FEDERAL RESERVE COMMUNICATIONS: SURVEY RESULTS

David Wessel and Sam Boocker

Hutchins Center on Fiscal and Monetary Policy at Brookings

Communications strategy is an integral part of central banking. Between March 22 and April 5, 2024, we surveyed academic and private sector Fed watchers to assess their evaluation of the Federal Reserve's communications. Looking ahead to the Fed's plan to begin a review of its Statement on Longer-Run Goals and Monetary Policy later this year, we also asked respondents about any changes to that framework that they advocate.

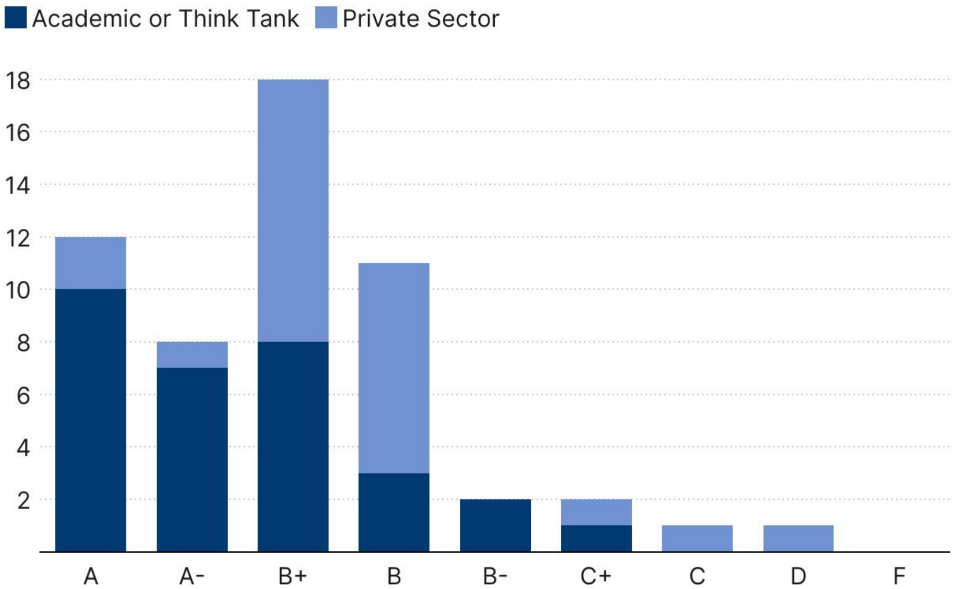
We sent our survey to 242 individuals and received 56 (23%) responses. The category "academia and think tank" includes anyone (32 individuals) employed by an academic institution or think tank. "Private sector" includes anyone (24 individuals) employed by a private sector firm, including banks, investment banks, ratings agencies, and macro consultancies, and government-sponsored entities.\

This survey follows two similar surveys conducted in November 2016 and November 2020. The 2024 survey has different response rates and a different set of respondents than past surveys. The 2016 survey was conducted in conjunction with a Hutchins Center event on Fed communications. You can read a summary of the 2016 survey, or full detailed results. You can also read a summary of the 2020 survey, or full detailed results.

For more on the Hutchins Center see www.brookings.edu/hutchinscenter. For questions on this survey, please contact David Wessel at dwessel@brookings.edu. The Brookings Institution is financed through the support of a diverse array of foundations, corporations, governments, individuals, as well as an endowment. A list of donors can be found in our annual reports published online here. The findings, interpretations, and conclusions in this report are solely those of its author(s) and are not influenced by any donation.

QUESTION 1: What overall grade would you give current Fed communications?

Fed watchers grade Fed communications



Note: Total number of respondents sampled is 55 (31 academic and 24 private sector).

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Grading Fed communications

Grade	Total	Academic or Think Tank	Private Sector	Total (%)	Academic or Think Tank (%)	Private Sector (%)
A	12	10	2	22	32	8
A-	8	7	1	15	23	4
B+	18	8	10	33	26	42
B	11	3	8	20	10	33
B-	2	2	0	4	7	0
C+	2	1	1	4	3	4
C	1	0	1	2	0	4
D	1	0	1	2	0	4
F	0	0	0	0	0	0

Note: Total number of respondents sampled is 55 (31 academic and 24 private sector).

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Comparison to past surveys

Note: Current survey has a larger set of respondents and a greater share from the private sector than previous surveys, so they are not directly comparable.

Median grade of overall Fed communications

	Median 2024 (Powell)	Median 2020 (Powell)	Median 2016 (Yellen)
Academics	A-	A-	B
Private Sector	B+	B+	C+

Note: Total number of respondents sampled is 55 in 2024 (31 academic and 24 private sector), 46 in 2020 (25 academic and 21 private sector), and 58 in 2016 (24 academic and 34 private sector).

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Grades of Fed communications compared to past surveys

	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F
2016	1	3	8	13	10	4	5	7	2	3	0	2
2020	11	14	10	5	2	3	1	0	0	0	0	0
2024	12	8	18	11	2	2	1	0	0	1	0	0

Note: Total number of respondents sampled is 58 in 2016, 46 in 2020, and 55 in 2024.

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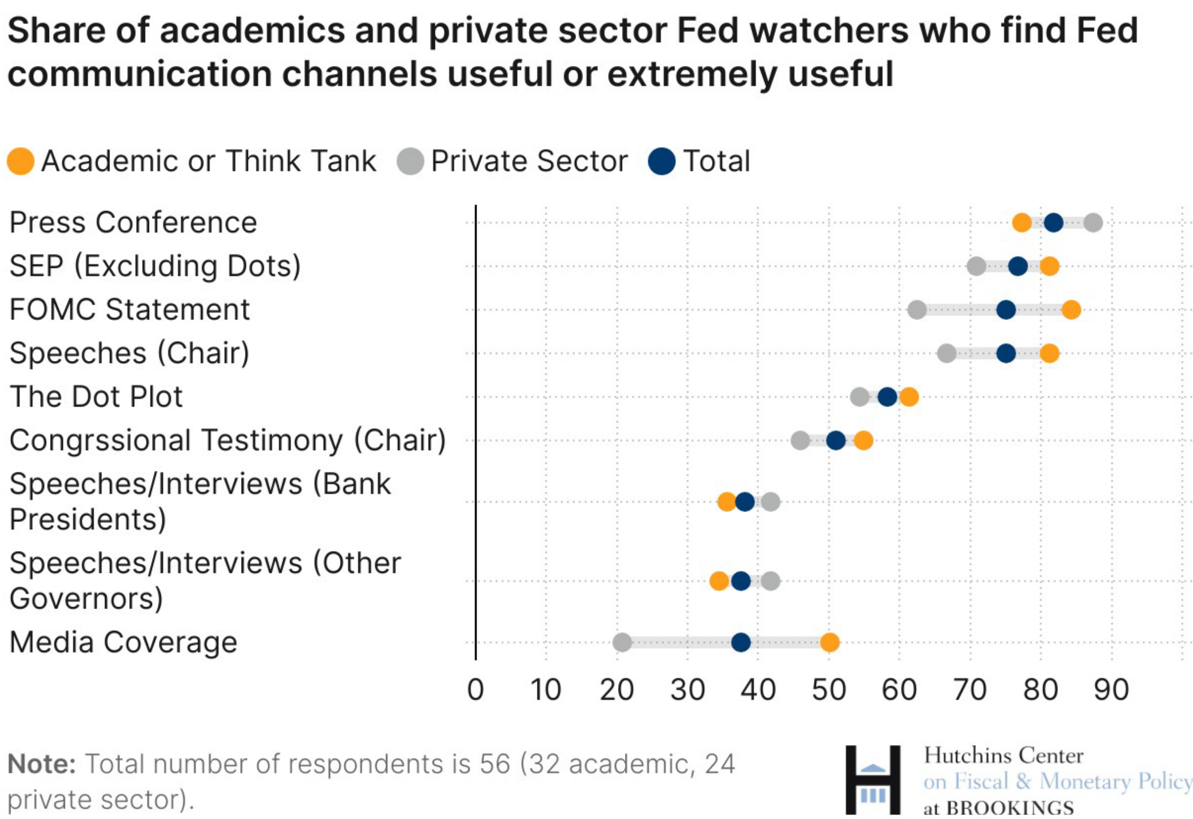
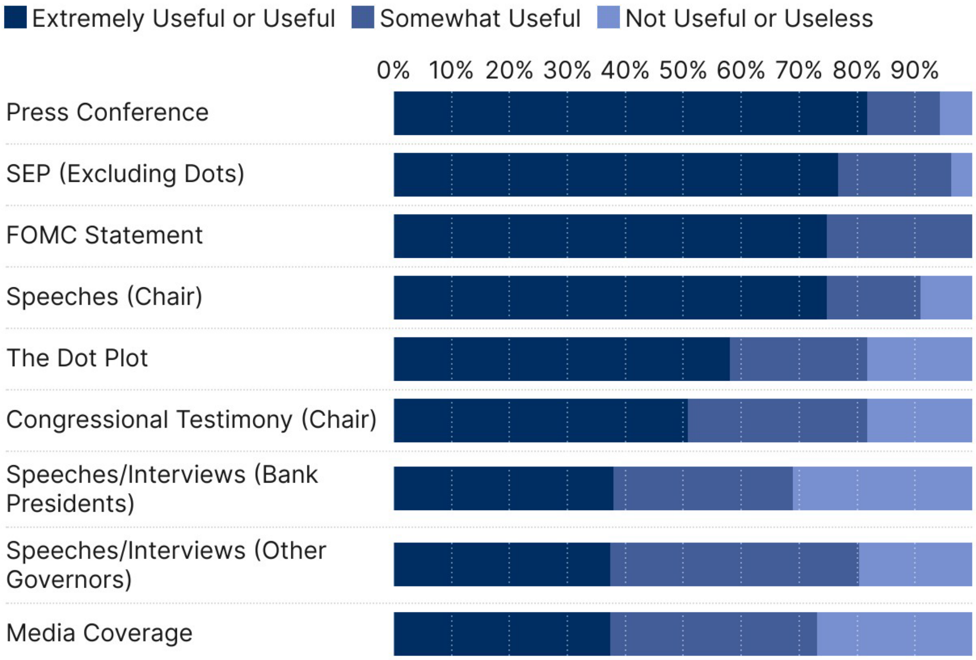
QUESTION 2: How useful [extremely, very, somewhat, not very, useless] do you find of each of the following to be?

a) FOMC post-meeting statement
b) The press conference
c) Summary of Economic Projections (excluding the dots)
d) The dots in the SEP
e) Speeches by the Chair
f) The Chair's congressional testimony
g) Speeches and interviews by other governors
h) Speeches and interviews by bank presidents
i) Newspaper, TV, and wire service stories



These results are similar to those from 2020. However, the dot plot was found to be useful by fewer respondents (by 12 percentage points) in 2024 than in 2020.

Which channels of Fed communications are most useful?



Note: Total number of respondents is 56.

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

	Academic or Think Tank	Private Sector
Press Conference	77	88
SEP (Excluding Dots)	81	71
FOMC Statement	84	63
Speeches (Chair)	81	67
The Dot Plot	61	54
Congrssional Testimony (Chair)	55	46
Speeches/Interviews (Bank Presidents)	36	42
Speeches/Interviews (Other Governors)	34	42
Media Coverage	50	21

Note: Total number of respondents sampled is 56 (32 academic and 24 private sector).

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QUESTION 3: Should the Fed keep or kill the [interest-rate] dots?

a) Keep
b) Kill
c) Change
d) Don't know

Should the Fed keep or kill the interest rate dots?

	Total (%)	▼ Academic or Think Tank (%)	Private Sector (%)
Keep	55	59	50
Kill	27	28	25
Change	14	9	21
Don't know	4	3	4

Note: Total number of respondents: 56 (32 academic, 24 private sector).

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QUESTION 4: What changes, if any, would you recommend the Fed make to the Summary of Economic Projections?

We identified four key themes: (i) connect (or deanonymize) the dots; (ii) start doing a consensus rate forecast (instead of relying on the median dot from the SEP as a proxy); (iii) increase or improve the information provided in the SEP; and (iv) do away with the dots for policy rates.

Theme 1: Connect (or identify) the dots.

> *"Associate the forecast so we can more explicitly see the reaction function. Medians are a horrible halfway house."* –Seamus Brown, Moore Capital
>
> *"Match up the projections for growth, unemployment, inflation, and rates (so we see each internally consistent set of forecasts)."* –Krishna Guha, Evercore ISI
>
> *"Identify dots by members."* –Lindsey Piegza, Ph.D., Stifel
>
> *"Publish individual member's projections."* –Ayşegül Şahin, University of Texas at Austin
>
> *"Simplest would be to indicate what the previous figure was for each person. Of course, that would destroy the anonymity if there was only one new person, but that's just part of the job."* –Charles Steindel, NABE Business Economics

Theme 2: Start a consensus forecast.

> *"If I could wave a magic wand, I would have the FOMC agree upon a single, unified consensus baseline forecast, as the MPC at the Bank of England does. But I can't see that happening with the FOMC, and in the absence of a true consensus forecast, the current SEP with its medians serves pretty well."* –David Wilcox, Bloomberg Economics and the Peterson Institute of International Economics

> "*I would make it a single consensus forecast written by the Chair that voting FOMC members could vote on."* –Jonathan Wright, Johns Hopkins University.

Theme 3: Increase or improve the information provided.

> *"Clear description of the drivers and their directional impact on the changes."* –Douglas G. Duncan, Fannie Mae

> *"Add projections for mid-year following December and March SEPs."* –Steven Kamin, American Enterprise Institute

> *"It would be nice to be able to discern whether a participant thought a stronger-than-consensus response was necessary due to a different economic outlook (e.g. greater inflation pressure) versus a weaker transmission mechanism (e.g. higher interest required to achieve the desired deceleration)."* –Ken Kuttner, Williams College

> *"Probability assessments of baseline and several risk scenarios… risks to the baseline."* –Allen Sinai, Decision Economics, Inc.

> *"I would recommend issuing an SEP after each meeting."* –Jon Steinsson, University of California, Berkeley

> *"I would make more of an effort to talk about the policy rule... It would also be good to mention the actions and effects of other central banks."* –John B. Taylor, Stanford University

> *"Add a forecast of the 10-year Treasury yield."* –Mark Zandi, Moody's

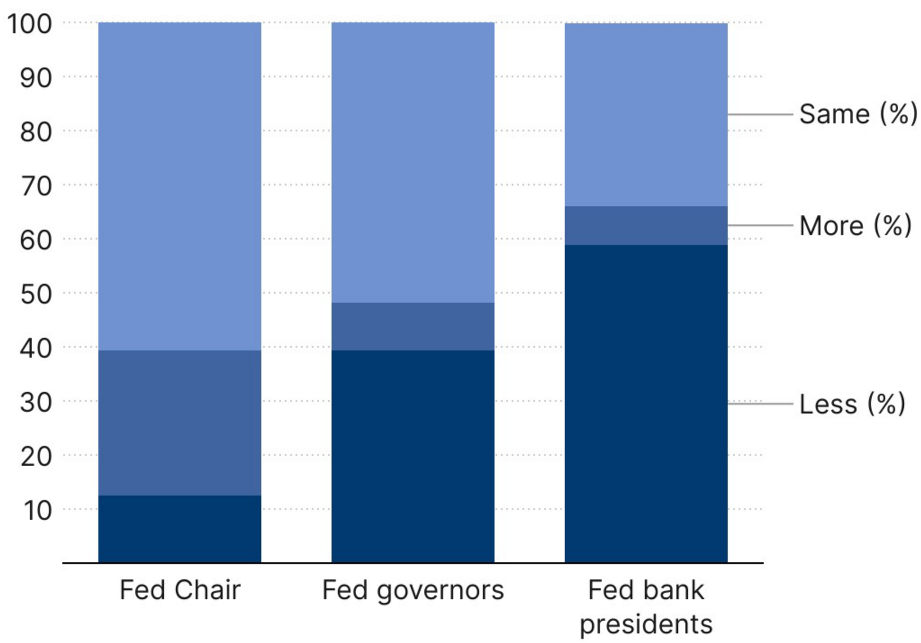
Theme 4: Do away with dot plots.

> *"Do away with the interest rate dot plots."* –David George Shulman, UCLA Anderson Forecast

QUESTION 5: When you think about how much each talks today, do you think each should talk more, less, or about the same amount?

a) The Fed Chair
b) Fed governors
c) Fed bank presidents

Should the chair, governors, and bank presidents speak more, the same, or less?



Note: Total sample size: 56.

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Should the chair, governors, and bank presidents speak more, the same, or less?

Amounts	Less (%)	More (%)	Same (%)
Fed Chair	13	27	61
Fed governors	39	9	52
Fed bank presidents	59	7	34

Note: Total sample size: 56.

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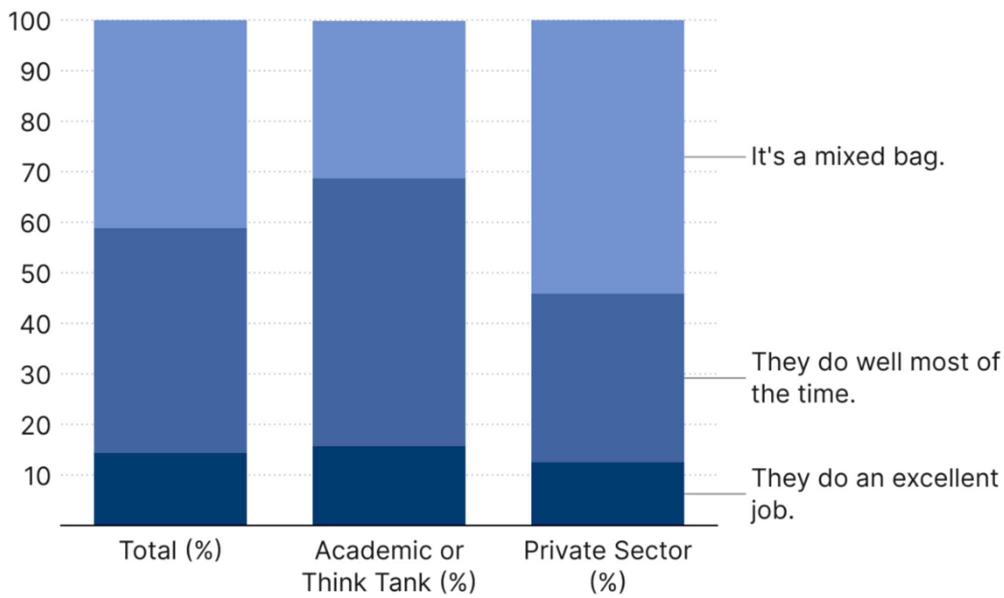
QUESTION 6: How well do you think Fed officials explain their views of the economy and their monetary policy plans?

a) They do an excellent job.
b) They do well most of the time.
c) It's a mixed bag.
d) They don't do very well most of the time.
e) They do terribly.

How well do you think Fed officials explain their views of the economy and their monetary policy plans?



Note: Total sample size: 56 (32 academics, 24 private sector). Total for "They don't do very well most of the time." and "They do terribly." is 0%.

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

	Total (%)	Academic or Think Tank (%)	Private Sector (%)
They do an excellent job.	14	16	13
They do well most of the time.	45	53	33
It's a mixed bag.	41	31	54
They don't do very well most of the time.	0	0	0
They do terribly.	0	0	0

Note: Total number of respondents: 56 (32 academic, 24 private sector).

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QUESTION 7: Which of the following statements comes closest to your view on the Fed's current reaction function?

a) I have a clear sense of it.
b) I am mostly clear on it.
c) I understand it sometimes, but not all the time.
d) I have a vague understanding.
e) I do not understand it.

How well do you understand the Fed's reaction function?

Response	Total (%)	Academic or Think Tank (%)	Private Sector (%)
I have a clear sense of it.	21	19	25
I am mostly clear on it.	41	47	33
I understand it sometimes, but not all the time.	29	28	29
I have a vague understanding.	5	3	9
I do not understand it.	4	3	4

Note: Total sample size: 56 (32 academic, 24 private sector).

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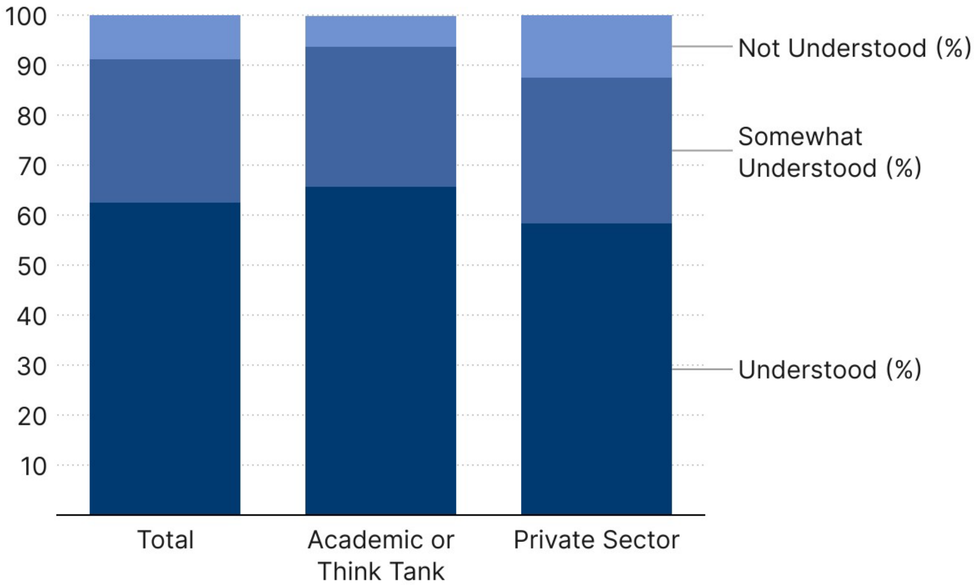
How well do you understand the Fed's reaction function?



Note: Total sample size: 56 (32 academic, 24 private sector). Understood (%) denotes the percentage of respondents answering "I have a clear sense of it." or "I am mostly clear on it." Somewhat Understood (%) denotes the percentage of respondents answering "I understand it sometimes, but not all the time." Not Understood (%) denotes the percentage of respondents answering "I have a vague understanding of it." or "I do not understand it."

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The following questions pertain to the Fed's forthcoming review of its Statement on Longer-Run Goals and Monetary Policy Strategy.

QUESTION 8: Do you favor raising the inflation rate from 2%? If yes, to what?

Do you favor raising the inflation rate from 2%?

	Yes	Undecided	No
Academic or Think Tank (%)	28	3	69
Private Sector (%)	33	4	63
Total (%)	30	4	66

Note: Total sample size: 56 (32 academic, 24 private sector).

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Of the minority of respondents who favor an increase in the inflation target, the proposed increases range from 2.5% to 4%. A couple of respondents favored a decrease, to 0.0% to 2.0%.
Several respondents were concerned about the Fed raising its interest rate target prior to achieving its objective of price stability, which could damage its credibility.

> *"I do favor raising it, but not as an outcome of this framework review. It seems to me they should first firmly reestablish their track record of good adherence to 2% inflation. Then, they could raise the target to 3% in the 2030 framework review."* –David Wilcox, Bloomberg Economics and the Peterson Institute for International Economics

QUESTION 9: Do you favor setting a range for inflation target instead of a point target? If yes, what range?

Do you favor setting a range for inflation target instead of a point target?

Employee Type	Yes	No	Undecided
Academic or Think Tank (%)	25	69	6
Private Sector (%)	46	38	17
Total (%)	34	55	11

Note: Total sample size: 56 (32 academic, 24 private sector).

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Proposed ranges varied widely. The most common was a range of between 1.5% to 2.5%, or narrower, centered at 2%.

QUESTION 10: Should the Fed change its statement on the shortfalls of employment from its maximum level? Considering the quote from the statement, would you:

a) Leave as is.
b) Substantially revise.
c) Tweak.

Should the Fed change its statement on the shortfalls of employment from its maximum level?

The statement reads: "the Committee's policy decisions must be informed by assessments of the shortfalls of employment from its maximum level, recognizing that such assessments are necessarily uncertain and subject to revision."

	Leave as is	Substantially revise	Tweak
Academic or Think Tank (%)	75	16	9
Private Sector (%)	39	44	17
Total (%)	60	27	13

Note: Total sample size: 55 (32 academic, 23 private sector).

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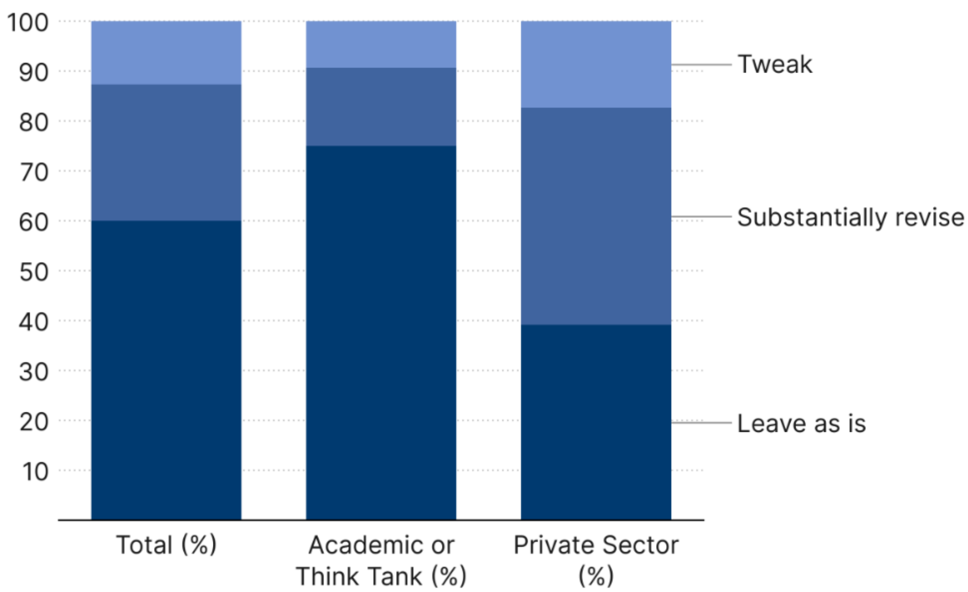
Should the Fed change its statement on the shortfalls of employment from its maximum level?

The statement reads: "the Committee's policy decisions must be informed by assessments of the shortfalls of employment from its maximum level, recognizing that such assessments are necessarily uncertain and subject to revision."



Note: Total sample size: 55 (32 academic, 23 private sector).

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What are the objections to the statement? There are two general criticisms: objections to the term "maximum employment," and criticism of the lack of meaning in the text itself.

Criticism 1: Objections to the use of the term "maximum employment."

> *"I'm not sure introducing the term "maximum employment" was such a good idea."* –Ken Kuttner, Williams College
>
> *"Shortfall from maximum employment should be well defined. Instead of employment, it is more transparent to focus on unemployment."* – Ayşegül Şahin, University of Texas at Austin

Criticism 2: The text is meaningless.

> *"The first quote is useless, as it simply says we might do something unless there is a reason to not to. That tells me nothing."* –Joel Naroff, Naroff Economics LLC
>
> *"The first is essentially incomprehensible."* –Allen Sinai, Decision Economics, Inc.

QUESTION 11: Should the Fed change its approach to inflation targeting?

Should the Fed change its approach to inflation targeting?

The framework reads: "the Committee seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."

	Leave as is	Substantially revise	Tweak
Academic or Think Tank (%)	41	31	28
Private Sector (%)	39	30	30
Total (%)	40	31	29

Note: Total sample size: 55 (32 academic, 23 private sector).

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Should the Fed change its approach to inflation targeting?

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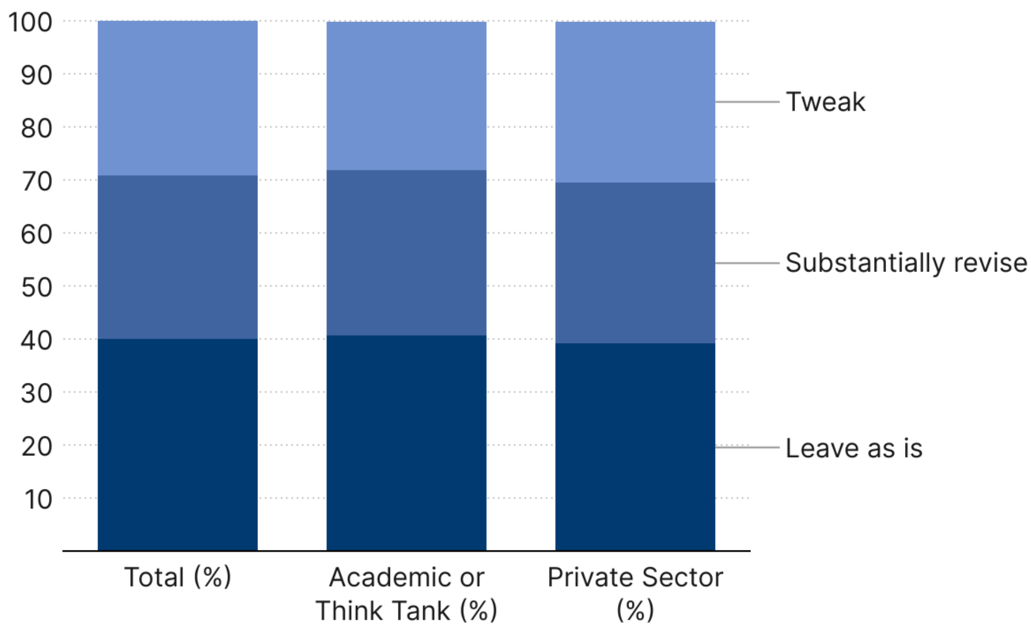

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We identified three main objections or criticisms of the current approach.

Criticism 1: An objection to the existing asymmetry in the statement.

> *"Remove the make-up period and just say that the FOMC is committed to inflation between 1.5% and 2.5% that is on average 2%."* –Seamus Brown, Moore Capital
>
> *"Delete everything after 'averages 2% over time.'"* –Steven Kamin, American Enterprise Institute
>
> *"Saying 'averages 2% over time' but referring only to making up for inflation 'undershoots' is confusing and contradictory. If it only makes up for 'undershoots' but doesn't respond symmetrically to 'overshoots,' inflation will exceed 2% on average."* –Ken Kuttner, Williams College
>
> *"If below, aim to return to 2%, not above 2%."* –Lindsey Piegza, Ph.D., Stifel
>
> *"Condition the average inflation targeting on a situation where the zero lower bound is binding. Otherwise, the asymmetry in the way that it is written is hard to defend."* –Jonathan Wright, Johns Hopkins University

Criticism 2: An objection to price-level targeting.

> *"I do not favor the price-level targeting approach implied by the second statement."* –Stephen Cecchetti, Brandeis International Business School

> *"The claim that the Fed targets average inflation implies that it will pursue inflation below target following inflation above target. This sounds a lot like price level targeting with a price target growing at 2%, which is a very poor characterization of past Fed policy. This text then suggests a radical departure, and not one that should be taken without serious issues with inflation targeting and serious arguments for this new alternative, neither of which I have heard."* – Jonathan A. Parker, MIT

Criticism 3: The existing framework is insufficiently explicit.

> *"I would rephrase this along the following lines. The Committee seeks to achieve inflation that averages 2% over time. To do so, the Committee judges that it needs to anchor inflation expectations at levels consistent with 2% on average over time. When due to shocks realized inflation persistently deviates from target, the Committee will act as needed to make sure this does not pull inflation expectations away from target. In cases where inflation has been running materially and persistently above the 2% target, the Committee will typically respond by raising interest rates more rapidly than normal to relatively elevated levels in order to reduce inflation in a timely manner and stabilize inflation expectations. In cases where inflation has been running materially and persistently below 2%, if the Committee judges that it cannot lower rates sufficiently to stabilize expectations due to the lower bound on interest rates, monetary policy will likely aim to achieve inflation moderately above 2% for some time afterwards to offset the shortfall and stabilize inflation expectations."* –Krishna Guha, Evercore ISI

> *"The Committee seeks to achieve inflation that averages 2% over time, but is forward looking. It may therefore judge that, following periods when inflation has been persistently deviating from 2%, appropriate monetary policy may perhaps aim to adjust its medium—but not its long-term inflation target."* –Brad DeLong, UC Berkeley

QUESTION 12: Should the Fed statement give guidance on how and when it expects to use quantitative easing and forward guidance?

Should the Fed statement give guidance on how and when it expects to use quantitative easing and forward guidance?

	Yes	No
Academic or Think Tank (%)	81	19
Private Sector (%)	65	35
Total (%)	75	25

Note: Total sample size: 55 (32 academic, 23 private sector).

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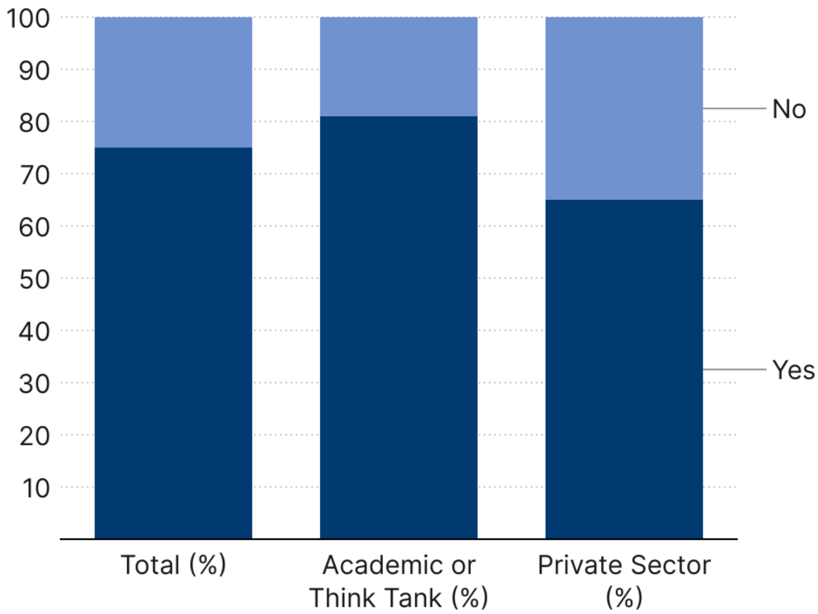
Should the Fed statement give guidance on how and when it expects to use quantitative easing and forward guidance?



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QUESTION 13: What is the most important change that you think the Fed should make to the strategy statement?

We identified five key themes from respondents about how the Fed should alter its long-run strategy statement.

Theme 1: Carefully reconsider the approach to inflation targeting.

> *"Abandon the AIT of FAIT and keep the F to make it FIT."* –Seamus Brown, Moore Capital

> *"Remove reference to making up for below-target inflation by running above-target inflation."* – Steven Kamin, American Enterprise Institute

> *"Remove a willingness to tolerate above 2% inflation even after a period of below target price pressures."* –Lindsey Piegza, Ph.D., Stifel

> *"Unwinding the framework changes made in 2020/2021."* –Stephen Stanley, Santander US Capital Markets

Theme 2: Build a more flexible and adaptable framework.

"Re-focusing the statement on achieving 2% inflation on average in the longer-run by means of stabilizing inflation expectations—and then setting out the different ways this can be done when policy is unconstrained by the lower bound and when it is constrained by the lower bound." – Krishna Guha, Evercore ISI

"Since conditions change, sometimes much more rapidly or substantially than expected, the Fed always needs to leave room for a change in policy direction or magnitude. That limits their ability to take strong stands and makes it largely impossible to provide clear guidance. Thus, it really doesn't matter what the Fed says. Wall Street economists will race to be the first to claim that something will happen, the press will play that up and when they are wrong, as usual, move on to the next forecast. This is all a game, and the Fed does as well as it can in playing it." –Joel Naroff, Naroff Economics LLC

"The most helpful step they could take in this framework review is to explain why they didn't avail themselves of the 'escape clauses' they so clearly provided themselves, and that would have allowed them to break from the main thrust of the precommitments they made in Sept. 2020." –David Wilcox, Bloomberg Economics and the Peterson Institute for International Economics

Theme 3: Be clearer about the reaction function.

"Forward guidance about QE is useful, but not forward guidance about forward guidance. Biggest change: Use some ranges of numbers instead of just words." –Jonathan A. Parker, MIT

"Be clearer about the monetary policy rule." –John B. Taylor, Stanford University

Theme 4: Emphasize economic uncertainty to a greater extent in communications.

"Recognize the stochastic nature of the economy and inflation and avoid having the forecasts be the long run goals of policy. We know these almost never turn out to be the actuality. That is, the 2% inflation forecast in the SEP isn't a forecast… it's a goal. The economy is not precise, so ranges are better." –Allen Sinai, Decision Economics, Inc.

Theme 5: Discuss and emphasize the role of QE in the formation of policy.

"Aside from raising the target, the most important change would be to integrate QE into the overall policy stance and communicate about both fed funds and QE as tools to achieve mandate." –Joseph Gagnon, Peterson Institute for International Economics

"Just note that LSAPs (much better term than QE) are in the tool kit when the lower bound is reached and UR is high and inflation low." –Charles Steindel, NABE Business Economics

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