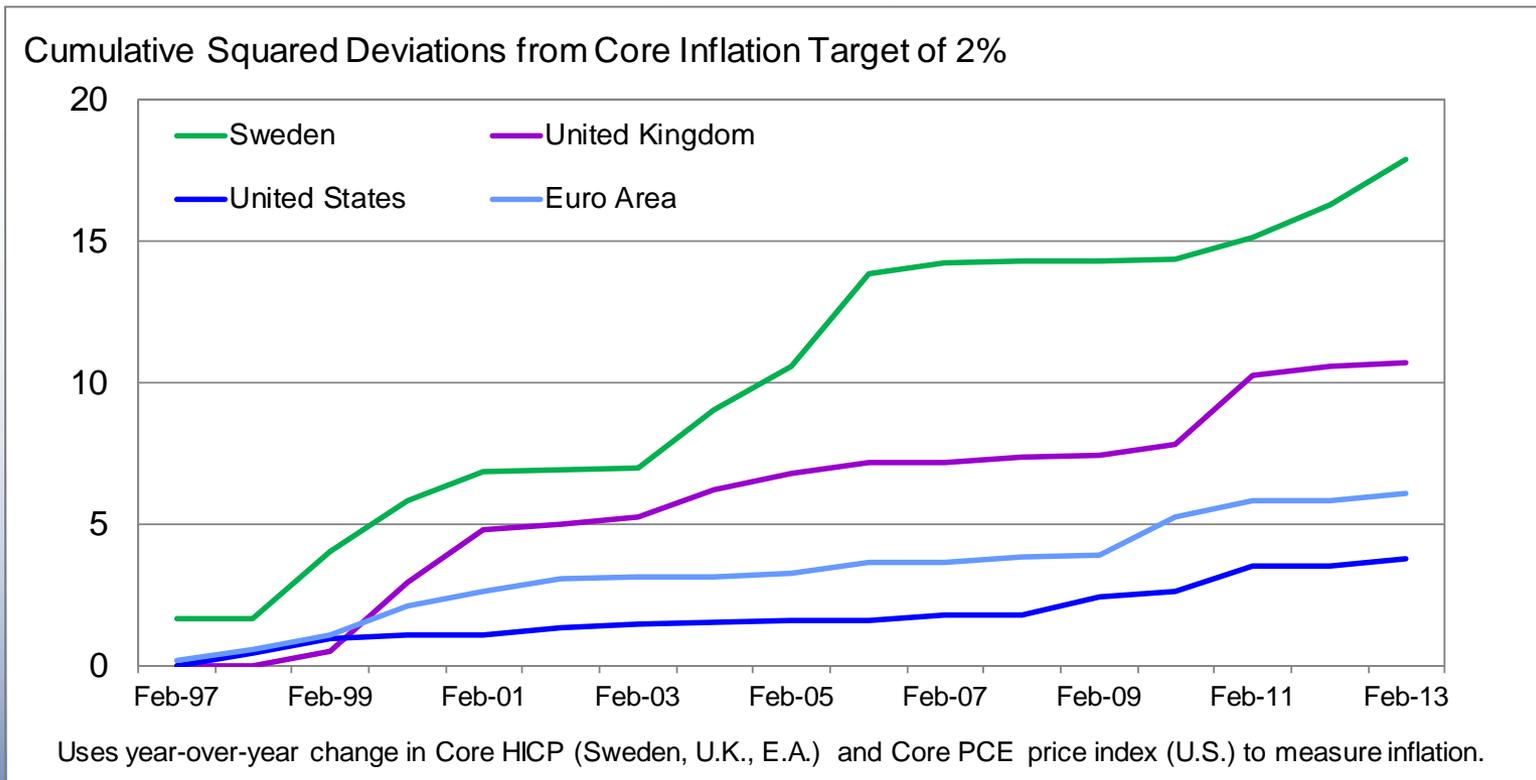


Source: Sweden's Statistiska Centralbyran, U.K. Office for National Statistics, BEA, Eurostat / Haver Analytics

Figure 4

Deviations from Core Inflation Target in Sweden, the United Kingdom, the United States and the Euro Area

February 1997 - February 2013

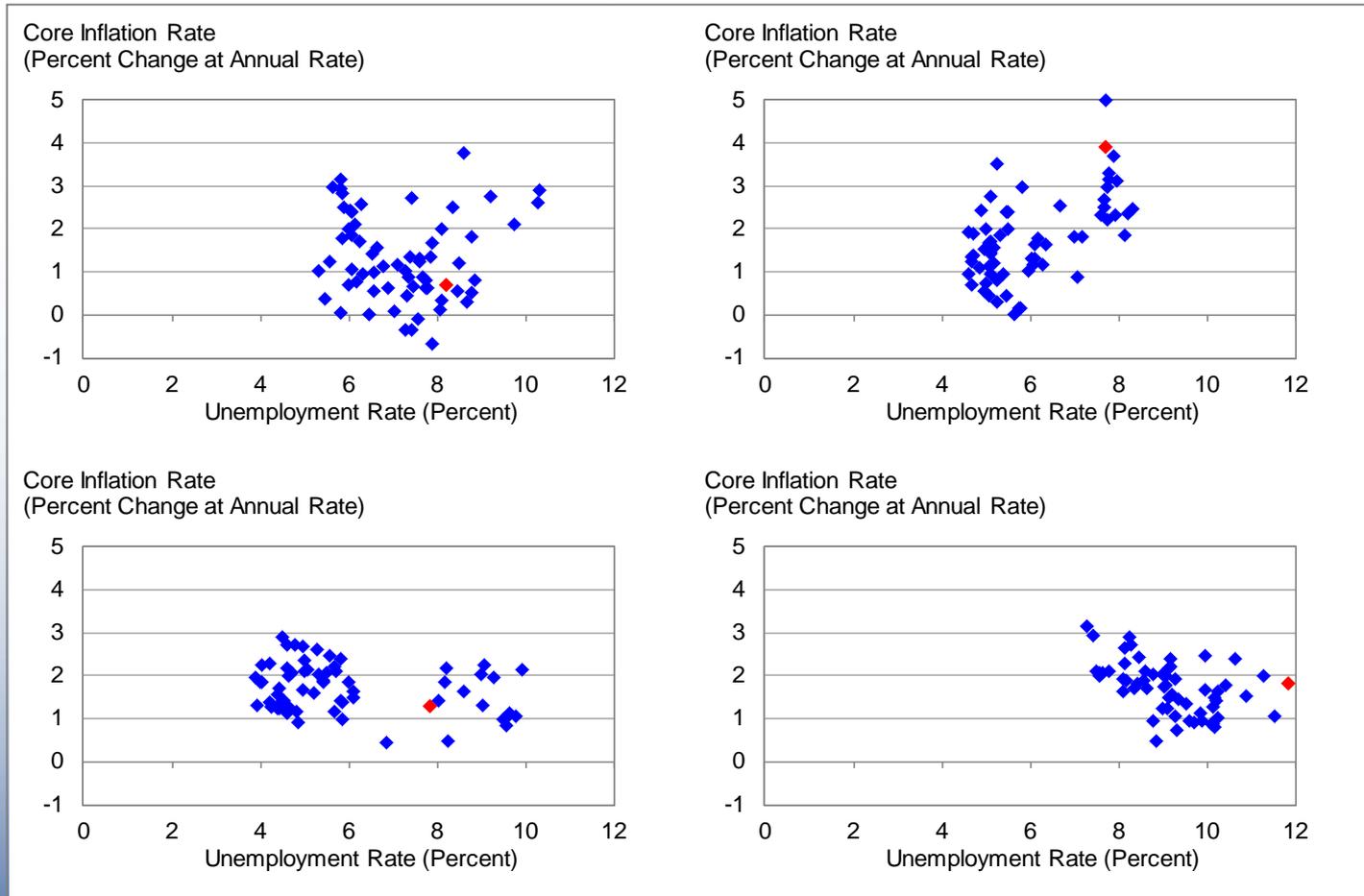


Source: BEA, Eurostat / Haver Analytics

Figure 5

Unemployment Rate versus Core Inflation Rate

Quarterly, 1997:Q1 - 2012:Q4



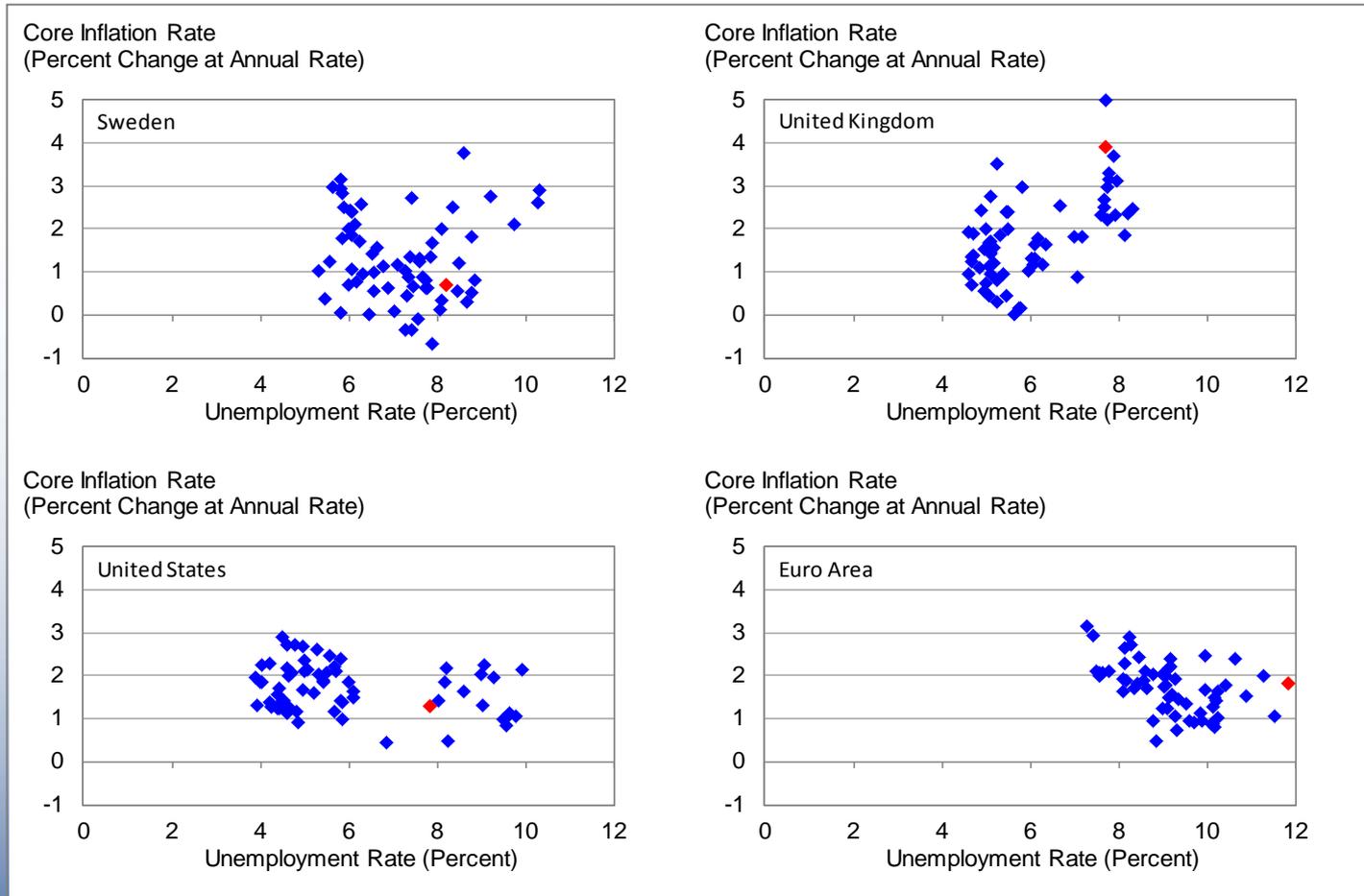
Source: Eurostat, BEA, BLS / Haver Analytics

Note: Most recent observation in red

Figure 5

Unemployment Rate versus Core Inflation Rate

Quarterly, 1997:Q1 - 2012:Q4



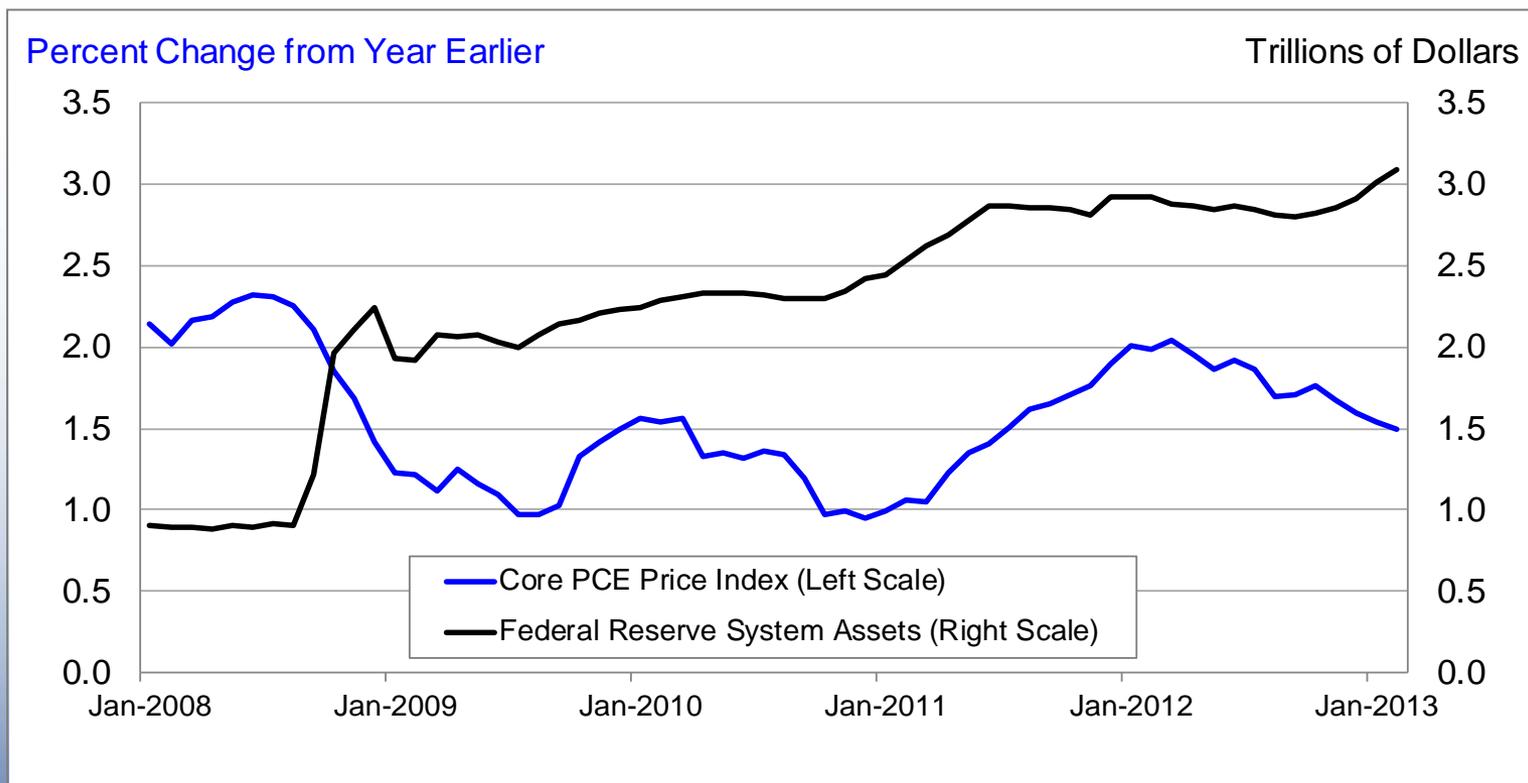
Source: Eurostat, BEA, BLS / Haver Analytics

Note: Most recent observation in red

Figure 6

Central Bank Assets and Inflation: United States

January 2008 - February 2013

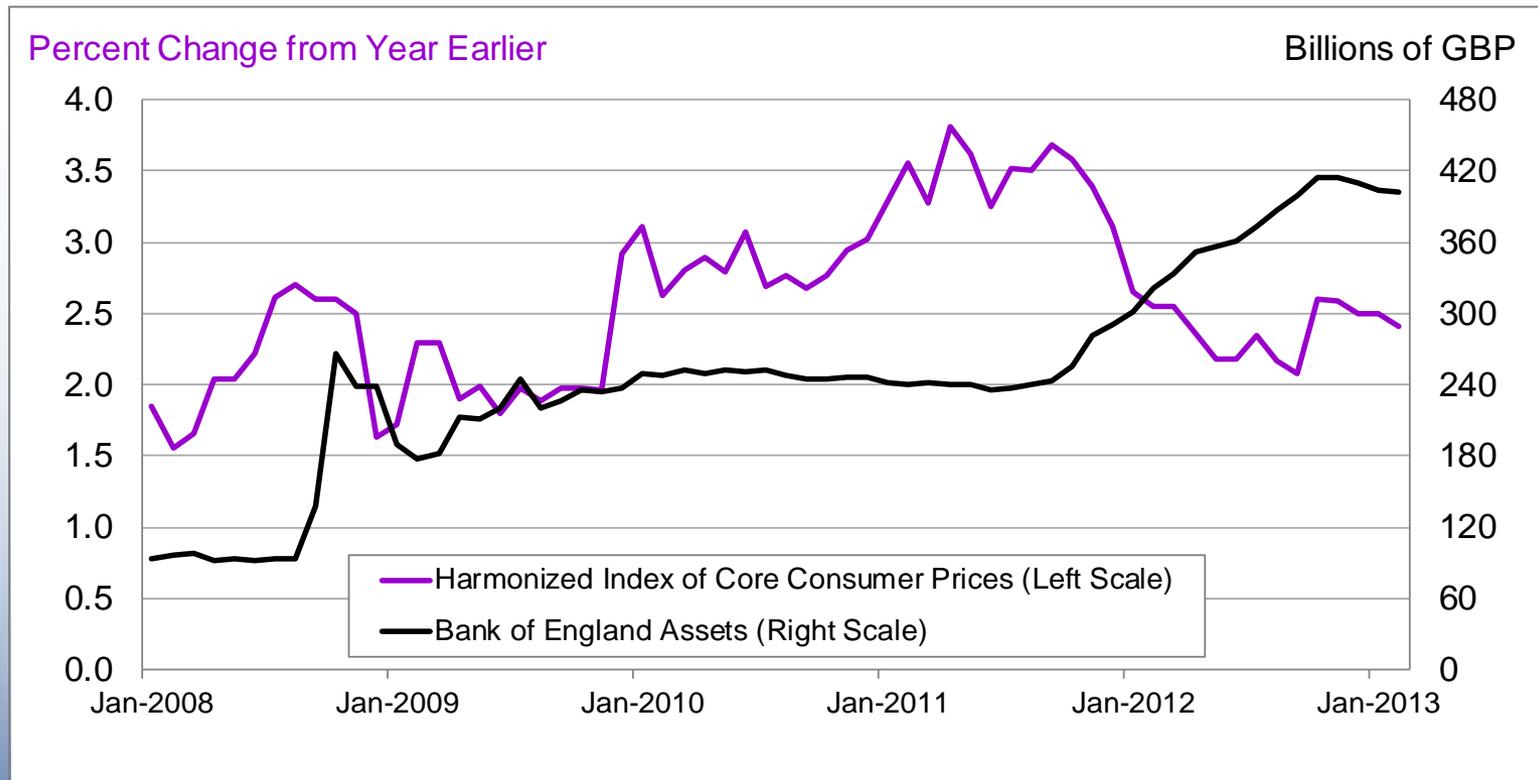


Source: BEA, Federal Reserve Board / Haver Analytics

Figure 7

Central Bank Assets and Inflation: United Kingdom

January 2008 - February 2013

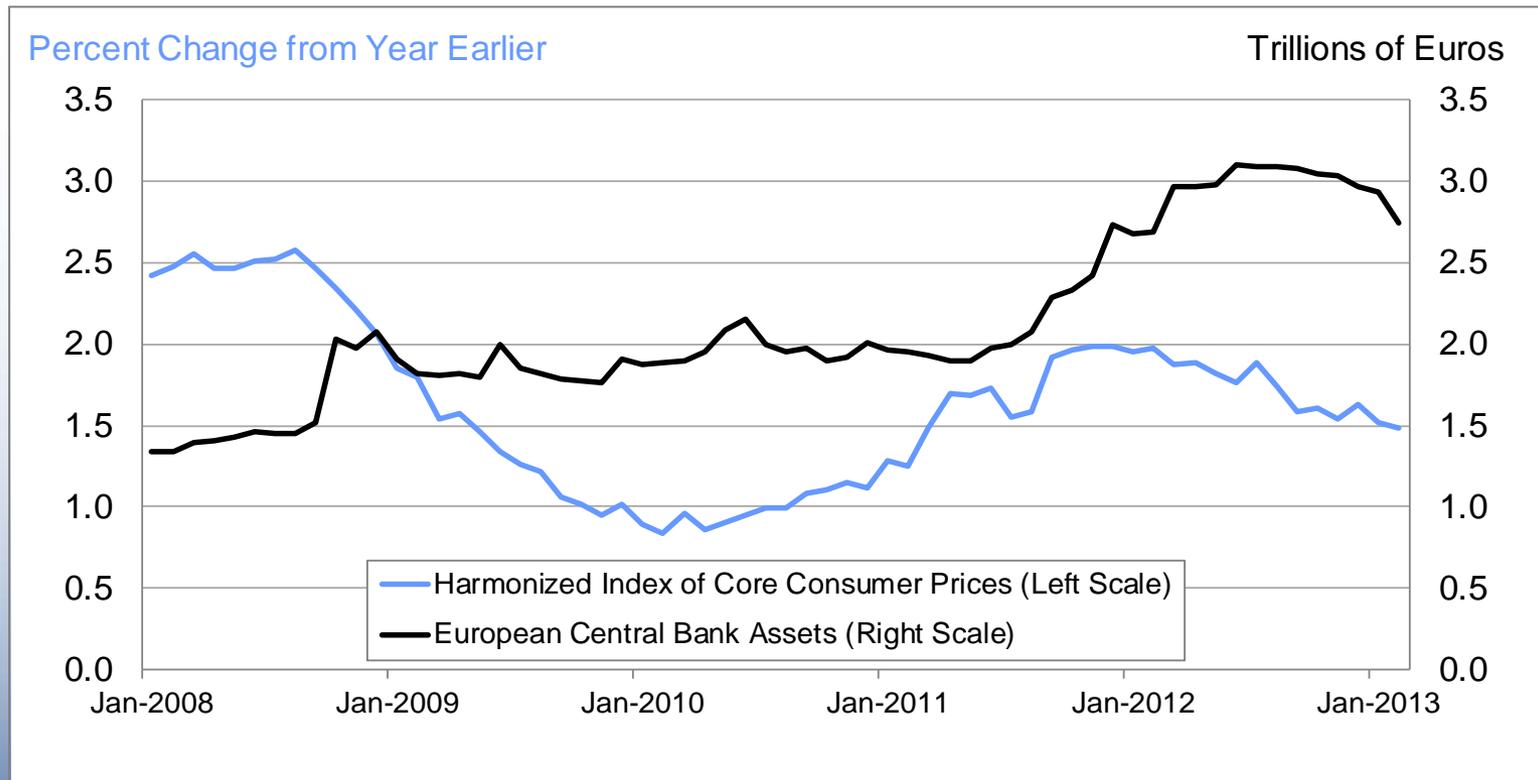


Source: Eurostat, Bank of England / Haver Analytics

Figure 8

Central Bank Assets and Inflation: Euro Area

January 2008 - February 2013

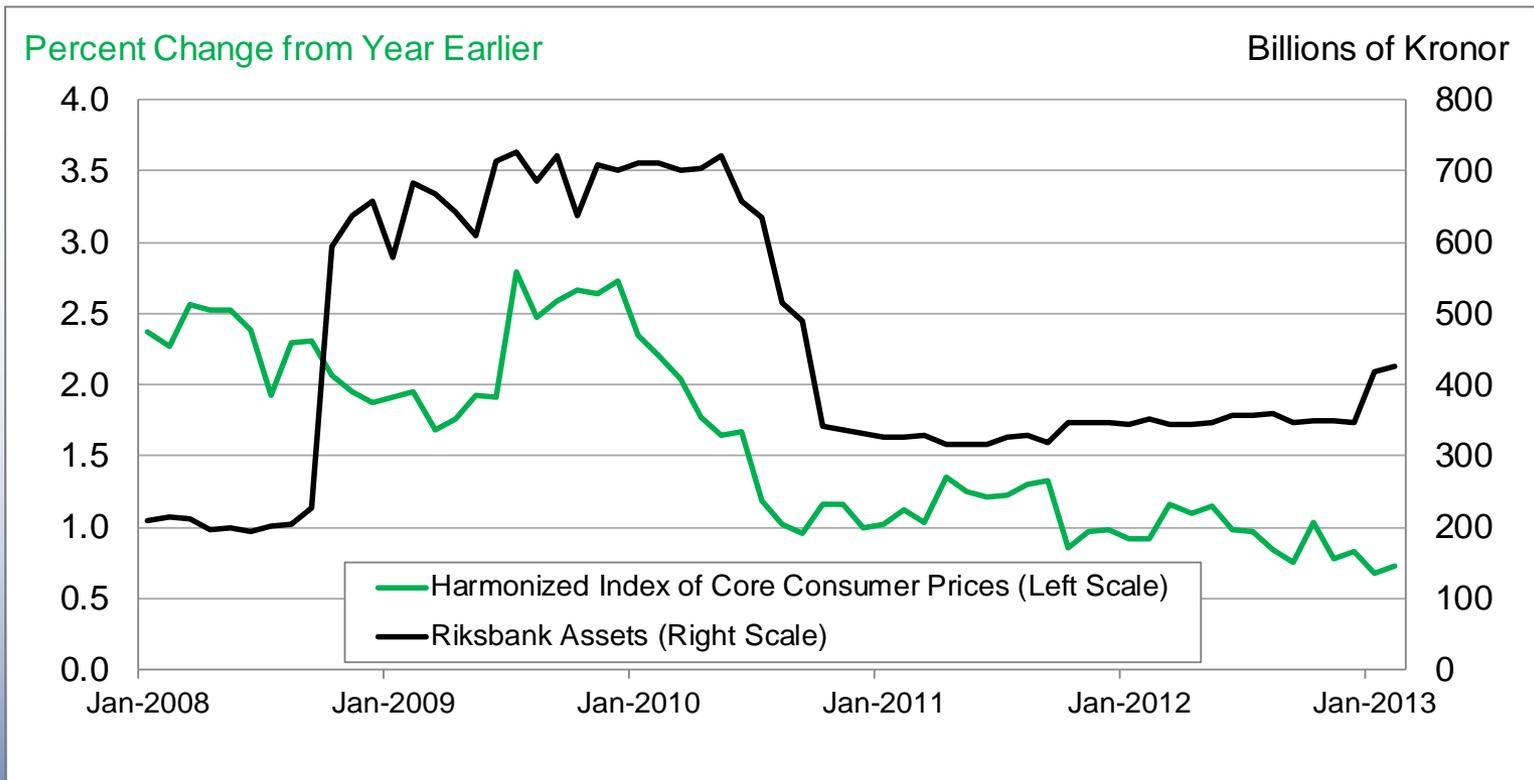


Source: Eurostat, European Central Bank / Haver Analytics

Figure 9

Central Bank Assets and Inflation: Sweden

January 2008 - February 2013

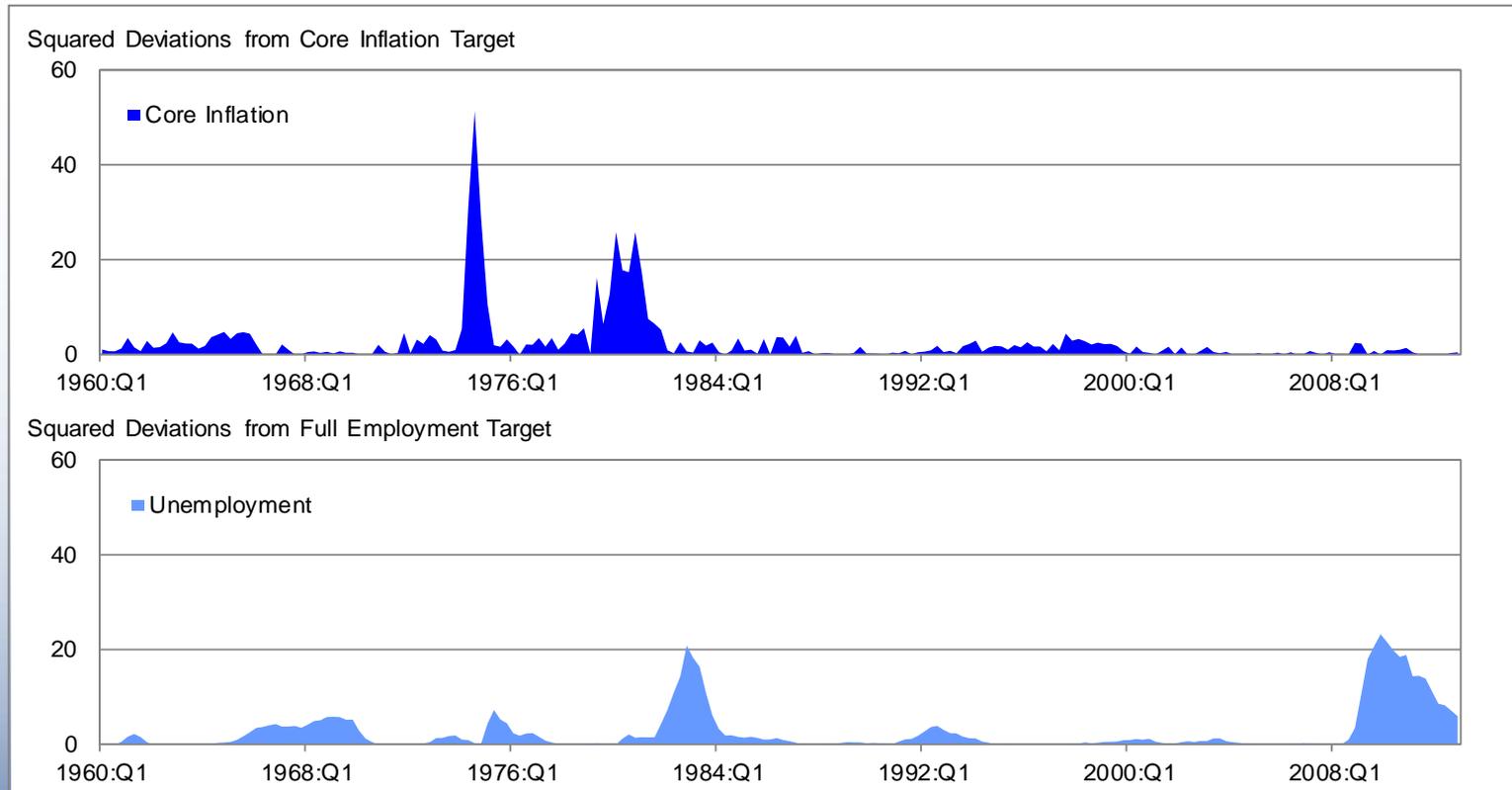


Source: Eurostat, Riksbank / Haver Analytics

Figure 10

Deviations from Full Employment and Core Inflation Targets in the United States

1960:Q1 - 2012:Q4



Note: Full employment is the CBO estimate of the natural rate of unemployment. Inflation target is 2% in recent periods but ranges from 2% to 5% prior to mid 2005 based on a filter employed to provide smoothed estimates.

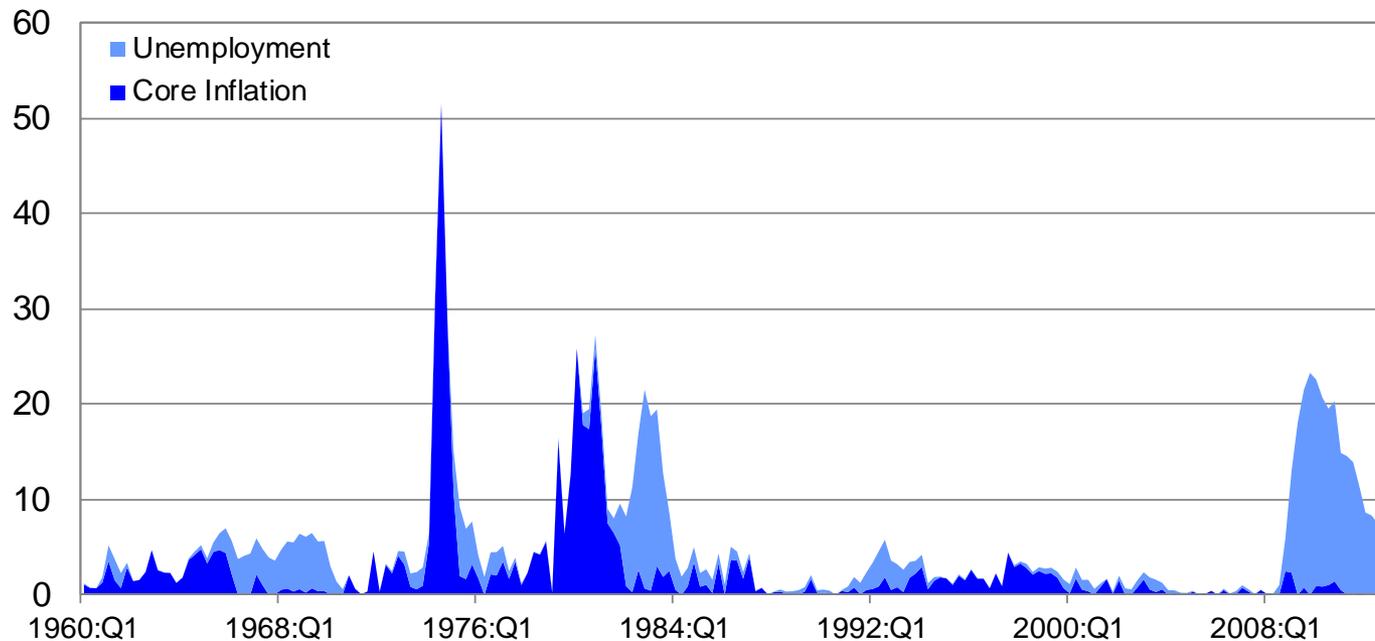
Source: BEA, BLS, CBO / Haver Analytics

Figure 11

Stacked Deviations from Full Employment and Core Inflation Targets in the United States

1960:Q1 - 2012:Q4

Sum of Squared Deviations from Full Employment and Core Inflation Targets



Note: Full employment is the CBO estimate of the natural rate of unemployment. Inflation target is 2% in recent periods but ranges from 2% to 5% prior to mid 2005 based on a filter employed to provide smoothed estimates.

Source: BEA, BLS, CBO / Haver Analytics