



Research Working Papers

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

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

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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

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