

President's Message



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William Poole

PRESIDENT AND CEO,
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Industry Councils Bring Firsthand Insights to Our Regional Economic Outlook

I suspect that when most people think about a meeting of the Federal Open Market Committee (FOMC), they picture a room full of economists toiling over stacks of data and picking out statistics with a fine-tooth comb. There is some truth in that, but there is another side of monetary policymaking that is far more art than science: collecting and analyzing informal, or anecdotal, information.

Among the informal sources regularly used are the economic reports from the directors of the 12 Federal Reserve banks and their branches. The banks also maintain a network of industry contacts that are consulted on a regular basis in advance of FOMC meetings; the acquired information is used to produce the Summary of Commentary on Current Economic Conditions, commonly known as the *Beige Book*.

One new source for this anecdotal information is the St. Louis Fed's Eighth District Industry Councils. We began this program in June to help us gather the economic insights important to gauging the overall health of the regional economy. We set up four councils, each focusing on an industrial sector that is important to our area. Each council is anchored in a St. Louis Fed office that is a natural fit for that industry. The four councils, along with their "home office," are: health care (Louisville), transportation (Memphis), agribusiness (Little Rock) and real estate (St. Louis). We recruited top-level executives, busi-

ness owners and academics for these councils, 32 members in all.

Already, the councils have met twice with me and Fed staff. Hearing reports on trends from the real experts—the people who are making day-to-day business decisions—is extremely useful because such information helps us clearly see what is happening in the economy and helps us understand the fluctuations in formal data. The council members also give us a better idea of what lies ahead than can the formal data, which primarily tell us about the recent past.

Because discussion in these meetings is confidential, we can focus on issues that may not have been reported in the mainstream news or accounted for in the formal data. This information from the trenches, so to speak, helps me to identify emerging trends before situations occur and before trends appear in official data. During the most recent Industry Council meetings, for example, I heard some valuable information. I conveyed this information to the FOMC when we met the following week. Although I can't share the exact nature of the information, I can tell you that similar rumblings were being heard on this matter from other Fed districts. As a result, Fed economists across the country are polling executives in the affected industry for more information.

Although the main reason industry experts serve on our councils is to

help us steer the economy, they get something for themselves out of their service. They meet other leaders in the same industry and find out what they are doing. As Bert Greenwalt, a member of the Agribusiness Council, notes, "It is always interesting to compare the similarities and differences among the group." In addition, council members learn a good deal about the Fed and what makes the economy tick. "Presentations by the Fed staff and president increase council members' understanding of macroeconomic issues and help us explain the Fed's mission and tools to our friends and industry colleagues," says the farmer and Arkansas State University professor.

The efforts of our council members reflect the importance of the Fed's public-private partnership, in which a federal agency—the Fed's Board of Governors—and the 12 quasi-public Reserve banks conduct monetary policy together. In forming our outlook for the economy, the Fed gets direct input from public citizens who serve on our boards of directors and on groups such as our Industry Councils. This structure and this public involvement make the Federal Reserve's decentralized approach to monetary policymaking so effective, as well as unique among the world's central banks.