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IS MONETARY POLICY IN TRANSITION?

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ST. LOUIS -- On the surface, an analysis of monetary policy in 1994 seems like an abrupt departure from those in 1993. Is monetary policy in transition? Have policymakers set new goals?

In "The FOMC in 1993 and 1994: Monetary Policy in Transition," an article in the current issue of the Review, the Federal Reserve Bank of St. Louis' bimonthly research journal, Economist Michael R. Pakko examines decisions made by the Federal Open Market Committee, the Federal Reserve's primary policymaking body, during the last two years.

"At first glance, the Federal Reserve's 1994 monetary policy actions appear to represent an abrupt departure form those made in 1993," says Pakko. "Six highly publicized increases in short-term interest rates followed a period of relative stability in short-term rates in 1993."

(more)

According to Pakko, however, while these actions may appear to represent a shift in priorities, Fed policy has consistently focused on the long-term objective of price stability, while adapting its short-run stance to emerging economic conditions over the two years.

Other articles in this issue include: "U.S. Official Forecasts of G-7 Economies, 1976-90," by Economists Michael Ulan, William G. Dewald and James B. Bullard; "Regulation, Market Structure and the Bank Failures of the Great Depression," by Economist David C. Wheelock; and "An Outsider's Guide to Real Business Cycle Modeling," by Economist Joseph A. Ritter.

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