
Welcome and Introduction

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Tools, and Communication Practices
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The views expressed today are my own and not necessarily those of the
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- I. Welcome to Chicago. I'm Charlie Evans, president and CEO of the Chicago Fed. We're very happy to be hosting this important Conference on Monetary Policy Strategy, Tools, and Communication Practices and glad that you could all join us here today.
 - A. Vice Chair Clarida and his team have organized an exciting program for us. Our academic colleagues have written a great collection of papers, and I am sure the panel discussions will generate a very interesting dialogue between academics, community leaders, and policymakers. I am really looking forward to our discussions over the next two days.
 - B. I want to acknowledge the outstanding work of everyone who has contributed to putting this conference together; this really has been an outstanding team effort. I only have time this morning to mention a few folks. I particularly want to recognize Ellen Meade at the Board of Governors for all of her hard work spearheading the conference. And here in Chicago I would like to give a special thanks to Tiffany Butler and Sarah Day for their outstanding job in handling what has been a tremendous set of logistical challenges, especially to bring the live stream to viewers everywhere.

- II. Like many in the audience, something that attracted me to the economics profession early on was the way economics uses critical analytical thinking to address important public policy questions.
 - A. Central banks around the world use economic research and analysis to inform and discipline our policymaking options. If we are smart and humble, we know we can't produce all of the right answers; still, economists, public policy analysts, and policymakers recognize the importance of bringing our best thinking to bear in the decision-making process.
 - B. This conference certainly exemplifies these kinds of efforts.

- III. Now, it is one thing to assess the data, pour over many analyses, and make sensible decisions. But a central bank's work is never done without explaining its actions to the public that we serve.
 - A. Clear and transparent communication of our policy goals and our decision-making rationale is important for establishing and maintaining the credibility of monetary policy.
 - B. As we will discuss a good deal over the next couple of days, credible commitment is a crucial ingredient for the success of any monetary policy strategy and, indeed, the linchpin for some of the alternative strategies under consideration today.

C. Transparent communications also reinforce the legitimacy of an independent central bank in a democratic society. We have the obligation to inform democratically elected officials, their staffs, and the public about how we expect to achieve our policy mandates. This reinforces that the Federal Reserve is accountable for how its efforts work out. So it is quite fitting that this conference includes panels about what our employment mandate looks like in the communities that we serve. And it is appropriate that our discussions go beyond the usual headline macroeconomic analysis to also consider how monetary policy actions are transmitted through individual households and businesses to the broader economy.

IV. I have been at the Federal Reserve for 28 years, and I can attest to the fact that our FOMC communications have not always been crystal clear. As Chairman Alan Greenspan famously joked in 1987, “If I seem unduly clear to you, you must have misunderstood what I said.”¹

A. But the jokes aside, during his long tenure as Chairman, Alan Greenspan acknowledged the importance of explaining Federal Reserve actions, and he spoke a good deal about them in many public forums.

¹ This quotation appears in Appelbaum (2012).

- B. Several important communications innovations occurred under Greenspan's leadership. And further substantial improvements were made under the leadership of Ben Bernanke, Janet Yellen, and now Chair Jay Powell.
- V. A very important landmark was in January 2012, when the Federal Open Market Committee (FOMC) published a long-run policy strategy statement: This document formally stated our intention to pursue a balanced approach to achieving our dual mandate objectives of maximum employment and price stability, where our inflation objective was explicitly defined to be 2 percent annual inflation as measured by the price index for total personal consumption expenditures.²
- A. One of my most gratifying experiences as Chicago Fed president was serving with Charlie Plosser, Sarah Raskin, and Janet Yellen on the FOMC communications subcommittee that developed this strategy statement and other innovations—notably adding interest rate projections to the Summary of Economic Projections (SEP).
 - B. And of course, communications subcommittees after ours worked on many important improvements, such as clarifying that our inflation objective is symmetric around 2 percent.

² Federal Open Market Committee (2012).

VI. As important as the strategy document and enhanced SEP are, there is more work to do. The experiences of the Fed and other central banks with the constraints on conventional monetary policy posed by the zero lower bound (ZLB)—and the reality that we now live in the world where the odds of revisiting the ZLB are all too high—require a fundamental review and reassessment of our monetary policy framework and strategy.

A. This is a challenging and exciting endeavor.

B. The papers prepared for this conference, the panel discussions, and our Fed Listens sessions throughout the United States promise to be critical and foundational elements for our FOMC discussions.

VII. It is now my pleasure to introduce Chair Jay Powell.

A. As you all know, following a distinguished career that spanned the private, public, and nonprofit sectors, Jay joined the Federal Reserve as a Governor in May 2012 and then became Chair in February 2018.

B. Interestingly, Jay has spent one-half of his Fed career with policy rates at the effective lower bound (ELB). So he is well attuned to challenges the ELB raises for reaching our policy objectives and the paramount importance of facing this issue head on. Indeed, Jay was the driving force behind this reassessment of our monetary strategy, tools, and communications.

- C. Of course, Jay has not waited for the outcome of this review to take actions. Notably, he has been a champion of enhancing our communications, holding press conferences after every FOMC meeting, and moving us forward on the Fed Listens project, which includes this conference as well as community forums at all 12 of the regional Federal Reserve Banks.

- D. So, welcome to Chicago, Jay. We're very glad to have you here. And the floor is yours.

References

Appelbaum, Binyamin, 2012, "A Fed focused on the value of clarity," *New York Times*, December 13, available online, <https://www.nytimes.com/2012/12/14/business/economy/a-federal-reserve-that-is-focused-on-the-value-of-clarity.html>.

Federal Open Market Committee, 2012, "Federal Reserve issues FOMC statement of longer-run goals and policy strategy," press release, Washington, DC, January 25, available online, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20120125c.htm>.