



Untold Story of FOMC: Secrecy Is Exaggerated

Although the Fed has become more open, many still think that we have access to secret information and that our top policy-makers function as mysteriously as witch doctors. It probably doesn't help that the Federal Open Market Committee meets behind closed doors at a table big enough to land an F-18 on.

But there's nothing magical about the way we prepare for these meetings, at which targets are set for the all-important federal funds rate. And the meetings' format, if not the content, is no secret.

My homework for an FOMC meeting begins with a review of the hard data: statistics on prices and wages, jobs, housing starts, production and so on. Decisions are based primarily on these data. But because these numbers often trail current conditions, I seek out personal accounts, media reports and similar anecdotal information to get a glimpse of what's happening now. Even chance encounters can yield valuable tidbits. Shortly after Sept. 11, a flight attendant told me her airline was continuing to hire. That convinced me there was still optimism about the economy, even in the hard-hit travel industry.

In a more structured way, we gather anecdotes from executives who serve on the boards of the 12 Feds and their branches and from interviews with firms. These are compiled into the Beige Book, published two weeks before each FOMC

William Poole

President and CEO,
Federal Reserve Bank of St. Louis

meeting. I personally call executives at several major firms based in the District to get their latest read on the economy.

The week before each meeting, I'm briefed by the 18 St. Louis Fed research economists on what's happening in their area of expertise. I always have two of them debate whether the FOMC should change the target for the fed funds rate. Never do I tell the economists at these meetings how I stand on the target rate—not only because I don't want to sway them but because I want to keep an open mind until the FOMC votes.

The FOMC meetings are held at the Fed's Washington HQ. About 50 people attend, including the seven members of the Fed board, the presidents of the 12 Reserve banks, their research directors and other staffers. Despite the imposing setting—a 56-foot-long boardroom with a marble fireplace, half-ton chandelier and Chairman Alan Greenspan—the debate is candid and sometimes pointed.

After listening to staff reports on such things as open market operations and the state of key economies, the principals partake in two "go-arounds." First, they discuss the economy in their area and their views on the national economy. The anecdotes can get humorous. One Reserve bank president was denied a store credit card. Another noted that construction was so hot that truckloads of drywall were being hijacked.

The second go-around begins with Chairman Greenspan's policy recommendation. Each principal takes a stand on that proposal or argues for another. Although the chairman strives for consensus, dissent isn't quashed.

Finally, the vote is taken. Befitting the increasingly open Fed, there's no secret ballot. The roll is called, and the breakdown of who voted how is now made public right away.

Then, in an unpretentious finale, everyone gathers in an adjoining room for a buffet of cold cuts and salads.

President's Message

"Despite the imposing setting—a 56-foot-long boardroom with a marble fireplace, half-ton chandelier and Chairman Alan Greenspan—the debate is candid and sometimes pointed."

William Poole