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How Do FOMC Projections Affect Policy Uncertainty? 5
By Brent Bundick and Trenton Herriford

The Changing Input-Output Network Structure of the U.S. Economy 23
By Andrew Foerster and Jason Choi

Lifting the U.S. Crude Oil Export Ban: Prospects for Increasing Oil Market Efficiency 51
By Nida Çakır Melek and Elena Ojeda

How Do FOMC Projections Affect Policy Uncertainty?

By Brent Bundick and Trenton Herriford

In January 2012, the Federal Open Market Committee (FOMC) began publicly releasing its participants' projections for the future value of the federal funds rate in its quarterly Summary of Economic Projections. One of the goals of releasing these projections was to increase clarity in FOMC communications about the future path of policy. However, the individual—and possibly conflicting—nature of these projections may not necessarily lead to lower uncertainty about future policy. If participants notably disagree with each other about the appropriate path of policy, then the projections may actually lead to an increase in uncertainty about future interest rates.

Brent Bundick and Trenton Herriford use options prices from financial markets to examine how uncertainty about future interest rates changed after the FOMC began releasing its participants' projections for the appropriate federal funds rate. They find that overall uncertainty about future interest rates fell after the Committee began releasing its participants' interest rate projections. However, they also find that uncertainty is significantly correlated with disagreement across participants' projections.

The Changing Input-Output Network Structure of the U.S. Economy

By Andrew Foerster and Jason Choi

The U.S. economy is a collection of varied industries linked by the goods and services they exchange with one another during production. In this way, industries form a network of input-output relationships with potentially important implications for economic activity. For example, supply disruptions to one industry might spill over to industries that receive inputs from the affected industry. The magnitude of these spillover effects depends crucially on both the affected industry's links to other industries as well as its importance within the network.

Andrew Foerster and Jason Choi document the input-output network structure of the U.S. economy and examine how the connectivity and centrality of industries have changed over time. They find that the number of connections between industries has varied, with a decrease in industry interconnection more recently. In addition, they find that certain services-based industries have become more important in the network over time.

Lifting the U.S. Crude Oil Export Ban: Prospects for Increasing Oil Market Efficiency

By Nida Çakır Melek and Elena Ojeda

Over the past decade, U.S. shale oil has substantially changed the nation's energy landscape. The introduction of hydraulic fracturing and horizontal drilling accelerated shale oil production in the United States, encouraging domestic oil producers to look for export opportunities. Until recently, these producers faced export restrictions due to a longstanding federal ban on most crude oil exports. However, in December 2015, the 40-year-old ban was lifted.

Nida Çakır Melek and Elena Ojeda review oil market distortions while the export ban was in effect and examine whether the oil market became more efficient after the export ban was lifted. They find that together, the shale oil boom and export ban interacted to distort oil trade flows and prices. Repealing the export ban created opportunities for increased trade and efficiency in the oil market.

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