



FEDERAL RESERVE COMMUNICATIONS: SURVEY RESULTS

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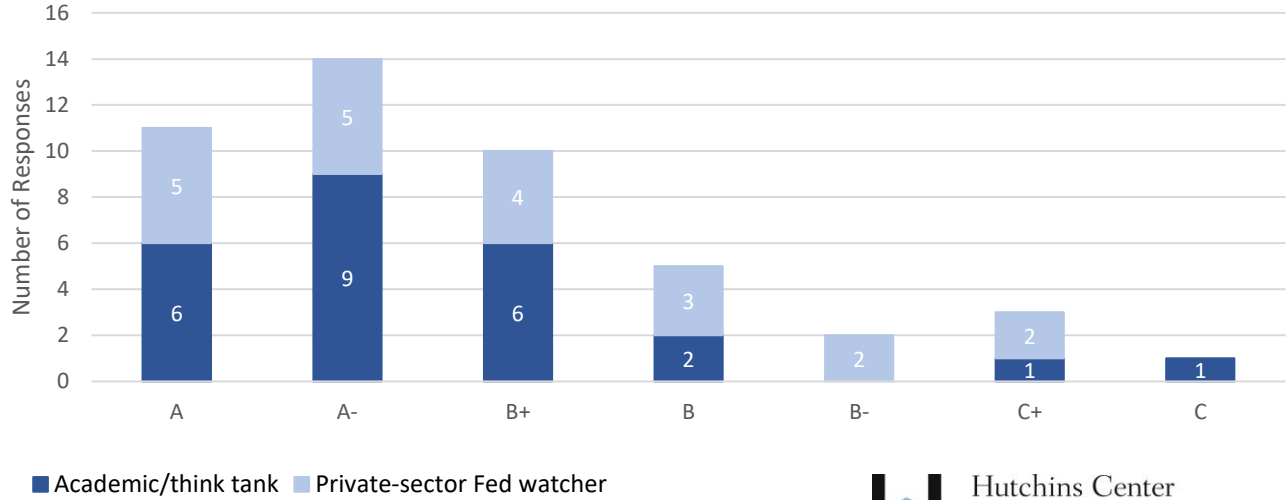
Communication strategy is now an integral part of central banking. Between November 9 and November 18, 2020, the Hutchins Center on Fiscal and Monetary Policy at Brookings conducted a survey asking both academic and private-sector Fed watchers¹ to rate the effectiveness of Federal Reserve communications. The survey was sent to 245 members of the NBER monetary economics group, respondents to the NABE Outlook Survey, and others; 46 responses were received. This survey follows a survey conducted in November 2016 as part of a [Hutchins Center event on Fed communications](#). To see detailed results from that 2016 survey, see [here](#). For a summary of 2020 survey results, see [here](#). This report includes detailed data from the 2020 survey.

¹ Respondents were asked to categorize their job as one of the following options: Academic/think tank, Private-sector Fed watcher (Wall Street, bank, advisory, consulting), Private-sector Fed watcher (non-financial business), or Other. Respondents who marked “Other” were aggregated with private-sector Fed watchers based on their specified job descriptions.

For more on the Hutchins Center see www.brookings.edu/hutchinscenter. For questions on this survey, please contact David Wessel at dwessel@brookings.edu.

(1) What overall grade would you give current Fed communications? (A-, A, B+, etc.)

Fed Watchers Give Fed Communications High Marks

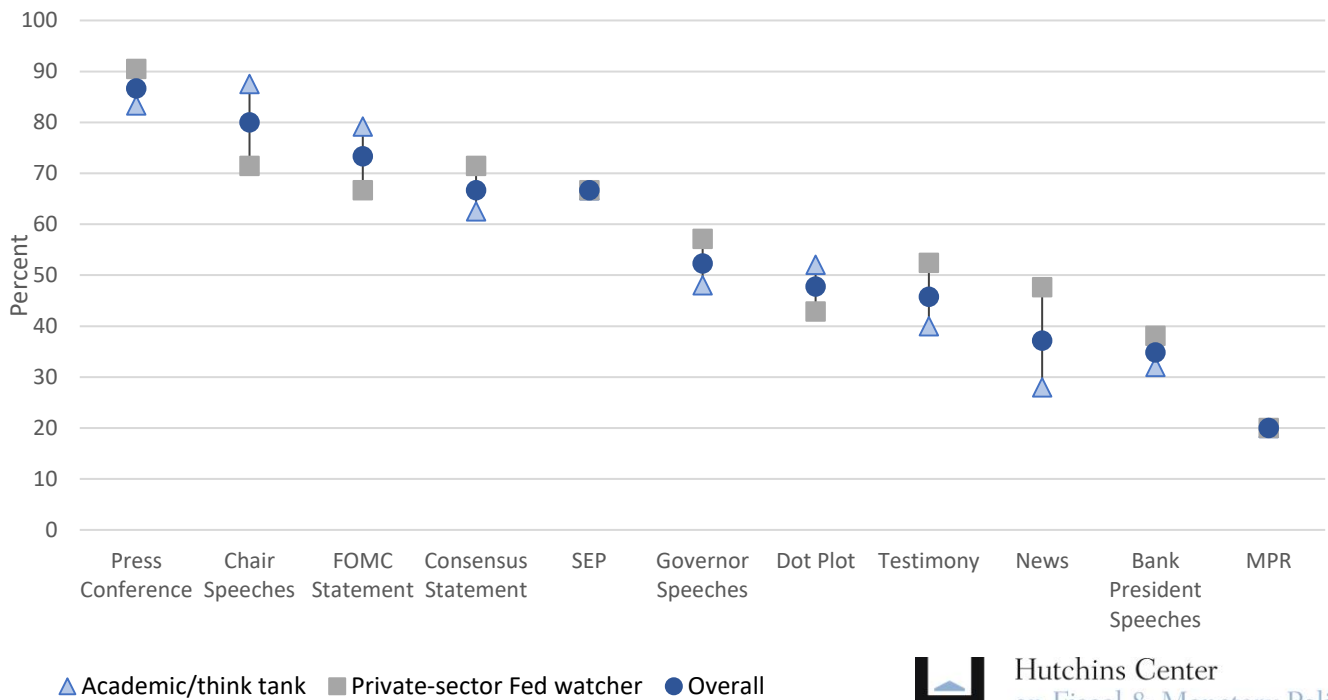


Grade	Academic/think tank (#)	Private-sector Fed watcher (#)	Total (#)	Academic/think tank (%)	Private-sector Fed watcher (%)	Total (%)
A	6	5	11	24.0	23.8	23.9
A-	9	5	14	36.0	23.8	30.4
B+	6	4	10	24.0	19.0	21.7
B	2	3	5	8.0	14.3	10.9
B-	0	2	2	0.0	9.5	4.3
C+	1	2	3	4.0	9.5	6.5
C	1	0	1	4.0	0.0	2.2
C-	0	0	0	0.0	0.0	0.0
D+	0	0	0	0.0	0.0	0.0
D	0	0	0	0.0	0.0	0.0
D-	0	0	0	0.0	0.0	0.0
F	0	0	0	0.0	0.0	0.0

(2) How useful [extremely, useful, somewhat, not very, useless] do you find of each of the following to be:

- *FOMC post-meeting statement*
- *Speeches by the chair*
- *The press conference*
- *Speeches by other Fed governors*
- *Summary of Economic Projections (excluding the dots)*
- *The dots in particular*
- *Congressional testimony by Fed chair*
- *Speeches by bank presidents*
- *The Fed's written semi-annual report to Congress*
- *Newspaper, TV, and wire service stories*

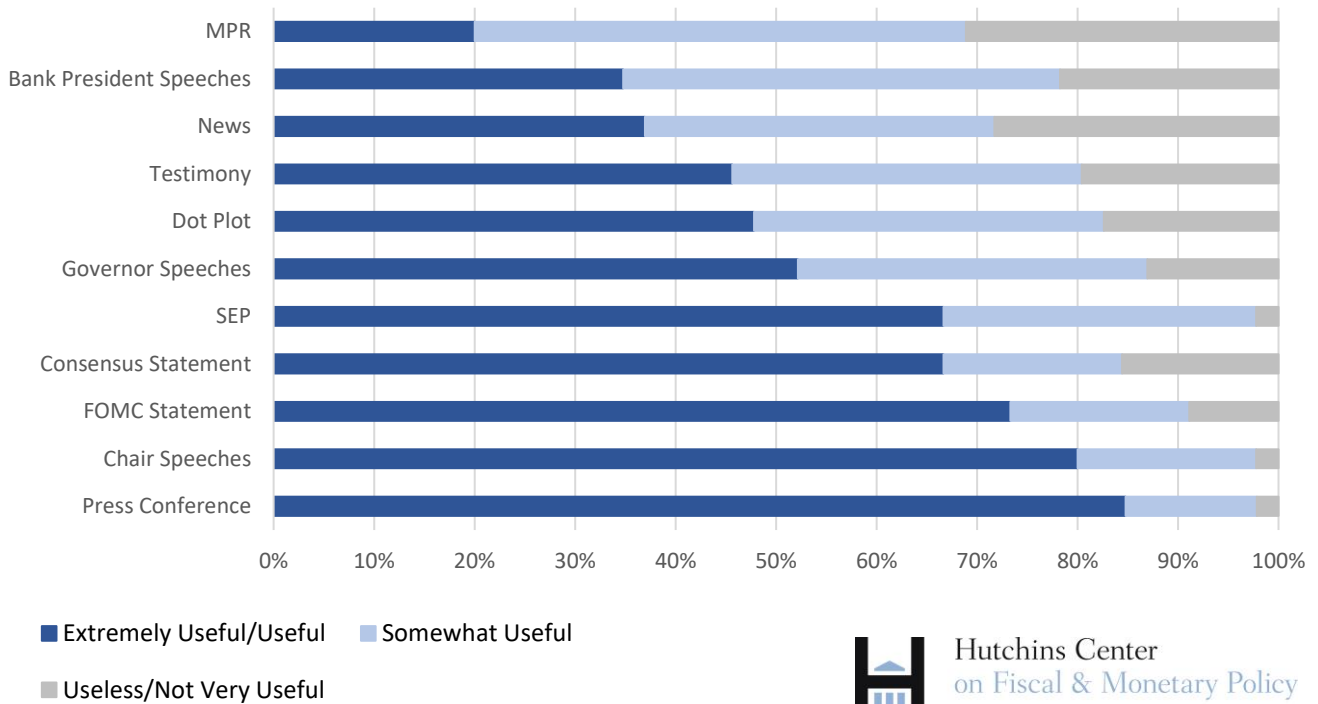
Many Fed Communications Channels are "Useful" or "Extremely Useful" to Fed Watchers



Share of academics and private-sector Fed watchers who find Fed communications channel extremely useful or useful (% by respondent type)

	Press Conference	Chair Speeches	FOMC Statement	Consensus Statement	Summary of Economic Projections	
Academic/think tank	83.3	87.5	79.2	62.5	66.7	
Private-sector Fed watcher	90.5	71.4	66.7	71.4	66.7	
Overall	86.7	80.0	73.3	66.7	66.7	
	Governor Speeches	Dot Plot	Testimony	News	Bank President Speeches	Monetary Policy Report
Academic/think tank	48.0	52.0	40.0	28.0	32.0	20.0
Private-sector Fed watcher	57.1	42.9	52.4	47.6	38.1	20.0
Overall	52.3	47.7	45.8	37.2	34.8	20.0

Which Channels of Fed Communication are Most Useful?

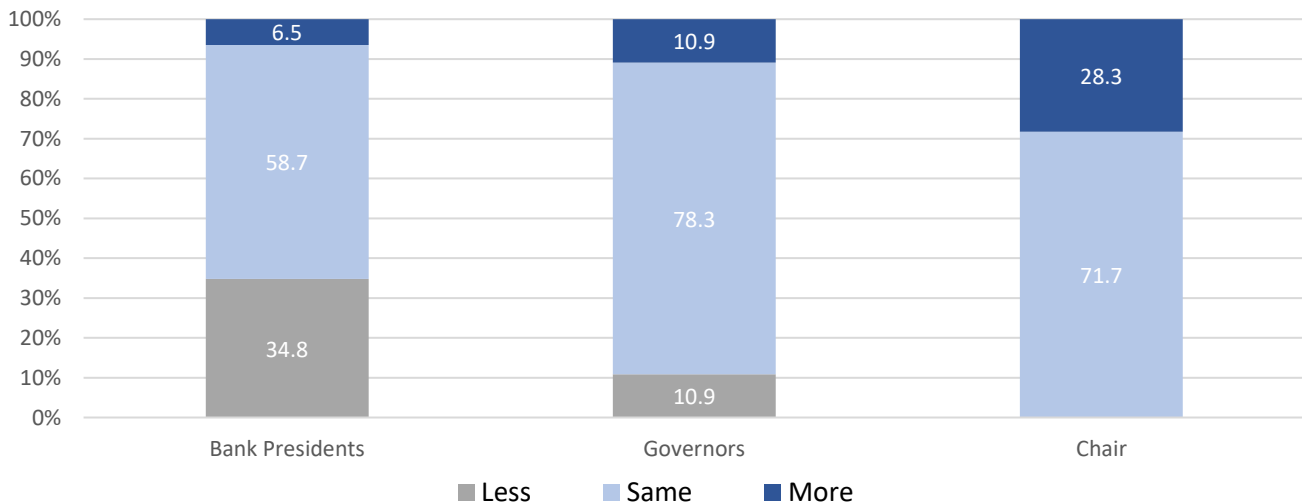


	Press Conference	Chair Speeches	FOMC Statement	Consensus Statement	Summary of Economic Projections	
Extremely Useful/Useful	84.8	80.0	73.3	66.7	66.7	
Somewhat Useful	13.0	17.8	17.8	17.8	31.1	
Useless/Not Very Useful	2.2	2.2	8.9	15.6	2.2	
	Governor Speeches	Dot Plot	Testimony	News	Bank President Speeches	Monetary Policy Report
Extremely Useful/Useful	52.2	47.8	45.7	37.0	34.8	20.0
Somewhat Useful	34.8	34.8	34.8	34.8	43.5	48.9
Useless/Not Very Useful	13.0	17.4	19.6	28.3	21.7	31.1

(3) When you think about how much each talks today, do you think each should talk more, less, or about the same amount?

- *The Fed Chair*
- *Fed governors*
- *Fed bank presidents*

Should the Chair, Governors, and Bank Presidents Speak More, the Same, or Less?

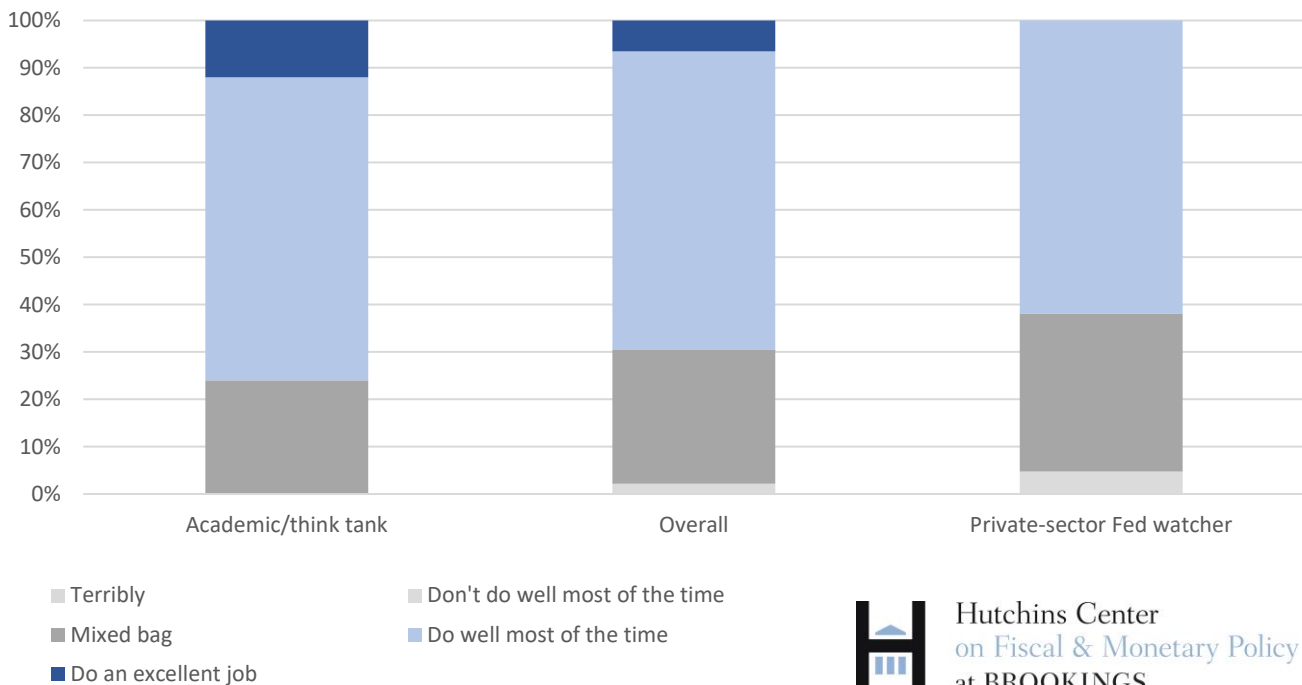


	Less (#)	Same (#)	More (#)	Less (%)	Same (%)	More (%)
Bank Presidents	16	27	3	34.8	58.7	6.5
Governors	5	36	5	10.9	78.3	10.9
Chair	0	33	13	0.0	71.7	28.3

(4) How well do you think Fed officials explain their views of the economy and their monetary policy plans:

- They do an excellent job
- They do well most of the time
- It's a mixed bag
- They don't do very well most of the time
- They do terribly (0 respondents selected this option, so it's left off the below chart)

How well do Fed officials explain their economic views and monetary policy plans?



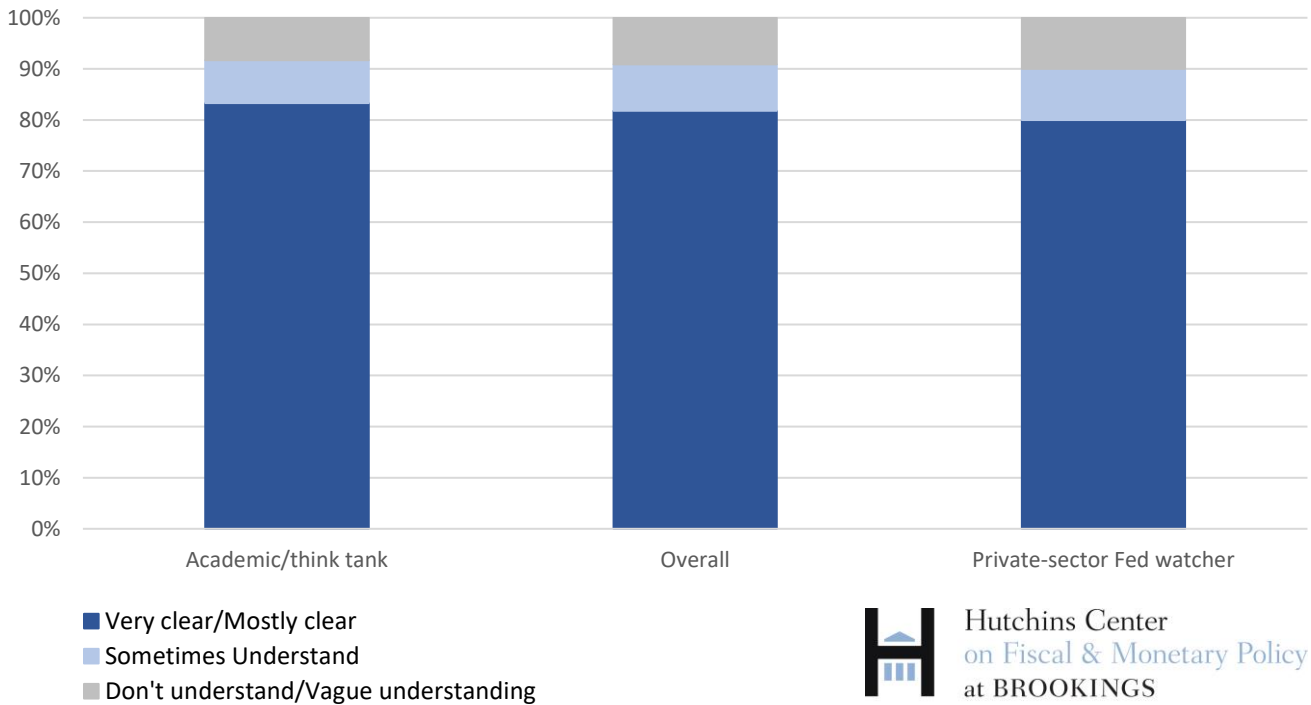
**How well do Fed Officials Explain their Economic Views and Monetary Policy Plans?
(% by respondent type)**

	Terribly	Don't do well most of the time	Mixed bag	Do well most of the time	Do an excellent job
Academic/think tank	0.0	0.0	24.0	64.0	12.0
Overall	0.0	2.2	28.3	63.0	6.5
Private-sector Fed watcher	0.0	4.8	33.3	61.9	0.0

(5) Which of the following statements comes closest to your view on the Fed's current reaction function:

- *I have a very clear sense of it*
- *I am mostly clear on it*
- *I understand it sometimes, but not all the time*
- *I have a vague understanding*
- *I do not understand it*

Fed Watchers Understand the Fed's Reaction Function



How well do you understand the Fed's reaction function? (% by respondent type)

	Do not understand	Vague understanding	Understand sometimes, but not always	Mostly clear	Very clear
Academic/think tank	0.0	8.3	8.3	62.5	20.8
Overall	0.0	9.1	9.1	65.9	15.9
Private-sector Fed watcher	0.0	10.0	10.0	70.0	10.0

Selected comments

"I don't think it's possible to have a well-defined reaction function in a situation like this, without any antecedent or track record to go by." – Kenneth Kuttner, Williams College

"The general reaction function is clear, but the specifics are not, which is what makes policy less effective than it could be." – Roberto Perli, Cornerstone Macro

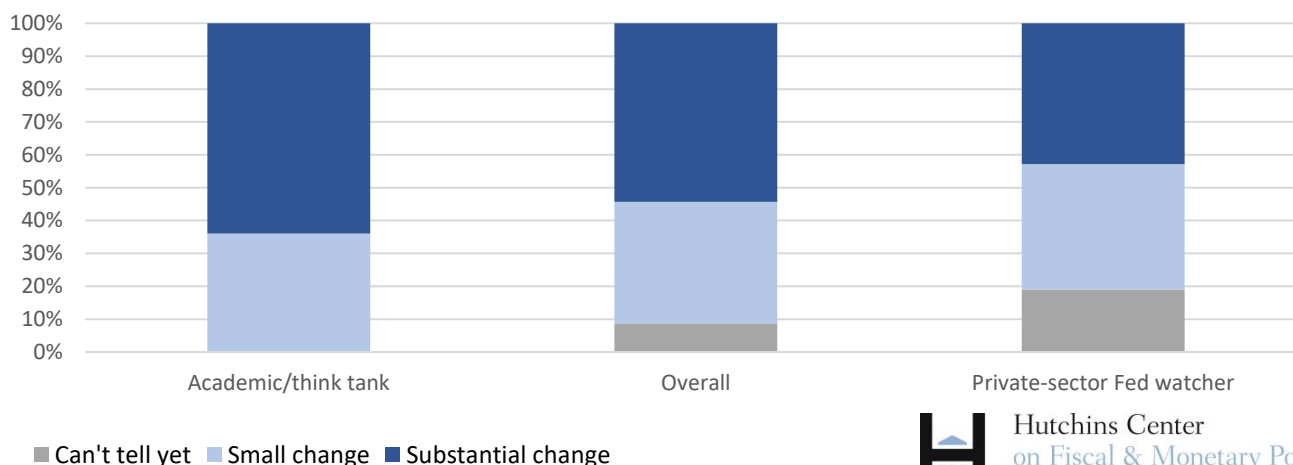
"They understand their reaction function sometimes, but not all the time. How am I supposed to do better?" – J. Bradford DeLong, University of California-Berkeley

"Very clear with respect to rates, not clear enough with respect to QE." – Aneta Markowska, Jefferies

(6) In terms of monetary policy, how big of a change does the Fed's new Statement on Longer-Run Goals and Monetary Policy Strategy represent?

- *A substantial change*
- *A small change*
- *Little to no change*
- *Can't tell yet*

In terms of monetary policy, how big of a change does the Fed's new Statement on Longer-Run Goals and Monetary Policy Strategy represent?



	Can't tell yet	Little to no change	Small change	Substantial change
Academic/think tank	0.0	0.0	36.0	64.0
Overall	8.7	0.0	37.0	54.3
Private-sector Fed watcher	19.0	0.0	38.1	42.9

Comments

"[It is a substantial change] Especially the employment portion (shortfalls.vs. deviations)" – Michael Moran, DCMA

"I don't believe it is credible that the Fed will seek inflation above 2% for as long as it has already been below 2%. But I don't see that much harm has been done by the Statement." – Jeffrey Frankel, Harvard

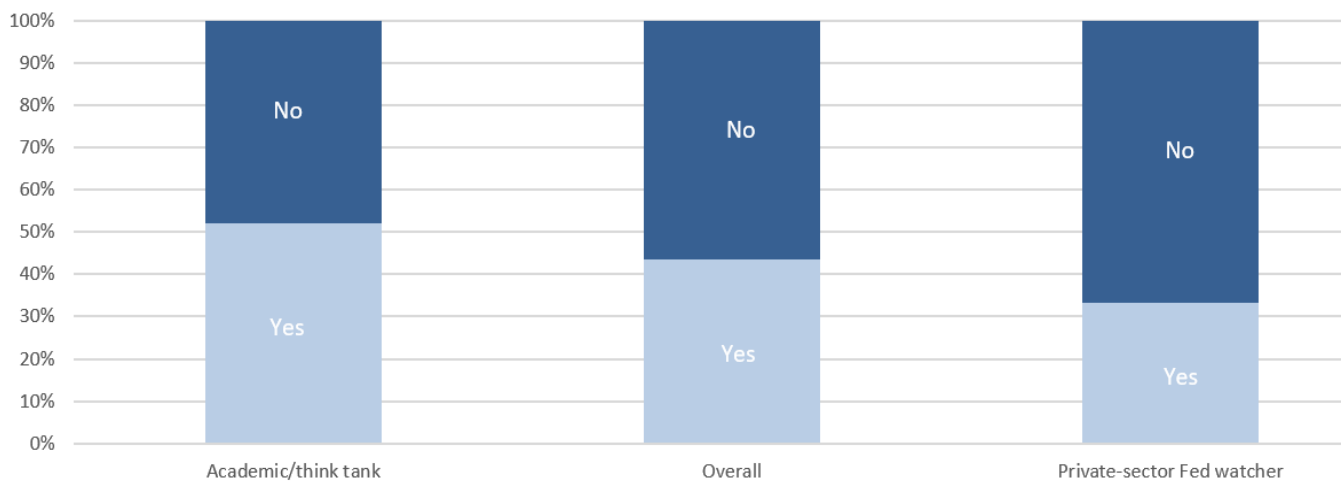
"I'd put it somewhere between small and substantial - call it incremental." – Kenneth Kuttner, Williams College

"Well, we don't know how cheap this talk is, do we?" – J. Bradford DeLong, University of California-Berkeley

(7) Has the Fed provided enough detail about its new average inflation targeting strategy for you to understand its implications for future monetary policy?

- Yes
- No

Has the Fed provided enough detail about its new average inflation targeting strategy for you to understand its implications for future monetary policy?



	Yes	No
Academic/think tank	52.0	48.0
Overall	43.5	56.5
Private-sector Fed watcher	33.3	66.7

If not, what would you like to know?

“How exactly does the Fed plan to achieve temporarily higher-than-target inflation? Or even sustainably higher inflation from here?” – Roberto Perli, Cornerstone Macro

“How far above 2% inflation is tolerable. Some Federal Reserve officials have begun to talk about this issue, but more information would be valuable.” – Mike Fratantoni, Mortgage Bankers Association

“I am skeptical that they have tools to be able to hit the inflation target.” – Jonathan Wright, Johns Hopkins University

“I would like to know how much cumulative overshooting of inflation the Fed will tolerate in future years to ‘make up for’ undershooting the target for the past decade.” – Peter Klenow, Stanford

“Inflation has been running below 2 percent for the past 10 years. Does that mean they will target inflation above 2 percent for the next 10 years? They have not been clear about how they will treat the past 10 years of misses.” – Eric Swanson, University of California-Irvine

“It’s basically a retreat to discretionary policy—so its specific implications just can’t be known until it seems time to change policy!” – Charles Steindel, Ramapo College

“More detail on the length of the period over which inflation needs to average 2%.” – Jay Bryson, Wells Fargo

“Roughly what is the lookback window—1, 5 or 10 years?” – Aneta Markowska, Jefferies

“They need to give a sense of the time horizon. In computing their average, how far will they look back, and how far do they look ahead?” – Stephen Cecchetti, Brandeis University

“What does moderately exceed 2% mean?” – Jim O’Sullivan, TD Securities

“What is average time frame—5 years? 10 years?” – Lindsey Piegza, Stifel

“Why should anybody believe that the Fed will seek inflation above 2% for as long as it has already been below 2%?” – Jeffrey Frankel, Harvard

(8) What changes would you recommend the Fed make to the Summary of Economic Projections?

No major changes

“The SEP is pretty good as is, no changes needed.” – Eric Swanson, University of California-Irvine

“None.” – Jay Bryson, Wells Fargo

“I may be in the minority, but I think the current SEP works well most of the time. It doesn't work well at inflection points, but then again, little else probably would. That said, connecting the dots would be useful in the absence of a consensus forecast.” – Roberto Perli, Cornerstone Macro

Frequency and forecast horizon

“The Summary of Economic Projections should be updated with each FOMC meeting.” – Mark Zandi, Moody's

“Extend the horizon. The key question with respect to FAIT framework is what happens post liftoff. Unfortunately, that's where the current SEP cuts off.” – Aneta Markowska, Jefferies

Added variables

“Include expectations of asset purchases such as done for interest rates; seems like a glaring omission. Include estimates of short-run r^* .” – Tim Duy, University of Oregon

“Add a line at the top for respondents to enter their projections to the rate of growth of nominal GDP. (I favor this even if, to begin with, the respondents simply add together their forecasts of real growth and inflation.)” – Jeffrey Frankel, Harvard

Changes to dot plot

“I would recommend eliminating the dot plots because whenever we are back to short-term interest rates being a live tool of monetary policy, it gives too much leverage to members with unusual views and also hurts the credibility of communications.” – Jonathan Wright, Johns Hopkins University

Publish individual forecasts

“Show the projections of each Fed official.” – Michael Moran, DCMA

“Identify everyone.” – Jim O’Sullivan, TD Securities

“1. Give a sense of how individual projections have changed. 2. Show the Tealbook outlook.” – Charles Steindel, Ramapo College

“Convert the SEP into a concise Report on Economic Projections with details released at the time of the Press conference. The report should highlight uncertainty around the median projection, and include a table with individual participants projections for inflation, growth, and unemployment.” – Stephen Cecchetti, Brandeis University

More information on assumptions and scenarios

“Baseline assumptions” – Lindsey Piegza, Stifel

“Provide additional clarity regarding the reasons behind the different forecasts presented. Are members focusing on different risks, or are they utilizing a different modeling framework?” – Mike Fratantoni, Mortgage Bankers Association

(9) If you could recommend a change in Fed communications, what would it be?

“Better sense of the dispersion of views within the FOMC on key issues (not just the FFR trajectory or the forecast).” – Roberto Perli, Cornerstone Macro

“Explain why on earth they have a two percent inflation target rather than a much better zero one.” – James F. Smith, EconForecaster

“Governors/chair [should speak] more, especially under the new policy strategy. The strategy as defined is fairly discretionary. The absence of clear guidelines surrounding the details of average inflation targeting means that we will need guidance of Fed speakers and the most important guidance comes from governors/chair.” – Tim Duy, University of Oregon

“I don't have any recommendations for the vehicles through which the Fed communicates with the public. However, I find the lack of clarity regarding the average period of time for the 2% inflation target to be confusing.” – Jay Bryson, Wells Fargo

“I understand rules don't always work in every circumstance, but I also know that the Fed is no better at knowing the correct level of interest rates than anyone else. So why try? Communicating some rule, where policy sits vs that rule, and why it would be a better discipline than the present method. How do we know the Fed is really going to keep rates at 0 once inflation starts to creep up but

unemployment is only at 5%. We don't, and they will probably change their minds. Yellen and Powell have flip flopped plenty (not counting COVID-19 for Powell).” – Steven Blitz, TS Lombard

“I would recommend fewer speeches by regional Fed presidents to limit the cacophony, especially in times of heightened monetary policy uncertainty.” – Gregory Daco, Oxford Economics

“Shorten the time to publish the supporting material for FOMC meetings—the Tealbook, memos, and staff briefings—to no more than two years.” – Charles Steindel, Ramapo College

“Simplify the statement, refer to the long-run goals, and improve the SEP. (See Cecchetti and Schoenholtz CEPR DP 13915 for details.)” – Stephen Cecchetti, Brandeis University

“The Fed should provide additional clarity regarding the role of and projected path for asset purchases and the balance sheet.” – Mike Fratantoni, Mortgage Bankers Association

“The Fed should use simple language and talk about aims rather than instruments to reach ordinary people.” – Michael Weber, University of Chicago

“The FOMC needs to be more clear about what its average inflation targeting policy means, exactly.” – Eric Swanson, University of California-Irvine

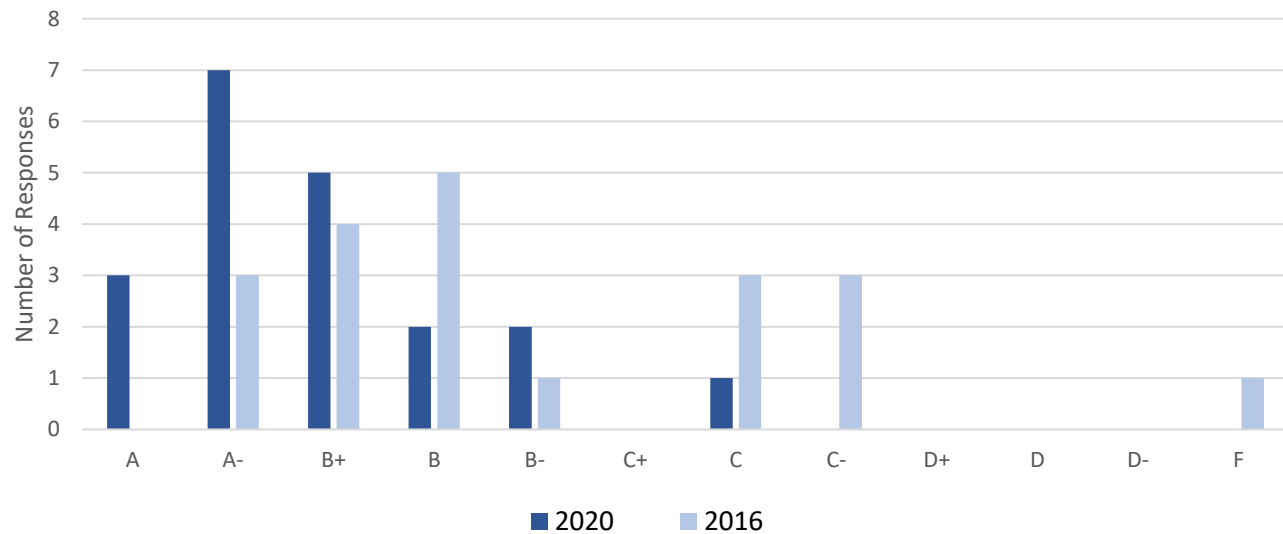
“There should be constructive ambiguity” – David Shulman, UCLA

“We desperately need more guidance on QE, or else the rates market will likely experience a taper tantrum at some point in 2021. The FOMC has not communicated well (or at all) under what conditions it will consider tapering and ultimately stopping asset purchases.” – Aneta Markowska, Jefferies

Comparison to 2016 Survey Results

This graph compares the grades given to Fed communications in the 2020 iteration of the survey to the grades from the 2016 survey, restricting the sample to include only the 20 respondents who responded to both surveys.

Opinions of Fed Communications Improved versus 2016



Survey	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F
2020	3	7	5	2	2	0	1	0	0	0	0	0
2016	0	3	4	5	1	0	3	3	0	0	0	1