

Meeting of the Federal Open Market Committee September 15, 2003 Presentation Materials -- Text Version

[Presentation Materials \(712 KB PDF\)](#)

Pages 72 to 78 of the Transcript

Appendix 1: Materials used by Mr. Reinhart

Exhibit 1

Five General Principles about the Announcement

1. Respect the important role of the discussion at the meeting
2. Do not unnecessarily complicate forging a consensus
3. Make use of a key communications channel with the public
4. Avoid mistakes
5. Preserve the confidentiality of the decision until its release

Exhibit 2

A Few Models

	<i>Respect discussion of decision</i>	<i>Do not complicate consensus</i>	<i>Use communication channel</i>	<i>Avoid mistakes</i>	<i>Preserve confidentiality</i>
(1) Federal Reserve of the early 1990s <i>Do not issue a statement (or perhaps only one limited to the vote on the funds rate)</i>	±	+	=	+	+
(2) Bank of England <i>Release a simplified statement and expedite the publication of the minutes</i>	+	+	?	-	+
(3) Bank of Canada <i>Draft the statement after the policy decision, which would require delaying its release</i>	+	-	+	-	-
(4) Federal Reserve of the late 1980s <i>Routinize parts of the statement and circulate staff alternatives in advance</i>	+	-	?	+	+
(5) Federal Reserve of the 2000s <i>Review a prepared draft statement after the decision</i>	+	?	+	+	+

+ The communication model demonstrates the principle. [Return to table](#)

- The communication model does not demonstrate the principle, or demonstrates it less than the current procedure used by the Committee. [Return to table](#)

Exhibit 3

Some Questions about Content

1. Is the Committee satisfied with the three-part risk assessment initiated in May?
 - Risks to sustainable economic growth
 - Risks to price stability
 - The balance of those two risks
2. What does "sustainable" economic growth mean?
 - Economic growth at the rate of potential output
 - Economic growth that does not create imbalances
3. Does "risk" have a negative connotation?
4. How long is the "foreseeable" future
5. Should the Committee include a commitment that policy will be kept accommodative for a considerable period?

Appendix 2: Materials used by Mr. Poole

Figure 1

Predicted and Actual Changes in the Funds Rate, Quarterly

Figure 1 has quarterly time series observations from the second quarter of 1990 through the second quarter of 2003. Two series are plotted, one displayed as a black line and the other as red dots. Both are data from the federal funds futures market on the business day closest to the fifteenth day of the last month in each quarter. The data are measured in percentages at annual rates. One series (the black line), measuring the actual quarterly change, is the difference between the zero month futures rate at the third month of one quarter in the future and the zero month futures rate at the third month of the current quarter. The second series (the red dots), measuring the futures market prediction of the quarterly change in the futures rate, is the difference between the rate on the three-month futures contract at the third month of the current quarter and the zero-month futures rate at the third month of the current quarter.

Figure 2

Scatter Plot of Predicted and Actual Changes in the Funds Rate, Quarterly

Figure 2 shows the same data as Figure 1, but plotted as a scatter diagram. The predicted 3-month change in the futures rate is plotted on the horizontal axis and the actual 3-month change in the futures rate is plotted on the vertical axis.

