



EMBARGOED UNTIL WEDNESDAY, JUNE 27, 2018 AT 12:30 P.M.; OR UPON DELIVERY

# Ethics and Economics: Making Cyclical Downturns Less Severe

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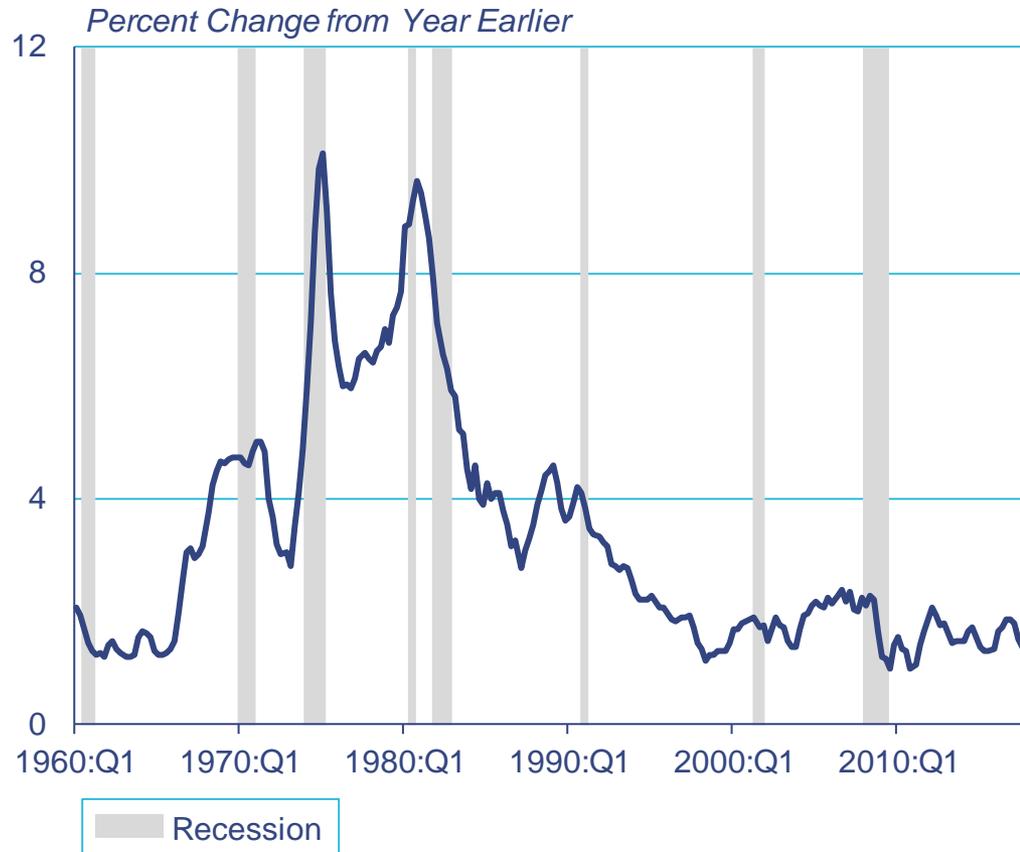
June 27, 2018

Fourth Annual O. John Olcay Lecture on  
Ethics and Economics at the Peterson Institute for  
International Economics  
Washington, D.C.

[bostonfed.org](http://bostonfed.org)



# Figure 1: Inflation Rate: Change in Core Personal Consumption Expenditures (PCE) Price Index 1960:Q1 - 2018:Q1

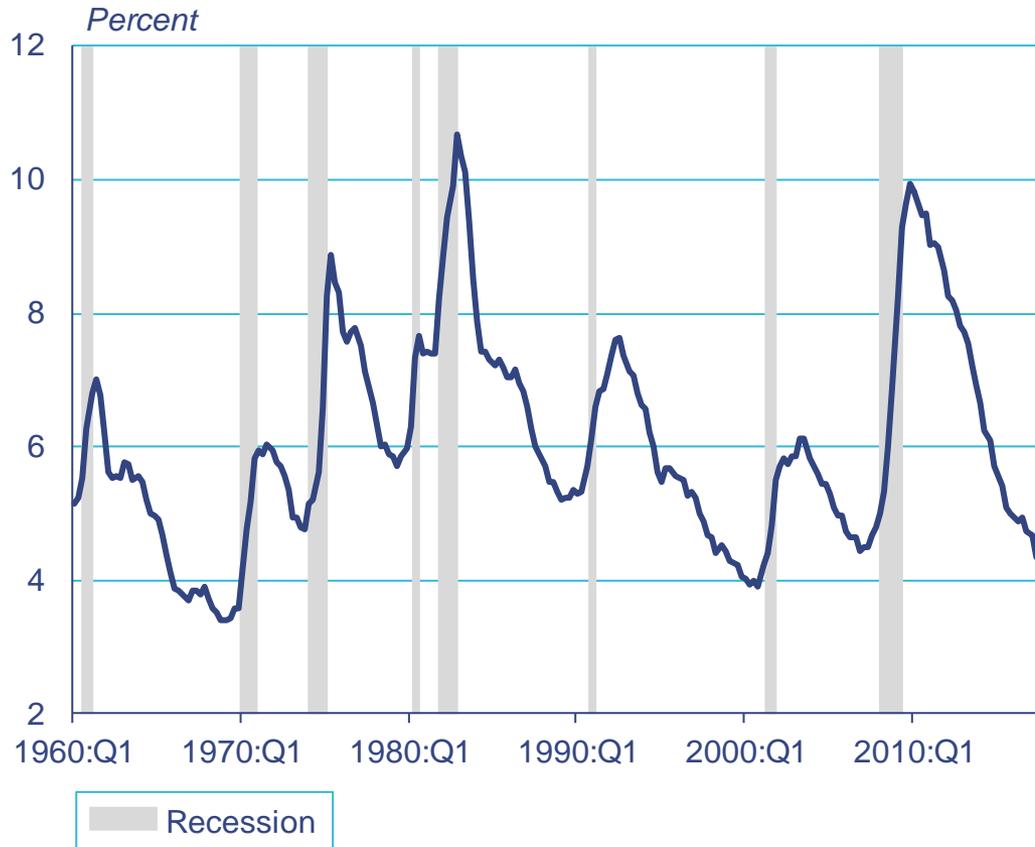


Note: Core PCE excludes food and energy.

Source: BEA, NBER, Haver Analytics

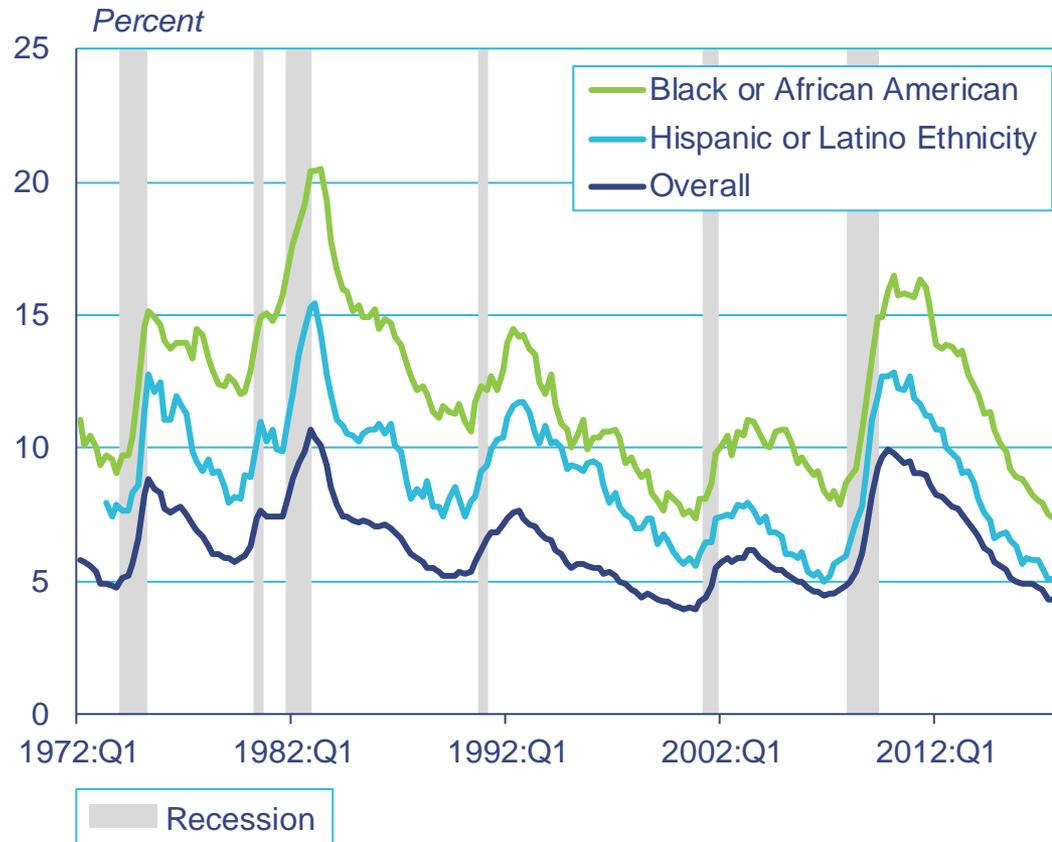


Figure 2: Unemployment Rate  
1960:Q1 - 2018:Q1





### Figure 3: Unemployment Rate by Race and Ethnicity 1972:Q1 - 2018:Q1



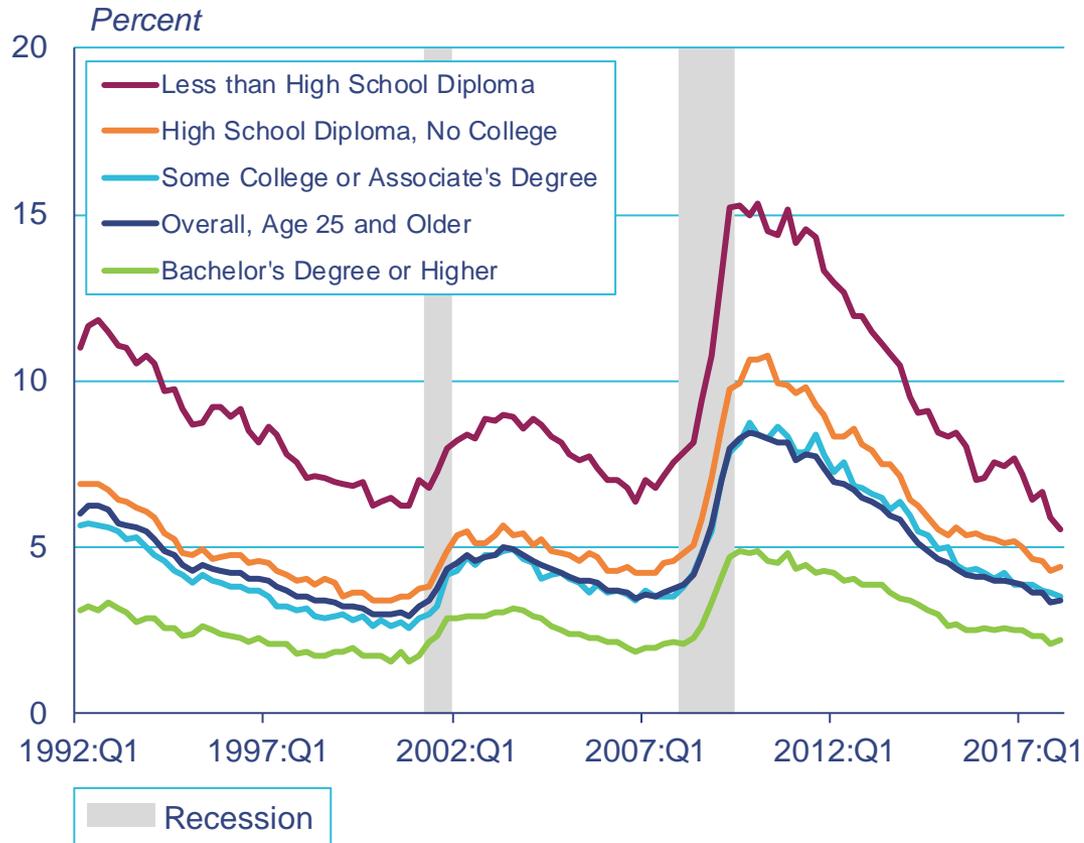
Note: Based on labor force age 16 and older. Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Source: BLS, NBER, Haver Analytics



# Figure 4: Unemployment Rate by Educational Attainment

1992:Q1 - 2018:Q1

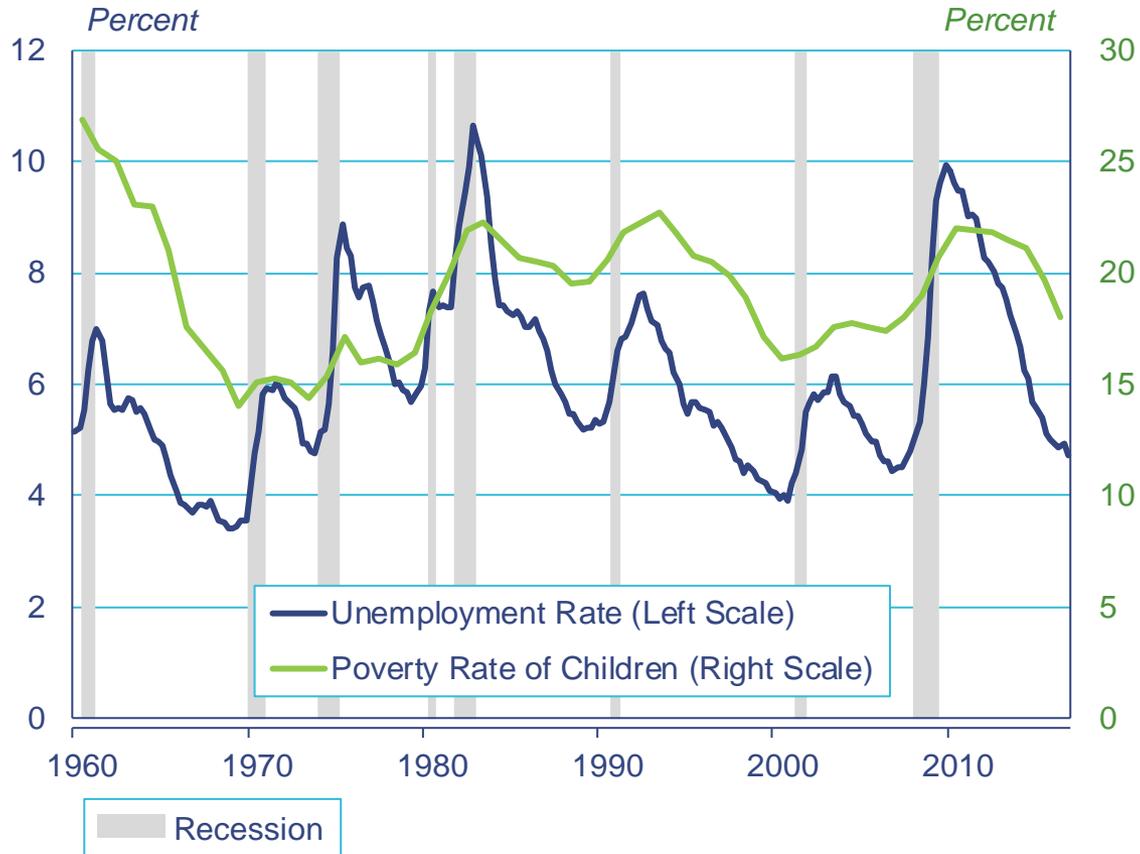


Note: Based on labor force age 25 and older.

Source: BLS, NBER, Haver Analytics



Figure 5: Poverty Rate of Children Under Age 18 and the Unemployment Rate  
1960 - 2016

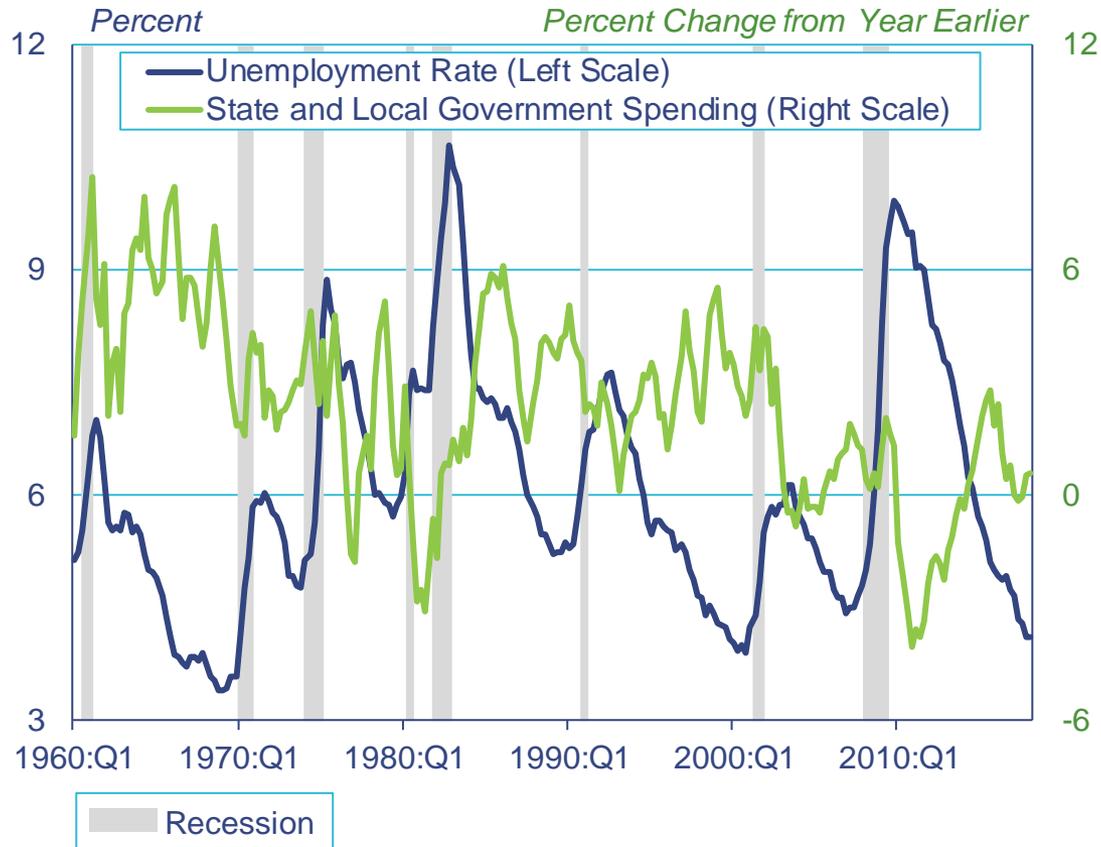


Note: The poverty rate is annual, the unemployment rate is quarterly. The most recent poverty rate is for 2016.

Source: U.S. Census Bureau, BLS, NBER, Haver Analytics



Figure 6: Growth in Real State and Local Government Spending and the Unemployment Rate  
1960:Q1 - 2018:Q1





## Figure 7: Changes in S&P State Credit Ratings June 1, 2013 - June 1, 2018

Changes	Number of Changes	Number of States	Number of States by Number of Changes		
			1 Change	2 Changes	3 Changes
Downgrades	24	14	7	4	3
Upgrades	9	8	7	1	
No Change		29			

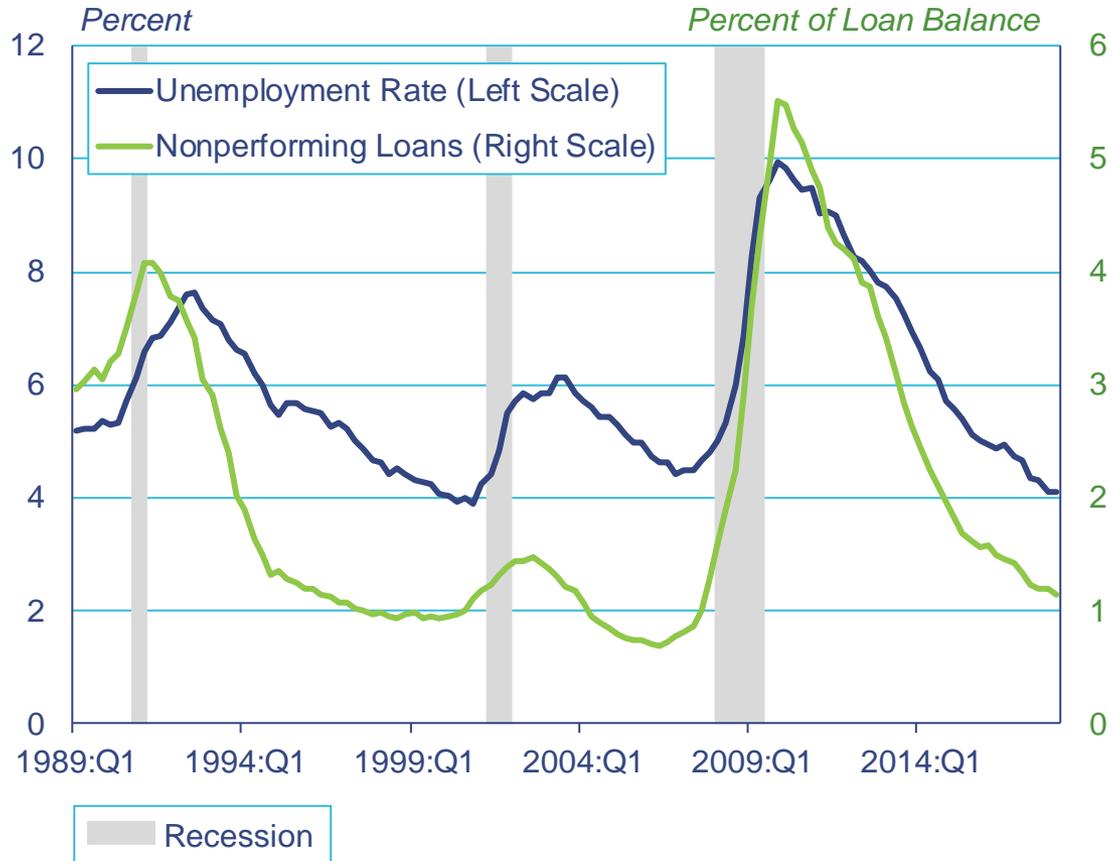
*Note: While 29 states saw no change, one state saw both an upgrade and a subsequent downgrade. As a result, the states add to 51. In some instances an Issuer Credit Rating is used instead of a general obligation debt rating.*

Source: S&P Capital IQ



# Figure 8: Nonperforming Loans at U.S. Banks and the Unemployment Rate

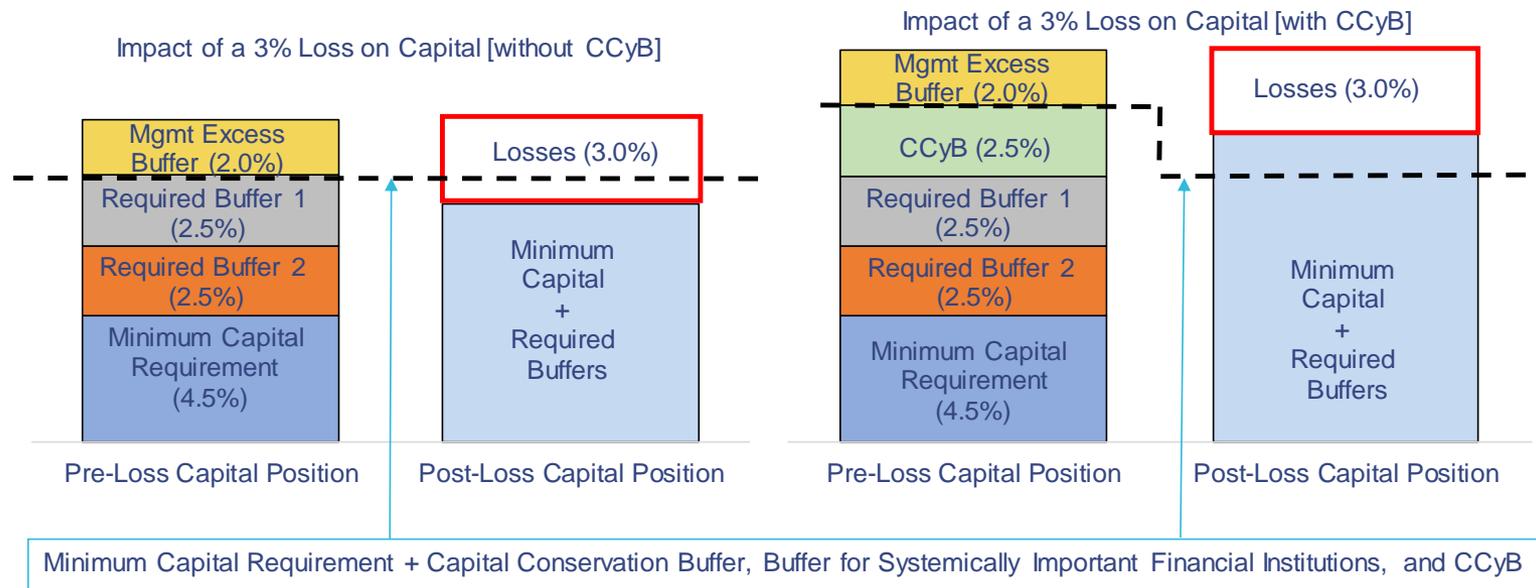
1989:Q1 - 2018:Q1



Note: Nonperforming loans are loans 90 or more days past due plus loans in nonaccrual status. U.S. banks include commercial and savings banks throughout the period and the former OTS-regulated thrifts beginning in 2012.

Source: Quarterly Bank Call Reports, BLS, NBER, Haver Analytics

## Figure 9: Stylized Depiction of the Impact of the Countercyclical Capital Buffer (CCyB)



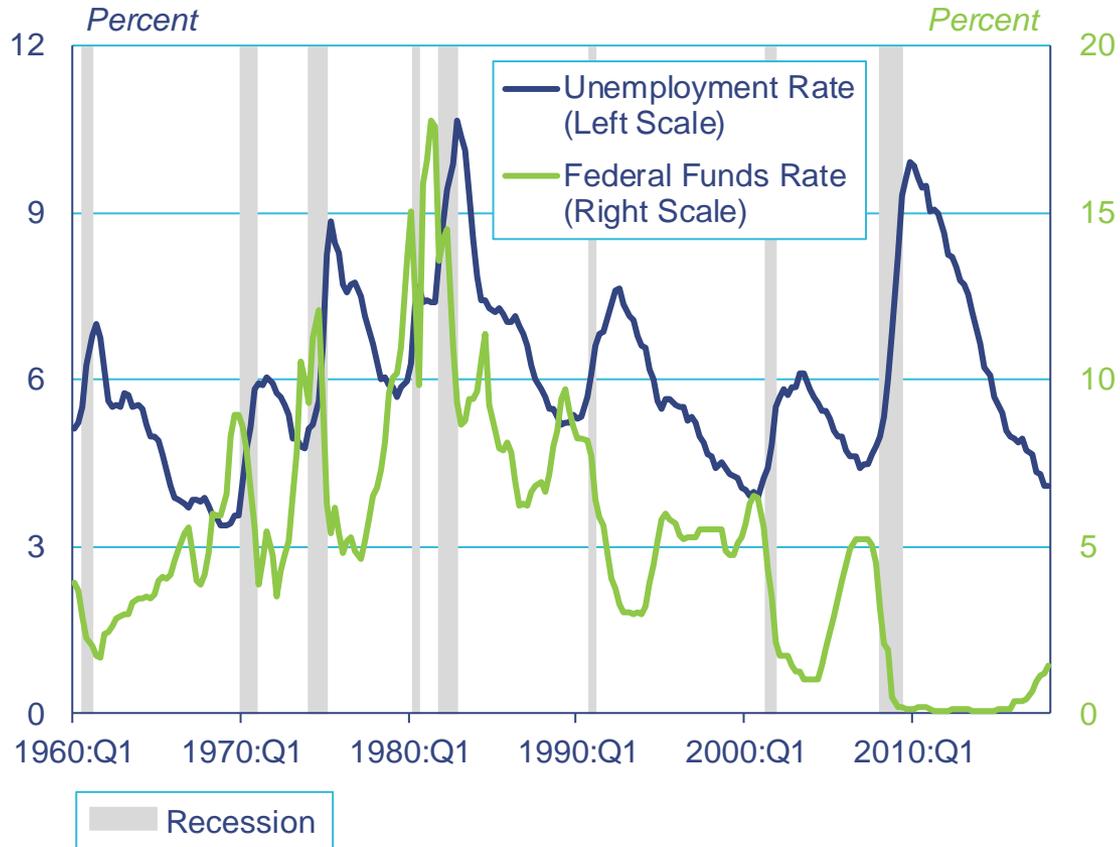
*Note: Required Buffer 1 is the Global Systemically Important Bank (GSIB) surcharge, which is the additional capital held by the largest, most systemically important banks. The 2.5 percent level is an average calculated using FR Y-15 data as of December 2017. Required Buffer 2 is the Capital Conservation Buffer, which is set at 2.5 percent and applies to all supervised financial institutions. The 2 percent Management Excess Buffer is computed as the median buffer for the largest, most systemically important banks in the U.S., as of March 2018.*

Source: Federal Reserve Bank of Boston



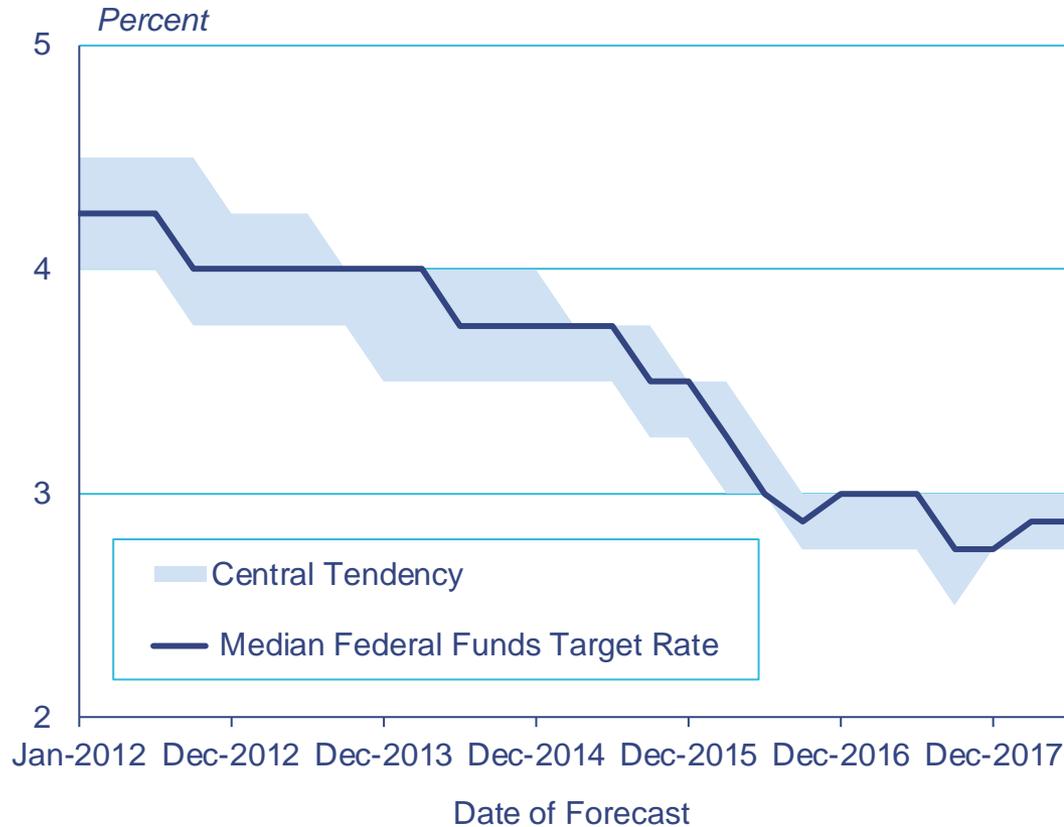
# Figure 10: The Federal Funds Rate and the Unemployment Rate

1960:Q1 - 2018:Q1





## Figure 11: Forecasts for the Longer-Run Federal Funds Rate from the Summary of Economic Projections January 2012 - June 2018



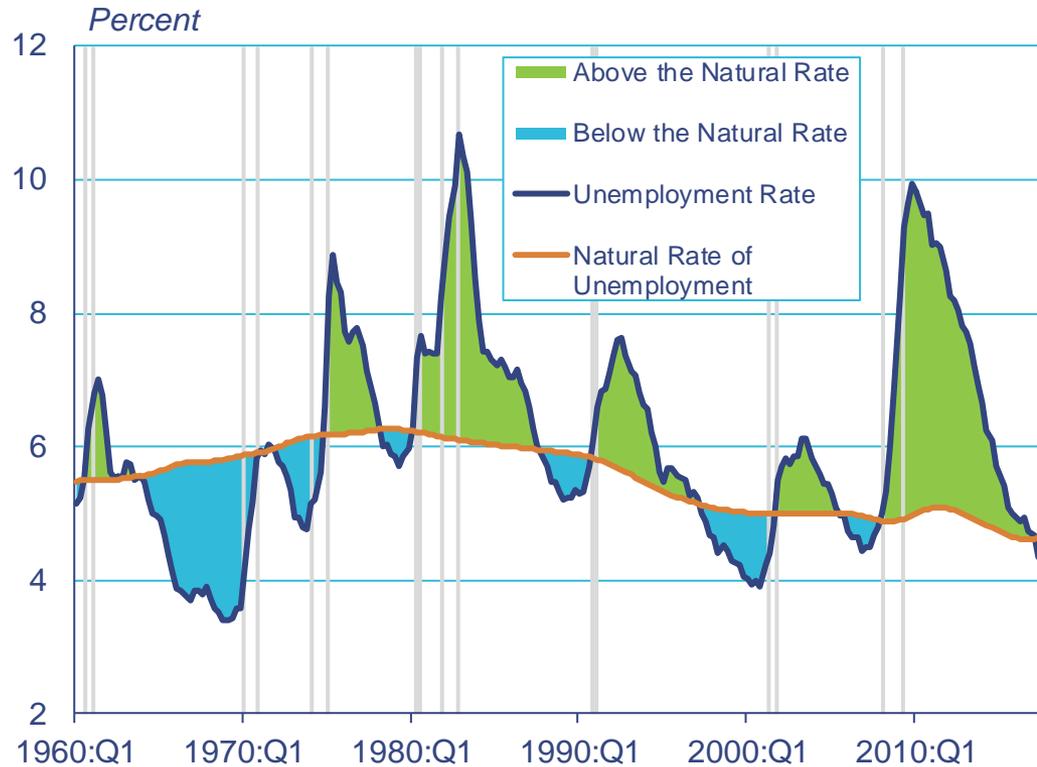
Note: The central tendency excludes the three highest and three lowest observations.

Source: FOMC, Summary of Economic Projections (SEP)



## Figure 12: The Unemployment Rate and the Natural Rate of Unemployment

1960:Q1 - 2018:Q1



Note: The vertical lines mark the beginnings and ends of recessions.