

For release on delivery  
8:50 a.m. EDT (1:50 p.m. GMT)  
October 21, 2020

Achieving a Broad-Based and Inclusive Recovery

Remarks by

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at

“Post-COVID—Policy Challenges for the Global Economy”  
Society of Professional Economists Annual Online Conference  
(via webcast)

October 21, 2020

I want to express my appreciation to Kevin Daly for inviting me to participate in the Society of Professional Economists Annual Online Conference.<sup>1</sup>

The U.S. economy saw a strong initial bounceback from the depths of the COVID-19 (coronavirus disease 2019) crisis, aided by significant targeted support. The recovery remains highly uncertain and highly uneven—with certain sectors and groups experiencing substantial hardship. These disparities risk holding back the recovery. The Federal Reserve is committed to providing sustained accommodation to achieve a broad-based recovery. Further targeted fiscal support will be needed alongside accommodative monetary policy to turn this K-shaped recovery into a broad-based and inclusive recovery.

### **K-Shaped Recovery?**

Targeted interventions, along with adaptations in the behavior of households and businesses, have enabled economic activity to recover. All told, after an unprecedented contraction in the first half of the year, U.S. gross domestic product appears likely to have reversed more than one-half of that decline in the third quarter.

But within the overall improvement, some groups and sectors continue to see depressed employment, income, and revenues. Sustained disparities can hold back the recovery and lead to worse overall outcomes. Over the past month, the Federal Reserve Board has held three meetings with community groups, mission-oriented lenders, and representatives of frontline workers to hear about these disparities and their implications for the recovery.

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<sup>1</sup> I am grateful to Kurt Lewis for his assistance in preparing this text. These remarks represent my own views, which do not necessarily represent those of the Federal Reserve Board or the Federal Open Market Committee.

Overall, total consumer expenditures in the United States have recovered about three-fourths of their spring decline through August. Interest-sensitive sectors such as residential real estate and autos have rebounded strongly—a welcome reminder of the power of monetary accommodation, especially when coupled with necessary fiscal support. Consumer spending on goods posted robust gains over the summer, and August levels exceeded those in January. In sharp contrast, however, consumer spending on services through August has recovered only about 60 percent of its spring decline and remains well below pre-COVID-19 levels.

At the aggregate level, indicators of business investment, including shipments of capital goods, have been stronger than anticipated and point to a solid increase in equipment and investment spending in the third quarter. In contrast, investment on nonresidential structures remains depressed. Activity in some sectors remains substantially below pre-COVID-19 levels. For instance, airline passenger traffic is still 60 percent below its pre-pandemic level, contributing to the decline in aircraft orders this year, and hotel revenue per available room is only half the level of a year earlier.

Our actions have helped promote the flow of credit to households and businesses. Borrowing costs are low along the yield curve, and liquidity is abundant. Amid historically low corporate bond yields, gross issuance of both investment- and speculative-grade corporate bonds was strong in the third quarter.

In contrast to the favorable financing conditions for large businesses with access to capital markets, financing conditions for small businesses remain tight, with lower lending activity and signs of deteriorating loan performance. Small businesses tend to be concentrated in sectors that entail high direct contact, operate with relatively tight cash

buffers, and rely on bank credit rather market-based finance. In the most recent Census Bureau Small Business Pulse Survey from early October, more than 30 percent of small businesses report having one month or less of cash on hand.

The most recent Federal Reserve Small Business Lending Survey indicates that the Paycheck Protection Program (PPP) provided a critical lifeline for small and medium-sized businesses, but also that credit availability has otherwise tightened. Driven primarily by PPP-related loans, originations of new small business commercial and industrial loans in the second quarter of 2020 were more than nine times the size of originations in either the first quarter of 2020 or the second quarter of 2019.<sup>2</sup> However, 44 percent of respondents, on net, indicate loan standards tightened over the second quarter. About 43 percent of respondents, on net, reported a deterioration in the credit quality of small business applicants—the largest decline since the inception of the survey and only the second time in which respondents of all bank sizes, on net, reported a decline.

Minority small businesses have been particularly hard hit. According to recent research, between February and April, the economy saw a 41 percent decline in Black business owners and a 32 percent decline in Latinx business owners, compared with a 22 percent overall decline.<sup>3</sup>

The labor market recovery to date has been more rapid than the initial pace following the Global Financial Crisis, but it has been uneven, and the easiest

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<sup>2</sup> The most recent Small Business Lending Survey (dated September 29, 2020) is available on the Federal Reserve Bank of Kansas City's website at <https://www.kansascityfed.org/research/indicatorsdata/smallbusinesslendingsurvey>.

<sup>3</sup> See Robert W. Fairlie (2020), "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," NBER Working Paper Series 27309 (Cambridge, Mass.: National Bureau of Economic Research, June), <https://www.nber.org/papers/w27309.pdf>.

improvements are likely behind us. The pace of labor market improvement is decelerating at a time when employment is still far short of its maximum level. As of September, total nonfarm payroll employment had recovered about half of the jobs that were lost in March and April, and it remained about 11 million jobs below its February level. Private payroll gains in September were less than in July and August and came in far below the gains posted in May and June. Although the number of persons on temporary layoff has dropped back sharply from the highs in the spring to a level of 4.6 million in September, the number of permanent job losers has been rising since February and was at a level of 3.8 million in September. The job-finding rate for those who are permanently laid off is less than half the rate of those on temporary layoff, so the speed of labor market improvement is likely to decelerate further if these trends continue. Similarly, after seeing large declines during much of the summer, initial claims for unemployment insurance have crept up recently and remain elevated.

The 1/2 percentage point decline in the unemployment rate in September to 7.9 percent was accompanied by a 0.3 percentage point decline in the labor force participation rate (LFPR).<sup>4</sup> The recent decline in prime-age labor force participation has been due primarily to women. September marks the third consecutive monthly decline in the prime-age female LFPR since it bounced back in May and June. The decline in September, when many schools moved to virtual instruction, was especially pronounced for women ages 35 to 44. Indeed, the fraction of prime-age respondents to the Current

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<sup>4</sup> The reported unemployment rates used here also reflect misclassification, although this is declining. The Bureau of Labor Statistics (BLS) has indicated that the official unemployment rate has understated the extent of joblessness in recent months because many workers who were on temporary layoff were incorrectly reported as being employed but absent from work. The BLS estimated that this misclassification held down the unemployment rate by about 5 percentage points in April, declining to about 0.4 percentage point in September.

Population Survey in September with children ages 6 to 17 who reported being out of the labor force for caregiving reasons was about 14 percent, up nearly 2 percentage points from a year earlier.<sup>5</sup> If not soon reversed, the decline in the participation rate for prime-age women could have longer-term implications for household incomes and potential growth.

The COVID-19 pandemic is exacerbating existing disparities in labor market outcomes. Although employment fell sharply for all groups between February and April, the decline was steeper for Black and Hispanic workers than for white and Asian workers, steeper for women than for men, and steeper for non-college-educated workers than for college graduates. At 12.1 percent, the unemployment rate for Black workers is more than 4 percentage points higher than the aggregate.<sup>6</sup> Occupation and industry affiliation can explain only part of these COVID-19 labor market disparities.<sup>7</sup>

In the years before the pandemic, I was encouraged to see prime-age individuals in all demographic groups drawn into the strong labor market, reversing the previous

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<sup>5</sup> Staff calculations based on the microdata from the September Current Population Survey.

<sup>6</sup> After declining by 11.5 percentage points between February and April, the employment-to-population ratio for Black prime-age individuals has recovered by 4.5 percentage points. The comparable numbers for White prime-age individuals was a 10.4 percentage point decline followed by an improvement of 6 percentage points. See U.S. Bureau of Labor Statistics (2020), "Employment Status of the Civilian Noninstitutional Population by Race, Hispanic or Latino Ethnicity, Sex, and Age, Seasonally Adjusted," table A-4, Current Population Survey (Washington: BLS, October), <https://www.bls.gov/web/empsit/cpseca04.htm>.

<sup>7</sup> Black and Latinx workers are overrepresented in the frontline fields of work that entail high contact and pose greater risks of exposure to infection. See Steven Brown (2020), "How COVID-19 Is Affecting Black and Latino Families' Employment and Financial Well-Being," Urban Institute, *Urban Wire: Race and Ethnicity* (blog), May 6, <https://www.urban.org/urban-wire/how-covid-19-affecting-black-and-latino-families-employment-and-financial-well-being>. Despite this, Cortes and Forsythe find that the larger increases in job losses suffered by individuals from disadvantaged groups, such as Hispanics, younger workers, those with lower levels of education, and women, can be explained only in part by occupation and industry affiliation; see Guido Matias Cortes and Eliza C. Forsythe (2020), "The Heterogeneous Labor Market Impacts of the Covid-19 Pandemic," Upjohn Institute Working Paper Series 20-327 (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, May), [https://research.upjohn.org/cgi/viewcontent.cgi?article=1346&context=up\\_workingpapers](https://research.upjohn.org/cgi/viewcontent.cgi?article=1346&context=up_workingpapers).

decline in participation and boosting the productive capacity of the economy.<sup>8</sup> Persistent spells out of employment risk harming not only the prospects of these individuals, but also the economy's potential growth rate.

Regarding the other side of our dual mandate, the 12-month change in total personal consumption expenditures (PCE) prices picked up from 0.5 percent in April to 1.4 percent in August. Over the same period, core PCE price inflation picked up from 0.9 percent to 1.6 percent, supported lately by increases in prices of durable goods, including those for used cars and household appliances.<sup>9</sup> While inflation may temporarily rise to or above 2 percent on a 12-month basis next year when the March and April price readings fall out of the 12-month calculation, my baseline forecast for inflation over the medium term is for it to remain short of 2 percent over the next few years.

### **Support for a Broad-Based and Inclusive Recovery**

Recent research indicates that the Coronavirus Aid, Relief, and Economic Security (CARES) Act played a significant role in supporting aggregate demand in the spring and summer. Enhanced unemployment benefits offset the lost income of many lower-wage and services workers, in some cases at greater-than-wage-replacement rates. Household spending stepped up in mid-April, coinciding with the first disbursement of

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<sup>8</sup> See Lael Brainard (2017), "Why Persistent Employment Disparities Matter for the Economy's Health," speech delivered at "Disparities in the Labor Market: What Are We Missing?" a research conference sponsored by the Board of Governors of the Federal Reserve System, Washington, September 26, <https://www.federalreserve.gov/newsevents/speech/brainard20170926a.htm>, in addition to the citations therein; and Jerome H. Powell (2019), "Building on the Gains from the Long Expansion," speech delivered at the Annual Meeting of the Greater Providence Chamber of Commerce, Providence, R.I., November 25, <https://www.federalreserve.gov/newsevents/speech/powell20191125a.htm>.

<sup>9</sup> The trimmed mean PCE inflation rate calculated by the Federal Reserve Bank of Dallas over the 12 months ending in August was 1.9 percent; the data as of August 2020 are available on the Bank's website at <https://www.dallasfed.org/research/pce>.

stimulus payments to households and a ramp-up in the payout of unemployment benefits, and showed the most pronounced increases in the states that received more benefits.<sup>10</sup>

The Survey of Consumer Finances indicates that cash-constrained households make up a significant fraction of the population. With unemployment and reduced hours likely to persist, many of these households are unlikely to be able to sustain recent levels of consumption without additional fiscal support as well as extended loan forbearance and eviction moratoriums. The financial security of displaced workers will depend importantly on whether unemployment benefits will be extended or supplemented—and if this will occur before any remaining savings accrued from the CARES Act funding run out.<sup>11</sup>

Analogous questions arise with regard to the many hard-hit small businesses that were sustained early in the crisis by PPP loans, whose finances are becoming increasingly strained as revenue shortfalls persist. Similarly, the state and local governments that were able to weather tax-and-fee revenue shortfalls early in the crisis are likely to find it

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<sup>10</sup> Baker and others find that a panel of households responded quickly to CARES Act stimulus payments despite stay-at-home orders and social distancing; see Scott R. Baker, R.A. Farrokhnia, Steffen Meyer, Michaela Pagel, and Constantine Yannelis (2020), “Income, Liquidity, and the Consumption Response to the 2020 Economic Stimulus Payments,” NBER Working Paper Series 27097 (Cambridge, Mass.: National Bureau of Economic Research, May), <https://www.nber.org/papers/w27097>. Kargar and Rajan as well as Chetty and others find similar responses to the CARES Act using different data. See Ezra Karger and Aastha Rajan (2020), “Heterogeneity in the Marginal Propensity to Consume: Evidence from Covid-19 Stimulus Payments,” Working Paper Series 2020-15 (Chicago: Federal Reserve Bank of Chicago, May; revised October 2020), <https://www.chicagofed.org/publications/working-papers/2020/2020-15>; and Raj Chetty, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team (2020), “The Economic Impacts of COVID-19: Evidence from a New Public Database Built from Private Sector Data,” Opportunity Insights Working Paper (Cambridge, Mass.: Opportunity Insights, September), [https://opportunityinsights.org/wp-content/uploads/2020/05/tracker\\_paper.pdf](https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf).

<sup>11</sup> The notable increase in the personal saving rate raises questions about how much these savings might enable households with income losses to smooth consumption in the months ahead and whether a burst of consumption might occur once uncertainty around the pandemic is resolved favorably. These questions hinge on the distribution of the savings. Such effects might be diminished, for instance, to the extent that a substantial amount of the savings might be held by high-income consumers, reflecting reduced opportunities to consume in-person services.

more difficult to sustain employment and spending levels the longer the pandemic persists in the absence of further fiscal support.

Continued targeted support to replace lost incomes will be an important factor in determining the strength of the recovery. Apart from the course of the virus itself, the most significant downside risk to my outlook would be the failure of additional fiscal support to materialize. Too little support would lead to a slower and weaker recovery. Premature withdrawal of fiscal support would risk allowing recessionary dynamics to become entrenched, holding back employment and spending, increasing scarring from extended unemployment spells, leading more businesses to shutter, and ultimately harming productive capacity.

The recovery will be broader based, stronger, and faster if monetary policy and fiscal policy both provide continued support to the economy. While monetary policy has helped keep credit available and borrowing costs low, fiscal policy has replaced lost incomes among households experiencing layoffs and businesses and states and localities suffering temporary drops in revenue.

### **Monetary Policy**

Finally, let me turn to how the new Statement on Longer-Run Goals and Monetary Policy Strategy will help monetary policy achieve its goals. The new statement on goals and strategy seeks to align monetary policy with key longer-run changes in the economy.<sup>12</sup> The combination of a low neutral interest rate, underlying trend inflation

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<sup>12</sup> The new statement is available on the Board's website at [https://www.federalreserve.gov/monetarypolicy/files/FOMC\\_LongerRunGoals.pdf](https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf). Information about the review of monetary policy strategy, tools, and communications can also be found on the Board's website, at <https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications.htm>. In addition, see Lael Brainard (2020), "Bringing the Statement on Longer-Run Goals and Monetary Policy Strategy into Alignment with Longer-Run Changes in the Economy," speech delivered at "How the Fed Will Respond to the COVID-19 Recession in an Era of Low

below 2 percent, and the low responsiveness of inflation to resource slack embodied in a flat Phillips curve reduces the amount we can cut rates to buffer the economy, weakens inflation expectations, and could lead to worse employment and inflation outcomes over time. Consequently, it is important to strengthen our ability to achieve our employment and inflation goals by committing to a path of policy and lowering borrowing costs along the yield curve.

The new statement on goals and strategy makes several key changes that should significantly improve the way the Committee conducts monetary policy. It eliminates the previous reference to a numerical estimate of the longer-run normal unemployment rate and instead defines the statutory maximum level of employment as a broad-based and inclusive goal. It commits that the Committee will aim to eliminate shortfalls of employment from its maximum level, rather than the previous reference to deviations, which could be in either direction. By eliminating the rationale for removing accommodation preemptively when the unemployment rate nears estimates of the natural rate in anticipation of high inflation that is unlikely to materialize, the new framework will avoid an unwarranted loss of opportunity for many Americans. The broad-based and inclusive definition of maximum employment calls for a more comprehensive assessment of areas of slack in the labor market, such as the disparities in employment outcomes I discussed earlier.

To address the downward bias associated with the proximity of the policy rate to its lower bound, the new statement on goals and strategy adopts a flexible inflation

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Rates and Low Inflation,” an event hosted by the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution, Washington, September 1,  
<https://www.federalreserve.gov/newsevents/speech/brainard20200901a.htm>.

averaging targeting (FAIT) strategy that seeks to achieve inflation that averages 2 percent over time. Under an inflation averaging strategy, appropriate monetary policy will aim to achieve inflation moderately above 2 percent for a time to compensate for shortfalls during a period when it has been running persistently below 2 percent.

The forward guidance adopted by the Federal Open Market Committee (FOMC) in September gives concrete expression to the new strategy outlined in the new statement of goals and strategy. The forward guidance sets out outcome-based criteria that it expects to be achieved before the Committee lifts the policy rate from the lower bound. The labor market must reach “levels consistent with the Committee’s assessments of maximum employment.” Inflation would need to rise to 2 percent, and, in addition, the Committee would need to assess that inflation is on track to moderately exceed 2 percent for some time. The new FAIT framework is implemented not only through these outcome-based conditions for the liftoff of the policy rate, but also through the commitment that monetary policy will remain accommodative after liftoff for some time in order to achieve “inflation moderately above 2 percent for some time so that inflation averages 2 percent over time,” consistent with longer-term inflation expectations anchored at 2 percent. This implies there likely will be a period after liftoff when the policy rate remains below neutral to support the inflation makeup strategy and maximum employment. Research indicates that an important precondition for forward guidance to be effective is that the public understands and believes the policymakers’ commitment to making it happen.<sup>13</sup> It will be important for the Committee to communicate clearly about our intentions and stay the course resolutely.

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<sup>13</sup> See Ben S. Bernanke, Michael T. Kiley, and John M. Roberts (2019), “Monetary Policy Strategies for a Low-Rate Environment,” Finance and Economics Discussion Series 2019-009 (Washington: Board of

How will we know if the new FAIT strategy is working? In addition to carefully monitoring labor market and inflation outcomes, it will be important to monitor a variety of indicators to see evidence that longer-term inflation expectations are moving sustainably to 2 percent. Inflation expectations are difficult to measure directly, so I generally consult a set of indicators to provide a more complete picture than any one measure on its own. Changes in expectations reported in surveys provide one important source of information. For instance, median 5- and 10-year PCE inflation expectations from the Survey of Professional Forecasters both dropped considerably in the second quarter and stand at 1.7 percent and 1.85 percent, respectively, for the third quarter, which are the second lowest, and lowest, readings, respectively, in each series. The median 5-to-10-year measure from the University of Michigan Surveys of Consumers moved down in October to 2.4 percent, toward the lower end of its range in recent years, which is almost 1/2 percentage point below its range before 2014.

In addition to survey data that are available at a monthly or quarterly frequency, we monitor market-based measures of inflation expectations that are available daily. To use market-based measures of inflation compensation based on Treasury Inflation-Protected Securities (TIPS) or inflation swaps, the signal on inflation expectations must be separated from liquidity and term premiums through model-based methods.<sup>14</sup> After

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Governors of the Federal Reserve System, February), <https://doi.org/10.17016/FEDS.2019.009>, in addition to analytical work developed as part of the framework review: Jonas Arias, Martin Bodenstein, Hess Chung, Thorsten Drautzburg, and Andrea Raffo (2020), “Alternative Strategies: How Do They Work? How Might They Help?” Finance and Economics Discussion Series 2020-068 (Washington: Board of Governors of the Federal Reserve System, August), <https://doi.org/10.17016/FEDS.2020.068>; and James Hebden, Edward P. Herbst, Jenny Tang, Giorgio Topa, and Fabian Winkler (2020), “How Robust Are Makeup Strategies to Key Alternative Assumptions?” Finance and Economics Discussion Series 2020-069 (Washington: Board of Governors of the Federal Reserve System, August), <https://doi.org/10.17016/FEDS.2020.069>.

<sup>14</sup> See Don Kim, Cait Walsh, and Min Wei (2019), “Tips from TIPS: Update and Discussions,” FEDS Notes (Washington: Board of Governors of the Federal Reserve System, May 21),

making those adjustments, TIPS-based 5- and 10-year inflation expectations were 1.41 percent and 1.66 percent, respectively, on the final day of the third quarter, up from the lows experienced in March but well below their historical average.

Finally, it is useful to consult measures of underlying trend inflation.<sup>15</sup> A variety of estimates using time-series models suggest that underlying trend inflation may have moved down by as much as 1/2 percentage point over the past decade.<sup>16</sup>

It is difficult to anticipate how long it will take to achieve the conditions set out in the forward guidance. The September Summary of Economic Projections shows that most participants do not currently anticipate that the policy rate will depart from its lower bound by the end of 2023. When it does lift off, the policy rate could be expected to change only gradually, reflecting the commitment to remain accommodative until inflation has moderately exceeded 2 percent for some time. Of course, the pace of the

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<https://www.federalreserve.gov/econres/notes/feds-notes/tips-from-tips-update-and-discussions-20190521.htm>.

<sup>15</sup> See Lael Brainard (2017), “Understanding the Disconnect between Employment and Inflation with a Low Neutral Rate,” speech delivered at the Economic Club of New York, New York, September 5, <https://www.federalreserve.gov/newsevents/speech/brainard20170905a.htm>.

<sup>16</sup> Stock and Watson introduced an estimate of trend inflation that assumed time-varying volatility. Cecchetti and others provided an update of that model that estimated trend inflation for core PCE prices in 2017 as about 1-1/2 percent in the past few years, compared with readings above 2 percent in the 2006–08 period (see figure 4.1, p. 23). See James H. Stock and Mark W. Watson (2007), “Why Has U.S. Inflation Become Harder to Forecast?” *Journal of Money, Credit and Banking*, vol. 39 (s1, February), pp. 3–33, available at <https://scholar.harvard.edu/stock/publications/why-has-inflation-become-harder-forecast>. See also Stephen G. Cecchetti, Michael E. Feroli, Peter Hooper, Anil K. Kashyap, and Kermit L. Schoenholtz (2017), *Deflating Inflation Expectations: The Implications of Inflation’s Simple Dynamics*, report prepared for the 2017 U.S. Monetary Policy Forum, sponsored by the Initiative on Global Markets at the University of Chicago Booth School of Business, held in New York, March 3, <https://research.chicagobooth.edu/~media/806fc2ded9644b5da99518d2b07cc637.pdf>. In more recent work, Ahn and Fulton find that an index of common inflation expectations has declined over the past decade, and Rudd finds that more stable measures of trend inflation have not declined significantly over that period but, nonetheless, stand below the Committee’s 2 percent objective. See Hie Joo Ahn and Chad Fulton (2020), “Index of Common Inflation Expectations,” FEDS Notes (Washington: Board of Governors of the Federal Reserve System, September 2), <https://www.federalreserve.gov/econres/notes/feds-notes/index-of-common-inflation-expectations-20200902.htm>; and Jeremy Rudd (2020), “Underlying Inflation: Its Measurement and Significance,” FEDS Notes (Washington: Board of Governors of the Federal Reserve System, September 18), <https://www.federalreserve.gov/econres/notes/feds-notes/underlying-inflation-its-measurement-and-significance-20200918.htm>.

recovery will dictate the actual path of monetary policy, as implied by the conditional outcome-based forward guidance adopted in September. Indeed, a key benefit of outcome-based forward guidance is that it conveys the Committee’s monetary policy reaction function in a manner that is transparent and responsive to changes in economic conditions.<sup>17</sup>

In conjunction with the forward guidance on the policy rate, the commitment to continue asset purchases at least at the current pace over coming months is also helping to achieve our goals by keeping borrowing costs low for households and businesses along the yield curve. As noted in the September FOMC minutes, in the months ahead, we will have the opportunity to deliberate and to clarify how the asset purchase program could best work in combination with forward guidance to support achievement of maximum employment and 2 percent average inflation.

While the strong bounceback in activity from the initial devastation of COVID-19 was heartening, the recovery thus far has been highly uneven, and the path ahead is highly uncertain. By pledging to provide accommodation until shortfalls from maximum employment have been eliminated and average inflation of 2 percent has been achieved, the new forward guidance will ensure that the recovery reaches those who have been disproportionately affected, leading to a broad-based and strong recovery. Continued asset purchases will help achieve these outcomes by keeping borrowing costs low for households and businesses along the yield curve. This strong support from monetary

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<sup>17</sup> Staff analysis conducted during the framework review indicates that date-based guidance may not give the Committee sufficient scope to respond to incoming data, and the strategy could lose credibility if the dates are revised frequently. Date-based guidance may also run a greater risk than outcome-based guidance of inadvertently signaling a pessimistic outlook. For further discussion, see Jeffrey Campbell, Thomas B. King, Anna Orlik, and Rebecca Zarutskie (2020), “Issues regarding the Use of the Policy Rate Tool,” Finance and Economics Discussion Series 2020-070 (Washington: Board of Governors of the Federal Reserve System, August), <https://doi.org/10.17016/FEDS.2020.070>.

policy—if combined with additional targeted fiscal support—can turn a K-shaped recovery into a broad-based and inclusive recovery that delivers better outcomes overall.