



## Research Working Papers

# Leaning Against the Data: Policymaker Communications under State-Based Forward Guidance

by: Taeyoung Doh, Joseph Gruber and Dongho Song

September 08, 2022

Policymakers tended to downplay positive economic data after state-based forward guidance was put in place.

---

RWP 22-11, September 2022

A purported benefit of state-based forward guidance is that the private sector adjusts the expected stance of policy without further policymaker communications. This assumes a shared understanding of how policymakers are interpreting the data and that policymakers are consistent in their assessment of the data. Using text analysis, we test whether the FOMC's introduction of state-based forward guidance in December 2012 changed the tone of policymaker communications. We find that policymakers tended to downplay positive data following the introduction of the guidance, in effect leaning against the data and reinforcing the dependence of policy expectations on policymaker communications.

JEL classifications: E30, E40, E50, G12

## Article Citations

- Doh, Taeyoung, Joseph Gruber, and Dongho Song. "Leaning Against the Data: Policymaker Communications under State-Based Forward Guidance." Federal Reserve Bank of Kansas City, Research Working Paper no. 22-11, September. Available <https://doi.org/10.18651/RWP2022-11>
-



### Taeyoung Doh

#### Senior Economist

Taeyoung Doh is a Senior Economist in the Economic Research Department of the Federal Reserve Bank of Kansas City. He joined the department in July 2007. He received a bachelor's degree in economics from Seoul National University in 1996, an M.A. degree from Seoul National University in 1998 and a Ph.D. in economics from the University of Pennsylvania in 2007. His current research interest include monetary policy and term structure of interest rates, estimation of dynamic stochastic general equilibrium models, and asset pricing based on long run macroeconomic risks.



### Joseph Gruber

#### Executive Vice President and Director of Research

Joseph (Joe) Gruber is the executive vice president and director of research for the Bank. He leads the Bank's Research Division, as well as the staff responsible for Regional Affairs and Community Development and serves as a member of the Management Committee.

Mr. Gruber joined the Bank in May 2020 after serving 19 years on the Board of Governors. Mr. Gruber previously served as the deputy director of the International Finance Division at the Board. He joined the Board in 2001 as an economist in the Advanced Foreign Economies section analyzing economic developments in key U.S. trading partners. In 2004, he transferred to the Trade and Quantitative Studies section. He became Chief of the section in 2008 with responsibility for the Board's coverage of oil markets, commodity prices, and U.S. trade flows. Mr. Gruber joined the Board's official staff in 2012. In 2016, he began serving as a Special Advisor to the Board, first for Vice Chair Stanley Fischer and more recently for Vice Chair for Supervision Randal Quarles.

Mr. Gruber has B.A. degrees in International Studies and Economics from the University of Washington, and a Ph.D. in Economics from Johns Hopkins University. His economic research has been published in a number of academic journals including the Journal of Monetary Economics, Journal of International Money and Finance, Review of International Economics, and the Journal of Money, Credit, and Banking. He has also taught macroeconomics at Johns Hopkins and Georgetown Universities.