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Sentiment of the FOMC: Unscripted

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In 1994, the Federal Open Market Committee (FOMC) began publishing transcripts from past FOMC meetings with a five-year lag. Although the FOMC had released prepared statements and minutes to the public before 1994, the full transcripts paint a richer, more complete picture of the meetings. For example, the transcripts are the only meeting document that attributes comments to named speakers, making them ideal for text analysis. Even so, these transcripts have proved somewhat difficult to parse, as they contain a surfeit of disparate anecdotes, forecasts, and economic reports.

Cannon applies text-mining techniques to FOMC transcripts to identify patterns in participants' tone and diction over time, particularly as they relate to measures of economic activity. She finds significant differences in expression among Federal Reserve Governors, Presidents, and staff. Furthermore, she finds the tone of FOMC discussions changed measurably after the 1993 decision to release meeting transcripts to the public.

Estimating the Monetary Policy Rule Perceived by Forecasters

By Brent Bundick

When the Federal Open Market Committee (FOMC) communicates the expected future path of monetary policy to the public, it often outlines how economic conditions affect the stance of policy. In this way, the FOMC implicitly communicates a policy rule that guides its decisions. Professional forecasters, in turn, attempt to identify this implicit monetary policy rule as they set their forecasts for the short-term interest rate.

Bundick examines whether this forecaster-perceived policy rule has changed since December 2008, when the FOMC lowered the federal funds rate to its effective lower bound. After 2008, the FOMC turned to less conventional policy tools such as forward guidance to achieve its dual mandate of stable prices and maximum employment. Despite these changes, perceptions of the FOMC's policy rule remained relatively consistent before and during the zero lower bound period.

Competition in Local Agricultural Lending Markets: The Effect of the Farm Credit System

By Charles S. Morris, James Wilkinson, and Eric Hogue

When banks wish to merge, regulatory agencies must review and approve the proposed merger to ensure it will not result in an overly concentrated, anticompetitive market. As part of this approval process, agencies use screening measures based on banks' deposit shares to evaluate potential effects on competition. However, deposit-based measures do not explicitly account for competition from nondepository financial firms such as Farm Credit Associations. Farm Credit Associations have an especially large presence in agricultural loan markets, and screening measures that exclude them may consequently understate market competitiveness.

Morris, Wilkinson, and Hogue review the current methodology for assessing competition in banking markets and show that including Associations as a competitor in agricultural lending markets can significantly alter measures of market concentration. Moreover, the effect of including Associations in these measures tends to be larger in more concentrated markets and in markets that depend more heavily on the agricultural sector.

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