



Atlanta Fed President Lockhart's Economic Narrative Considers the Long View

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Yes, the September employment report was disappointing. Financial markets have been volatile. And, yes, data on net exports and business inventories signal some economic weakness. Downside risks, in fact, have worsened a touch during the past few weeks.

But dig deeper, take the long view, and the American economy—the real "Main Street" economy, not strictly the daily hurly-burly of financial markets—continues its long, gradual improvement. That is the economic narrative Atlanta Fed President Dennis Lockhart has delivered in recent speeches, including [one in New York](#) on October 9 and another in Orlando three days later.

"Overall, I interpret the data to indicate that the domestic economy continues to expand at a moderate pace, though this domestic expansion is occurring amid a backdrop of global weakness and elevated market volatility," Lockhart told the Society of American Business Editors and Writers in New York.

In formulating monetary policy, it is of course important to track short-term developments, including volatility in financial markets, Lockhart said. At the same time, he stresses that he avoids letting data from just a month or two dominate his outlook.

"When weighing a big decision like liftoff in circumstances like those we face at this juncture, it's also useful, in my view, to step back and consider the longer, cumulative picture," he said.

The long view: We've come a long way up from the bottom

That picture is mostly bright. Recovery from the Great Depression has been painfully slow. But it's been steady and sustained. Real economic output has increased about 14 percent—amounting to trillions of dollars—since the recessionary trough of 2009, Lockhart noted.

The U.S. economy overall is approaching its full potential. What economists call the "output gap"—the difference between actual economic output and potential output—has "closed substantially," Lockhart said. Along with that have come unemployment and underemployment, which are way down from their peak levels. Indeed, said Lockhart, the labor market is nearing what many economists consider "full employment," a circumstance when most everyone who is willing and able to work can find a job.

"So we have come a long way in the almost seven years since the federal funds rate reached the zero bound and the six-and-a-half-years since the economy hit bottom," Lockhart summarized.

Recently, the consumer has been a key cog. The "consumer-based dimension of the economy" has been strong for several months, Lockhart noted. Consumer spending apparently has even "shifted into a higher gear" in roughly the past year. He

figures data on consumer behavior and attitudes will be especially telling leading up to Federal Open Market Committee (FOMC) meetings in late October and mid-December.

Lockhart is a voting member of the FOMC as it contemplates whether to raise the federal funds rate target from the zero to 0.25 percent band where it's rested since late 2008. On that subject, Lockhart said he believes the economy remains on a satisfactory track. Speaking for himself, not for the FOMC, he sees a liftoff decision at the October or December FOMC meetings as "likely appropriate."



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