authorizing asset purchases of $85 billion per month through its QE3 program. He added that the flow rate of purchases is now widely regarded as the key aspect of meeting-to-meeting policy choices.

“Labor market conditions have improved since last summer, suggesting the Committee could slow the pace of purchases, but surprisingly low inflation readings may mean the Committee can maintain its aggressive program over a longer time frame,” Bullard concluded.

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President's Message

The St. Louis Fed's New Center for Household Financial Stability

The financial crisis and Great Recession had profound effects not only on the U.S. economy as a whole, but also on individual households. For instance, the collapse of the housing bubble sharply reduced the wealth of many homeowners and led many into foreclosure. Moreover, the collapse of the bubble left households with much more debt (relative to their incomes) than they had intended. Consequently, household deleveraging, or paying down debt, has played a key role in the recent recession and the slow recovery.

It is important to learn more about the link between households' balance sheets (their savings, assets, debts and net worth, as distinct from wages and income) and the overall performance of the U.S. economy, as well as the link between balance sheets and the stability and upward mobility of families.

For this reason, we are pleased to announce the creation at the St. Louis Fed of the Center for Household Financial Stability, which is dedicated to further research on household balance sheets—their status and overall health, why they matter for families and the economy, and the best approaches for strengthening them. Information on the center and its team members can be found at www.stlouisfed.org/household-financial-stability

This year's annual report essay features some of the center's new research. Authors Ray Boshara and Bill Emmons find that while many Americans lost wealth during the Great Recession, younger, less-educated and nonwhite families lost the greatest percentage of their wealth. According to the analysis, these subgroups had higher than average concentrations of their wealth in housing and more debt relative to their assets and income, meaning that the families most vulnerable to a deep recession often possessed the least healthy and riskiest balance sheets when the recession began. Boshara and Emmons also present evidence associating various levels of household balance-sheet health with college access and completion, upward economic mobility, and financial stability, as well as research suggesting that both sides of a family's balance sheet—assets and liabilities—appear to impact spending and economic growth.

Many in the Federal Reserve System and in other circles have, of course, been studying consumer finance for many years. What the center hopes to offer is a conceptual framework and a common table to work together and learn about household balance sheets. The center also plans to publish research on household balance sheets, including the new two-page research briefs, In the Balance. In addition, the team is constructing a balance-sheet data clearinghouse; creating a new balance-sheet index to gauge the health of American households' balance sheets; and organizing research symposia, practitioner forums, a speaker series and other activities to understand family balance sheets and develop ideas on how to improve them.

Work is under way and the partnerships are forming with colleagues throughout the Federal Reserve System, as well as external researchers and others. As we learn more about how microeconomic activity affects the performance of the macroeconomy, this research could have important public-policy implications, including insights for monetary policy.