

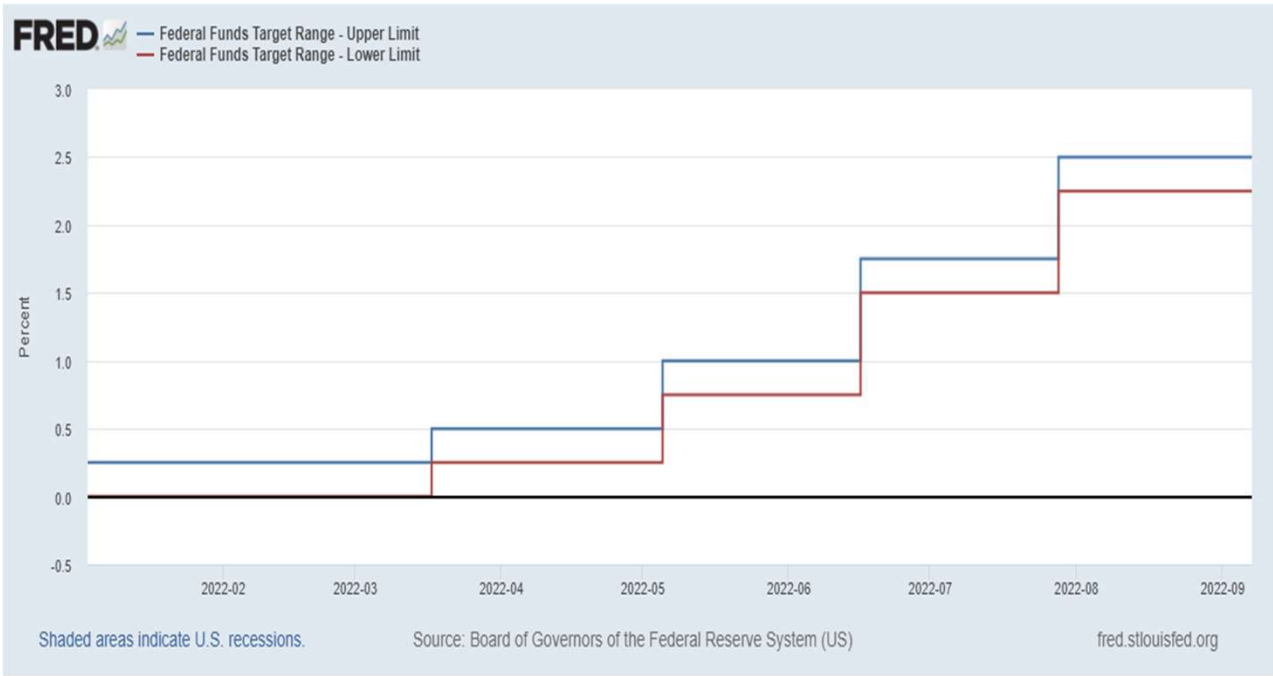
What have you done for me lately?: The Fed and the economy

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PHILADELPHIA COUNCIL FOR BUSINESS ECONOMICS (virtual)

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Recent history of the funds rate target



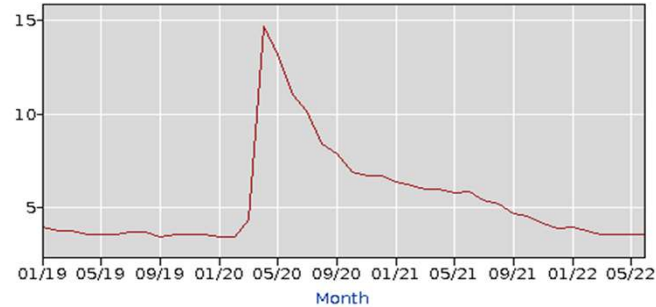
Share of goods in PCE

2019	36.0% (normal)
2020:2	39.7% (the lockdown quarter)
2021:2	41.3% (the peak)
2022:2	39.3% (the latest)

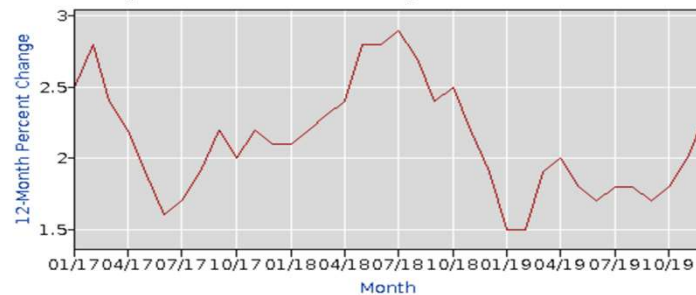
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Have we really had a huge overshoot?

Real GDP growth has averaged 1.4% (saar) since 2019:1, and ΔU since then is about zero.

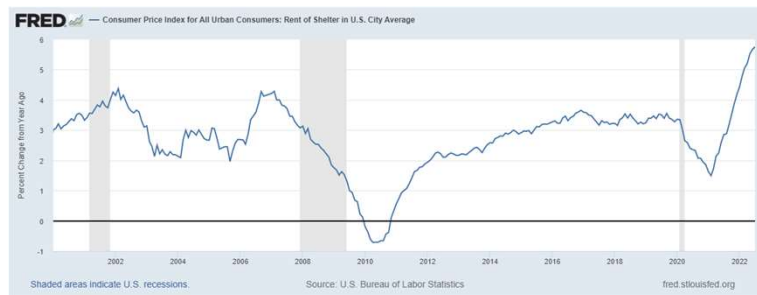


Was the U of 2019 already unsustainably low?



Bad news for the softish landing

- ❑ Wages are rising 1-2 points too fast.
- ❑ Persistent components of CPI have now accelerated.



A brief history of landings

	Dates	Total bps effective rate	Inflation two years later	Landing hard or soft?
1	Sep. 1965–Nov. 1966	174	Higher	Quite soft—but was it a landing?
2	July 1967–Aug. 1969	540	Lower	Softish
3	Feb. 1972–July 1974	962	Higher	Hard
4	Jan. 1977–Apr. 1980	1300	Lower	Hard
5	July 1980–Jan. 1981	1005	Lower	Hard
6	Feb. 1983–Aug. 1984	313	Lower	Very soft—but was it a landing?
7	Mar. 1988–Apr. 1989	326	Higher	Likely would have been a soft landing
8	Dec. 1993–Apr. 1995	309	Lower	Soft
9	Jan. 1999–July 2000	191	Same	Softish
10	May 2004–July 2006	424	Higher	Hard—but not due to Fed
11	Nov. 2015–Jan. 2019	228	Lower	Hard—but not due to Fed

