Michelle W Bowman: Introductory remarks - Fed Listens event

Introductory remarks by Ms Michelle W Bowman, Member of the Board of Governors of the Federal Reserve System, at a Fed Listens event sponsored by the Federal Reserve Bank of St. Louis, St. Louis, Missouri, 4 September 2019.

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In keeping with the purpose of *Fed Listens,* I would like to spend most of our time in conversation, but I do want to offer a few thoughts about why the Fed is reaching out to seek a broad range of views, and what we are trying to achieve.

This kind of comprehensive outreach on monetary policy is new for the Fed. For many decades, there was a sense at the Board that the public wasn't interested or willing to dive into the complexities of monetary policy. That view has changed in a fundamental way, especially in the aftermath of the financial crisis when it was urgently important that the public understand what we were doing. So we began explaining as accessibly and clearly as we could what we were doing and why. Now we are listening broadly as well.

Since I became a Board member almost a year ago, it's become clear to me that people not only are willing to engage on complex economic issues, they also want to know that their concerns are being taken into account on issues that affect their financial well-being.

The movement toward greater transparency and public engagement is ongoing, and advancing that effort is one of my top priorities.

At the same time, we recognize that clear communication of our policies actually helps us achieve our goals. When we communicate our views on the economic outlook and our expectations for where interest rates may be heading, consumers and businesses take that information into account when making decisions on spending, investment, and hiring. For that reason, our policy communications are themselves an important part of the Fed's toolkit for influencing the direction of the economy.

Fed Listens is a natural outcome of this commitment to public engagement. We want to hear from people, from different parts of the country and different sectors of the economy, about how monetary policy affects them and their communities. It is our responsibility as a public institution to be accountable to the public. And, hearing a broad range of perspectives on these issues will help us make good decisions as we consider new approaches to monetary policy.

This afternoon, individual stakeholders representing different economic sectors will meet to discuss their perspectives. Later, President Bullard and I will do what we came here to do, which is listen. I come from a background in farming and ranching, so, naturally, I am interested in hearing the St. Louis Fed's Agriculture Industry Council's priorities for the monetary policy review. And as a former community banker, I am of course interested in what your Community Depository Institution Council has to share with us today.

But I am also eager for other perspectives, and I look forward to all of the presentations. I want to know, for example, how monetary policy affects rural communities, like the one I come from in Kansas, but I also want to know how it affects urban communities. Our monetary policy review will have implications for financial markets, but we also want to know more about what the effect will be on Main Street—which, by the way, happens to be the name of the street where my family's bank is located, in Council Grove, Kansas. My colleagues and I are keenly aware of our responsibility to focus on how the decisions we make affect the real economy for people in communities all across the country.

And we will continue these listening sessions for the rest of this year as we consider possible changes to the Federal Reserve's approach to monetary policy. The two goals for monetary policy—maximum employment and stable prices—are determined by the Congress and are not subject to our review. How we reach those goals is what is up for discussion. One question I hope to explore is whether we need new strategies to more effectively achieve our goals. For many years, inflation has run modestly below our 2 percent objective. Given that, it would be helpful to hear from you whether you think the Federal Open Market Committee should consider strategies that aim to have inflation exceed our target for a time, to make up for the earlier period of time when it fell short. Or would that threaten the decades of success the Fed has had keeping the public's expectations for inflation low and stable?

A related question concerns the Fed's existing toolkit for monetary policy. Currently, our policy levers include setting interest rates, adjusting the size and composition of our balance sheet, and communicating the expected future path of policy. Are there other tools we should consider to help us reach and sustain our objectives more effectively? I also want to know how the Federal Open Market Committee's communication of its policy framework to the public might be improved. How can we help you better understand our work so you can hold us accountable?

Your perspectives on questions like these are a vital part of this monetary policy review, so I want to thank you, again, for your time and your contribution. Once the policy review is complete, we will share our findings with the public, probably during the first half of next year. And now I look forward to our discussion.