

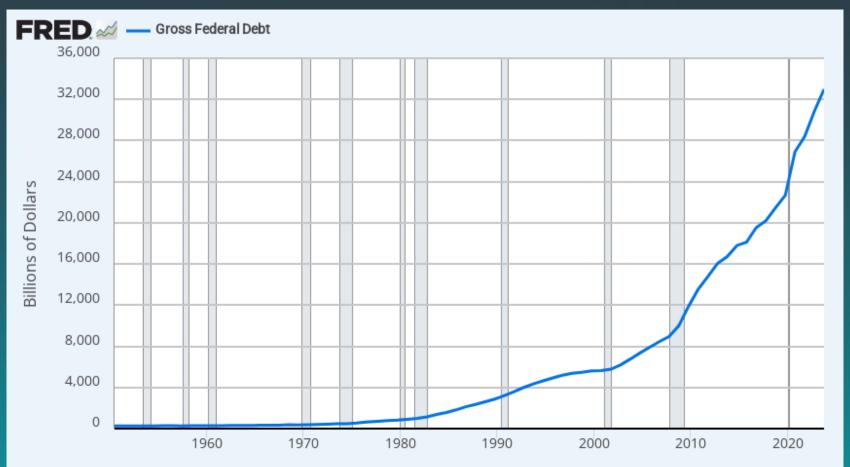
The Fed's Policy Framework

SOMC and Purdue University

Thomas Hoenig

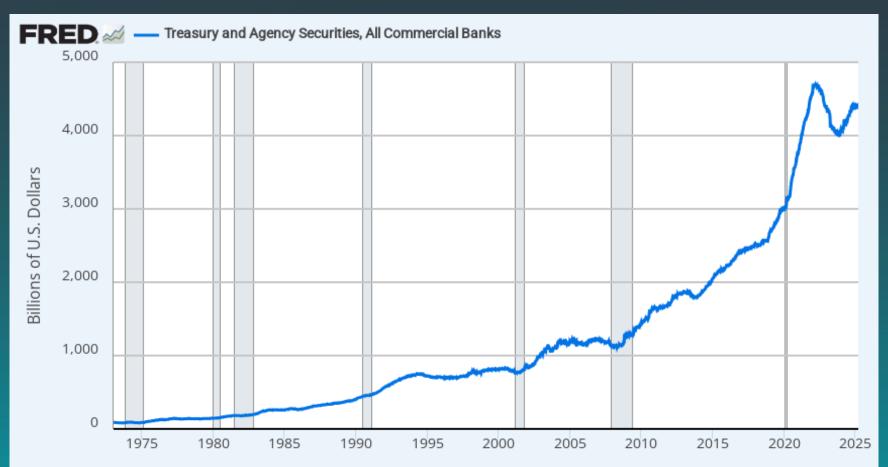
Distinguished Senior Fellow, Mercatus Center at George Mason University



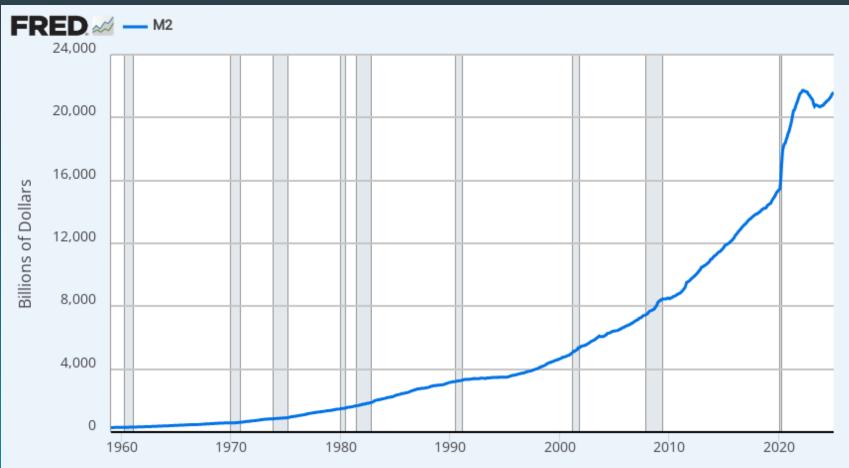


Source: Council of Economic Advisers (US) via FRED®

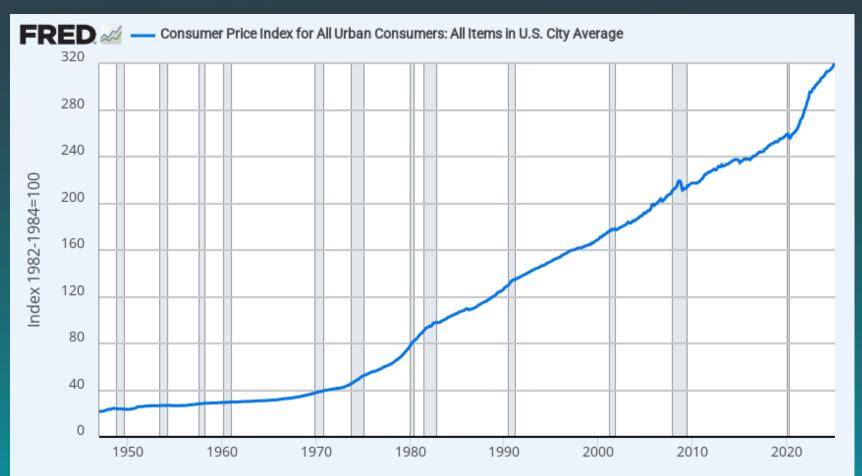
Shaded areas indicate U.S. recessions.



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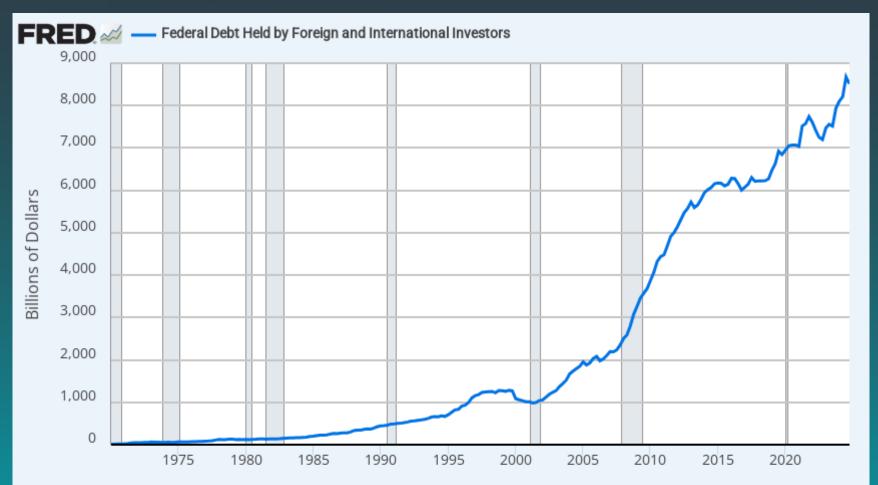
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Source: U.S. Bureau of Labor Statistics via FRED®

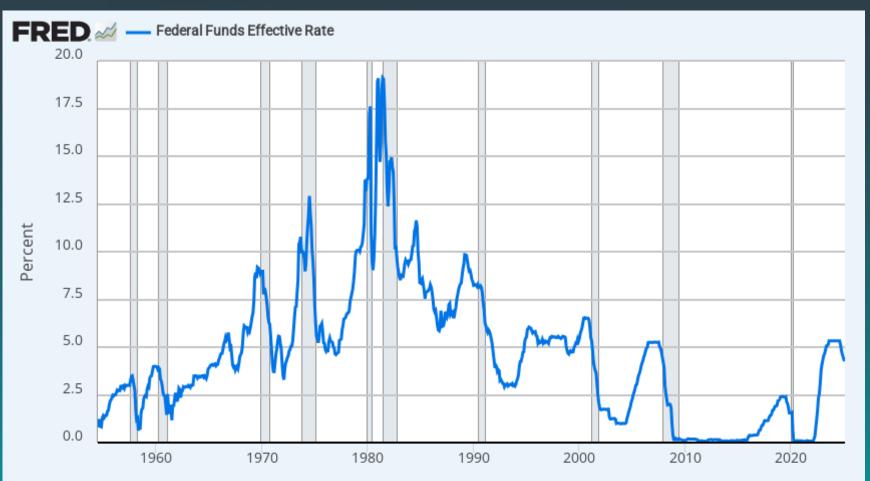
Shaded areas indicate U.S. recessions.

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Source: U.S. Department of the Treasury. Fiscal Service via FRED®

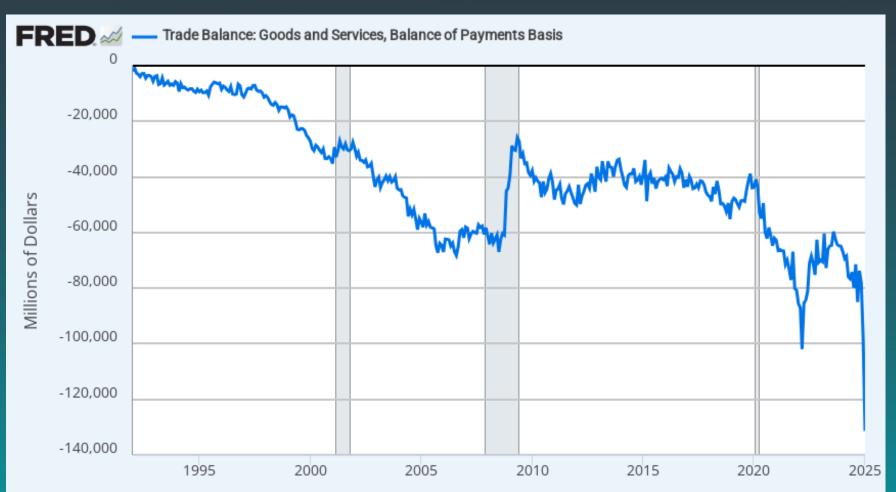
Shaded areas indicate U.S. recessions.



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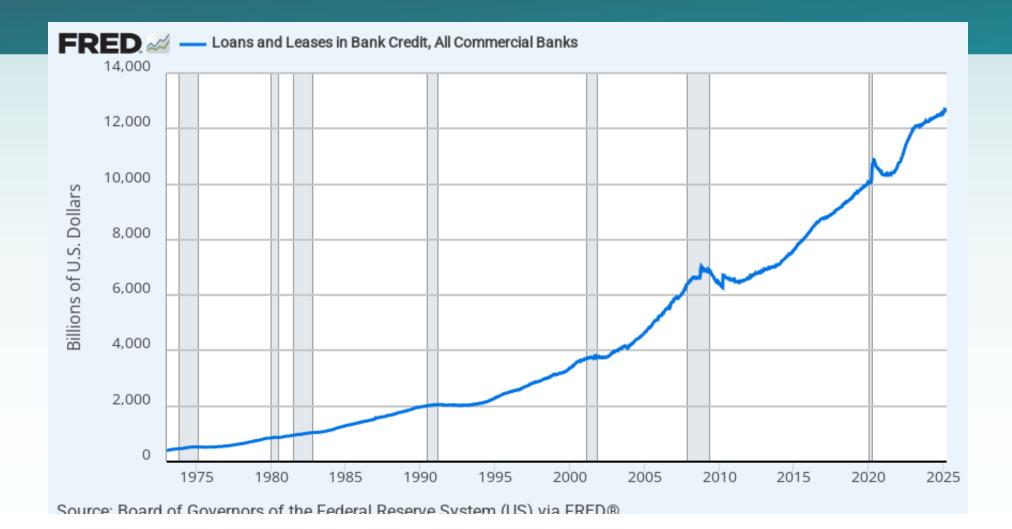


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Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED® *Shaded areas indicate U.S. recessions.*

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Necessary Conditions for Price Stability

- Ricardian Equivalence: The public and markets must be confident that deficits are temporary.
- Central Bank Independence: The central bank should not monetize the national debt (with few exceptions).
- Policy Framework: The central bank must explicitly acknowledge the role of fiscal conditions in its policy framework.