Should Full Employment Be a Mandate for Central Banks?

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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

Index Level January 1993 = 100

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

Index Level January 1993 = 100

- U.K. Harmonized Index of Consumer Prices
- U.S. Personal Consumption Expenditure (PCE) Price Index
- Sweden's CPIX
- 2% Annual Inflation

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

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

Uses year-over-year change in the CPIX (Sweden), HICP (U.K., E.A.) and the PCE price index (U.S.) to measure inflation.
Figure 4
Deviations from Core Inflation Target in Sweden, the United Kingdom, the United States and the Euro Area

February 1997 - February 2013

Cumulative Squared Deviations from Core Inflation Target of 2%

Uses year-over-year change in Core HICP (Sweden, U.K., E.A.) and Core PCE price index (U.S.) to measure inflation.

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

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