

COVERING BUSINESS, ECONOMICS
AND CENTRAL BANKING
WITH THE FEDERAL RESERVE'S INCREASING TRANSPARENCY

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Foreword

Paul Volcker, chairman of the Federal Reserve between 1979 and 1987, was 6-foot-7 and enjoyed a good cigar. He preferred to make major Fed announcements after the markets were closed or before long holidays so as to provide enough reaction time for the markets. This drove Martin Crutsinger, then the Fed reporter for The Associated Press, a bit crazy one Christmas Eve in the mid-1980s.

Volcker decided to change the Fed's discount rate, the interest rate it charges banks that borrow at its discount window. Again, he preferred to give the markets some time to digest the change. Bespectacled Crutsinger was caught off guard by the post-4 p.m. notice. He hurried to write the story and ran from the pressroom at the Treasury to join his church choir to sing at the service at the Methodist Church. He was sweating all over when he arrived at the church, just before the services started.

In the old days, announcements about the discount rate were one of the only signals about the interest rates that the Fed provided to the public. Volcker called it “ringing the gong.” The Fed's public affairs office would call reporters in the Treasury pressroom and dictate an announcement of a change in the discount rate to the reporter for the Associated Press. The AP reporter had his manual typewriter ready with sheets of white paper and carbon paper to type copies of the brief announcement and then distribute those copies to the other reporters in the pressroom.

Today, Crutsinger's workdays are quite different. At the conclusion of the Fed's eight regular meetings each year, he sits in a locked room managed by the Federal Reserve typing on a computer. The statement, which covers the Fed's changes in its primary policy lever, its target for the federal funds rate, would be handed out at 1:40 p.m. The information is embargoed until 2 p.m., when the computer and phone lines are opened and reporters are allowed to transmit the news to the world. After the release of the policy statement, Crutsinger and the other reporters are able four times a year to participate in a news conference with Fed Chair Janet Yellen. Under a procedure started by former Chair Ben Bernanke, the chair holds a news conference after four of the eight interest rate meetings each year. The news conference with about 40 economics reporters takes place at 2:30 p.m.

In the past 30 years, the Fed has gone from a mysterious institution to a more transparent central bank that regularly communicates with the media and the public. This move toward opening up was pushed by Fed chairs in the past 30 years. That led to a realization that informing society can be used as an economic tool in central banking.

The Fed hands out different kinds of information and facilitates dialogues with the media to keep society informed. However, all transparency is relative. Critics say that the Fed is not holding press conferences after every Federal Open Markets Committee (FOMC) meeting and is not transparent enough in its regulatory policies. They argue that its rhetoric could be clearer, and that officials sometimes overcommunicate or miscommunicate, confusing consumers.

The Fed has made progress in advancing its transparency. However, the general public still may not understand enough about current economic conditions, and they are discouraged from a fuller understanding because the Fed is still somewhat distant.

This analysis was written after interviews with nine Fed beat reporters and one communications officer at the Fed in Washington, D.C. It summarizes the media's fluctuating attention to covering the Fed and the general economy; introduces the formation of public documents the Fed provides to the general public; describes the communication styles of the four most recent Fed chairs; concludes Fed reporters' experiences covering the institution and attending its press conferences; discusses the driving forces behind and the limitations of the Fed's transparency movement; and provides suggestions for the Fed's press corps and communications task force.

Ups and downs of the Fed story

Central banks chartered before 1850 were mostly used by governments to finance military campaigns instead of providing monetary services.

The creation of America's central bank also had its ups and downs. The First Bank of the United States (1811) and Second Bank of the United States (1836) both failed. Severe financial difficulties in the late 19th century and early 20th century prompted Congress to pass the 1913 Federal Reserve Act, which introduced the Federal Reserve and directed the institution to provide emergency reserves to banks when depositors raced to withdraw money in times of crisis¹.

The Federal Reserve is an independent government agency that reports to Congress. Lawmakers amended the Federal Reserve Act in 1977 and listed three

¹ <https://www.stlouisfed.org/in-plain-english/history-and-purpose-of-the-fed>

objectives for the Federal Reserve System and the Federal Open Market Committee (FOMC): maximum employment, stable prices, and moderate long-term interest rates². The U.S. central bank since has had the dual mandate – stabilize prices and maximize employment. Many other nations’ central banks do not have the employment mandate. So, the Fed’s communications task force has a steeper challenge than many of its global counterparts.

William Greider wrote in his 1987 book, “Secrets of the Temple,” that the Fed has been secretive since its establishment in 1913, and central bankers were like a “confidential fraternity.” The independent federal agency was “deliberately set outside the electoral process” and is “insulated from the control of mere politicians,” Greider said.

People versed in financial matters may also have wanted the Fed to be secretive. Industrialist Henry Ford said, “It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.”³

Main Street did not learn much about the Federal Reserve until people were stunned by the amount of money the Fed was able to utilize to bail out investment firms such as Bear Sterns and AIG during the financial crisis in 2008. The media reported numerous stories about crisis management; “The entire crisis response was the biggest story in generations for the Fed,” said Neil Irwin, reporter at *The New York Times*.

² <http://www.federalreserve.gov/aboutthefed/section2a.htm>

³ <http://www.brainyquote.com/quotes/quotes/h/henryford136294.html>

The bailouts introduced people to the unfamiliar institution and its power. The media may have overlooked writing about the housing bubbles before the crisis, but the financial crisis largely boosted financial journalism and put the Fed in the spotlight.

Today, the Fed is often in the news. Discussions about “quantitative easing,” the practice by which the Fed introduces new money into to the U.S. money supply, were frequent in 2013. In 2015, media at all levels ceaselessly updated the Fed’s monetary policy, speculating when an interest rate increase would come. That rate has been pegged at zero since the end of 2008.

The Fed has also become an active player globally. Over the past several decades, it has also seen the emergence of other central banks and major historic changes. “All these things expanded how people covered the Fed as the world stage changed,” Kevin Hall, chief economics reporter at McClatchy, said. “But the Fed was seldom on the front page really until 2008.”

Substantial coverage of the Fed has emerged since. As the central bank has taken on new economic initiatives and more responsibilities, a multitude of information and data coming through or from the Fed impact the markets and the economy every day.

Criticisms

Ben Bernanke, chairman of the Fed between 2006 and 2014, said at a National Press Club luncheon event on Feb. 18, 2009, “In the United States, the Federal Reserve has done, and will continue to do, everything possible within the limits of its authority to assist in restoring our nation to financial stability and economic prosperity as quickly as possible.”⁴

⁴ <http://www.federalreserve.gov/newsevents/speech/bernanke20090218a.htm>

Bernanke initiated many policy innovations after he said that conventional monetary policies had been proven “insufficient” in the time of the crisis. Those innovations led to more attention on and criticisms of the Fed, especially as the asset this independent agency sits on surged from \$800 billion six years ago to today’s \$4.5 trillion after drastic bond-buying moves.

Growing criticisms of the Fed add spice to the media coverage. In January, U.S. Sen. Rand Paul, R-Ky., called for a bill, Federal Reserve Transparency Act of 2015, H. R. 24, to “audit the Fed” and expressed his intention to eventually abolish the Fed⁵. Also, critics say the Fed has kept the interest rate too low for too long, which encouraged the bubbles in the housing and stock markets, and they question “the limits of its authority” as there’s “no check against the Fed” because they control the money supply, said Hall.

This is not the first time critics make the Fed more popular. In the Volcker era, inflation was at double digits. In 1987, the markets crashed. “That opened everybody’s eyes as how markets would begin to change structurally,” Hall said.

During that period, Henry B. Gonzales, chairman of the House Banking and Currency Committee, accused the Fed of being the primary “example of the abuse of openness in the federal government.” He effortlessly tried to disclose the workings of the Fed, aiming to hold it accountable as “a creature of Congress.” Although he failed to initiate the proceedings to impeach Volcker, he managed to force the FOMC to publicize its meeting minutes when Fed officials denied the existence of official transcripts.⁶ These proceedings drew a lot of media attention.

⁶ <http://history.house.gov/People/Detail/13906>

Fewer media resources

To be sure, some factors in play are also decreasing the resources media dedicate to the Fed coverage.

The general public is showing less interest in the Fed because of the gradual economic recovery. In 2015, the employment rate has fallen to 5.0 percent in October, half the level in 2009. Every time the world moves on from a crisis, there is less focus on its key players.

“News tends to be driven by crisis,” Mark Hamrick, Washington bureau chief of Bankrate.com said. “Once you get beyond the crisis, there’s the sense that we don’t need to necessarily pay as much attention now.”

“The audience doesn’t seem to be necessarily beating the door down to find out what Yellen had for breakfast,” Hamrick said. “They want to know what Kim Kardashian had for breakfast.”

While the absolute volume of media coverage on the Fed has been growing with the emergence of digital media, the number of professional full-time Fed reporters might have seen a slight decline. With the shifting journalism picture, fewer reporters cover the Fed as companies downsize.

Although it receives media requests from different types and platforms of media, the Fed’s public affairs office has seen a decrease in the number of journalists coming to its press conferences. The first such conference hosted 60 reporters. Attendance now numbers 35-40, according to Eric Kollig of the Fed’s communications office.

National media outlets and business media cover the Fed all the time, and digital media and news aggregators are producing more content related to the Fed. For the

newspaper industry, especially the local papers, however, “if it’s not making a lot of dramatic policy actions, the coverage is going to naturally diminish when the economy is not as much as the news and they are not doing much more,” said Don Lee, Washington correspondent for the *Los Angeles Times*.

Responsibilities of Fed reporters

For the journalism community and public, Fed activities can be “very arcane,” said Jon Hilsenrath, reporter of *The Wall Street Journal*. “It’s a very complicated institution with enormous consequences, and it’s an institution a lot of people don’t understand well.”

Financial journalists, therefore, translate the Fed’s activities for consumers. The press corps is well-versed in economics and business knowledge, and they deal with Fed information every day. Fed reporters bear the responsibilities of describing, explaining and analyzing economic activities of the Fed. In essence, they hold the institution accountable.

Key areas for Fed reporters include: interest rate decisions and monetary policy; the job market, inflation and productivity; bond-buying programs (also known as quantitative easing); and the Fed’s relationship with Congress and its reaction to the “Auditing the Fed” bill. They also follow the Fed’s personnel and management stories, which reflect the changes in the institution’s operations. In 2015, all eyes have been on the monetary policy discussions.

Some financial news services closely follow the Fed as a banking regulator, looking at its stress test—a capital balance analysis done by the Fed to determine if a bank could withstand unfavorable economic conditions, bond liquidity, and banks’

“living wills.” Those financial media interpret the Fed’s banking regulations and decipher the Dodd-Frank Act that passed in 2010.

Reporters covering the Fed’s regulatory role now have more to work on than ever before. The Dodd-Frank Act (or the Dodd-Frank Wall Street Reform and Consumer Protection Act) requires the Fed to prevent systematic risk in the economy. After its passage in 2010, the Federal Reserve Board, based on the Act’s codes, had done 86 votes that passed requirements, rules and initiatives including the Truth in Lending Act, Fair Credit Reporting Act, the Volcker Rule, Swaps Capital and Margin Requirements, risk-management standards for the financial markets, and more.

Some Fed reporters also write many controversial stories in an effort to hold the Fed accountable. Hilsenrath said accountability stories include, firstly, disclosing wrongdoings at the Fed—for example, the investigation of then–New York Fed chairman Stephen Friedman’s insider trading of Goldman Sachs stocks⁷—and secondly, checking Fed officials’ public comments and assessments.

Public documents and their formation

Twenty years ago, there was limited interaction between the Fed and the media. Crutsinger said in the early mornings of the days after the FOMC meetings, economists would study the open market operations performed by the Federal Reserve Bank of New York to better understand what happened at the FOMC meeting. Before 1994, for a considerable time, if there were no changes made to the key rates, the Fed would not make an announcement, but only place a phone call to the Treasury’s pressroom. Joe Coyne, a former Associated Press reporter and then the press official at the Fed, would

⁷ <http://www.wsj.com/articles/SB124139546243981801>

say over the phone, “The Fed has met, and there would be no announcement.” No news was the news that Crutsinger and his colleagues would write about.

The Fed started to make official statements in 1994. “That was the start of the more transparent Fed,” Crutsinger said. Today, Fed reporters can examine a series of public documents. But it didn’t come easy.

(Chart one: Public communications materials of the Fed)

FOMC statements, economic projections, the target federal funds rate projections, which include the “dot plots,” and voting results	2 p.m. after each FOMC meeting
Press conference hosted by the Fed chair	2 p.m. after every other FOMC meeting
Minutes that provide detailed notes of meeting discussions, and a detailed “Summary of the Economic Projections”	Three weeks after each FOMC meeting
The “Summary of Commentary of Current Economic Conditions,” also called “the Beige Book”	Eight times a year
Transcripts	Produced shortly after the meeting; publically released five years after the meeting
Senior Loan Officer Opinion Survey	Quarterly
Economic and industrial data, industrial production and consumer credits	Regular updates at the Board and 12 regional banks

The FOMC first disclosed its interest-rate decisions in February 1994. Alan Greenspan, chairman between 1987 and 2006, said at that month’s FOMC meeting that he was not trying to set a precedent. But he added as the interest rate increase would be the first one after five years, he wanted the public to understand clearly that the Fed was indeed making a move.

“The question I want to raise this evening before we close is one that has been tugging at me for the last number of weeks. This really gets to the issue that when we move in this particular context, which of course will be the first time we

have moved since September 1992, we are going to have to make our action very visible... I am particularly concerned that if we choose to move tomorrow, we make certain that there is no ambiguity about our move... I'm very strongly inclined to make it clear that we are doing this but to find a way to do it that does not set a precedent.

...I would very much like to have the permission of the Committee to announce that we're doing it and to state that the announcement is an extraordinary event. The major reason would be that it's a Friday and we rarely meet on Fridays. This is a very unusual circumstance. So I'd like the permission of the Committee to try to formulate a couple of sentences which state (1) that we have moved, assuming we do that, and (2) that this announcement of the move is not precedential. We will try to find a way to say what is special about this particular day and this particular event. So, I open it up for everyone's comments."

Alan Greenspan, Meeting of the Federal Open Market Committee

February 3, 1994⁸

After much discussion and lobbying of some reluctant committee members, Greenspan debuted the Fed's first-ever monetary policy statement. In 99 words, he had framed the cornerstone of the Fed's transparency movement.

⁸<http://www.federalreserve.gov/monetarypolicy/files/FOMC19940204meeting.pdf>

(Image one: the Fed's first-ever monetary policy statement)

Federal Reserve Release



Press Release

Release Date: February 4, 1994

For immediate release

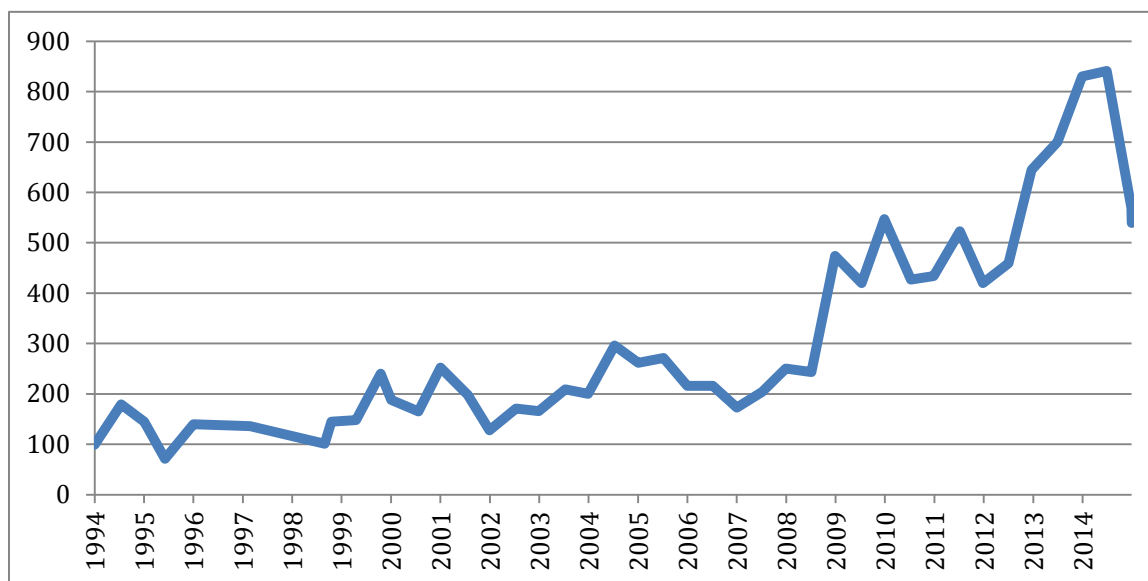
Chairman Alan Greenspan announced today that the Federal Open Market Committee decided to increase slightly the degree of pressure on reserve positions. The action is expected to be associated with a small increase in short-term money market interest rates.

The decision was taken to move toward a less accommodative stance in monetary policy in order to sustain and enhance the economic expansion.

Chairman Greenspan decided to announce this action immediately so as to avoid any misunderstanding of the Committee's purposes, given the fact that this is the first firming of reserve market conditions by the Committee since early 1989.

After some trials, the FOMC committee started communicating changes in monetary policy immediately to the public in February 1995. In January 2000, the committee began issuing formal statements after each regularly scheduled meeting, even when no changes had been made in monetary policy. These all happened under Greenspan's leadership. The statements went from four or five lines to more than a half dozen lengthy paragraphs with more complicated ideas. The statements were enhanced further after the 2008 financial crisis, as the Fed had to release more information to the public.

(Chart Two: Word count of FOMC statements from 1994 to 2015
Data collected by author)



The minutes were also released in a more timely fashion. In December 2004, Ben Bernanke expedited the release to be three weeks after the meeting, instead of about three days after the next meeting, which made each of the releases more meaningful and still current when it's released.⁹

On Feb. 3, 2011, Bernanke spoke to the National Press Club for the second time. "I've heard from Fed staff that it was an important process for them to appear at the press club in that kind of news conference format to help them understand that (news conferences) can work at the Fed," said Hamrick, who was president of the National Press Club at the time and hosted Bernanke at the event.

⁹ http://www.federalreserve.gov/monetarypolicy/fomc_historical.htm

On April 27, 2011, the Federal Reserve further opened its physical doors to the media, and Bernanke hosted about 60 reporters at the Fed's first-ever press conference since it was established in 1913.

(Image two: Neil Irwin asking a question at the Fed's first press conference screen shot of video on the Fed's website)



Irwin, then the Fed reporter with *The Washington Post*, was called on to ask the first question. "I remember I was being extraordinarily nervous. I said to myself, 'This is the first question. Don't blow it.' If you look at the transcripts, I didn't say my name, but I should have said that I'm Neil Irwin from *the Washington Post*. I was too nervous."

All reporters interviewed said that the news conference is a concrete example of the Fed trying to engage more with the media and the general public. "We only have had the press conference for about three years," Lee said. "It's pretty dramatic. In 100 years of the Fed's history, for most of that, you had zero communications."

The Fed also established its target inflation rate and employment rate target. These have provided a measurement for consumers to use to evaluate the economy. With more core numbers being defined and disclosed, the markets and general public can have a clearer idea of the general well-being of the economy.

Kollig said that at the Fed's public affairs office nowadays, about a half dozen people communicate the Fed's work. The staff is assigned with certain beats that

correspond to areas in which the Fed works. The office responds to questions on monetary policy, banking regulations, the payment system, securities on payment, etc. It also has a consumer and community affairs division that works with other reserve banks and the Consumer Financial Protection Bureau. In addition, the office releases statistical research, such as the industrial production data and consumer credit data.

Fed chairs' different personal styles

There has always been “Fed speak,” which is the Fed’s jargon, but different chairmen have their own media characteristics and have developed their own communication styles. Collectively, the styles have evolved toward more transparency.

Under Volcker and Greenspan, there was a sense that the Fed’s power comes from its mystery, secrecy and surprise. The Fed provided the minimum information possible under Volcker, but Greenspan started to take on a few transparency initiatives. Bernanke started the real push toward transparency, and Yellen carried it forward.

Both Bernanke and Yellen come from academic backgrounds and frequently pursue more openness; at the same time, they have always been cautious, and they are frequently found trying to say something without saying too much.

1) Volcker kept the markets guessing

Greider’s book described the Fed under Paul Volcker “more secretive than the CIA and more powerful than the President or Congress.”

During his term, Volcker had the reputation of being a man who kept his own counsel and didn’t talk very much to the other governors; he worked mostly with the

“senior” staff, and some FOMC meeting participants felt they were out of the loop, according to records from “A History of the Federal Reserve.”¹⁰

Volcker was said to be gruff. He smoked cigars during hearings, and there were jokes at the time that he would send different signals by how much he puffed on his cigar, or he would use the cigar to cover up what he was saying, according to Crutsinger.

“Central banks in that era believed that the less they told the public and the markets, the better it was,” Crutsinger said. Volcker believed the Fed should have a surprise effect and keep markets guessing.

2) Greenspan said as little as he could

Greenspan was a banker before he ran the Fed. He was notorious for working at home in the bath¹¹.

Under Greenspan’s leadership, every vote was unanimous. The Financial Times described his model at the FOMC was “autocratic.”¹² He had multiple famous sayings as chair. The one many recall was, “If you think you understood me, it’s because I misspoke.”

“Greenspan ran the Fed as a committee of one,” Hall said. “It was very seldom that anyone challenged him. He was a strong figure.”

Hamrick added, “Greenspan tried to say virtually nothing in his public appearances. When he intended to say something, the impact was huge.”

¹⁰ <http://bit.ly/1IppY46>

¹¹ http://www.washingtonpost.com/business/michelle-smith-working-behind-the-scenes-to-shape-the-feds-public-image/2014/01/24/293cedf2-82d4-11e3-9dd4-e7278db80d86_story.html

¹² <http://www.ft.com/intl/cms/s/0/9f3e2b00-796e-11e5-933d-efcdc3c11c89.html#axzz3ppHsEzAx>

3) Bernanke largely pushed forward transparency

Bernanke was the first former academic to run the Fed. Under his more inclusive style, dissent appeared and was encouraged at FOMC meetings. He spoke last instead of first.

“He was the greatest living mind (expert) of the Depression,” Hall said. “It was good timing if you were about to have one. I think history will be extremely kind to Bernanke.”

Hilsenrath said, “Bernanke was more consensus-driven. He tried to make the decisions that came out of FOMC meetings more a result of dialogue and debate among the 19 FOMC members.”

Hamrick described Bernanke as a scholar who is a bit distant. “He is not a populist per se, not the kind of person who would be able to rally the American public, but he is professorial, so he can at least try to speak in a way that intelligent people can understand.”

In 2009, Bernanke intensified his efforts to communicate to the public and expanded the communications policy, trying to combat people’s negative perceptions of the Fed. He managed to establish the inflation target despite controversies at the beginning of his term and started holding press conferences at the Fed in 2011.

The Fed’s communications task force made efforts to connect Bernanke with the general public after the 2008 crisis. Bernanke went to a town hall meeting in Kansas City, Mo., taught four lectures on central banking at George Washington University, and gave at least two interviews to “60 Minutes.” The television crew followed Bernanke to his hometown in South Carolina and portrayed him as a normal person, looking back to the

time when he worked as a waiter at an eclectic roadside restaurant called “South of the Border” when he was young.

“He knew that more communications will serve the Fed’s purpose and could deflect some of the criticisms from Congress and the public,” Lee said.

4) Yellen carried on with transparency efforts

Yellen was vice chair under Bernanke and was by his side when the Fed went through many critical decisions, including the quantitative easing policy.

Yellen has continued Bernanke’s practice of trying to be consensus-driven, and she tries to be more plain-spoken, Hilsenrath said.

Lee said that Bernanke and Yellen follow almost the same format: Both of them have a similar calm and low-key way of talking and tend to be very even-tempered and gracious.

“There’s no doubt about her intellectual command of the material,” G. R.¹³, a Washington-based Fed coverage editor said. “... You will realize she has thought about the stuff four levels deeper than you have.”

Yellen, who taught at the University of California at Berkeley, a liberal institution, and was president of the San Francisco Fed. She is considered a liberal and has been confronting criticism from Republicans in Congress. During her first semiannual testimony on the Fed's semi-annual monetary policy report in February 2015, Yellen was verbally attacked by various congressmen, including Rep. Jeb Hensarling, R-Texas. “She was not intimidated or (nervous). She really fired back,” G. R. said.

¹³ The initials were randomly assigned by author. G. R. asked for anonymity because of his or her job position makes G. R. feel unable to provide neutral opinions once identified by title and affiliation. G. R. is the only anonymous source in the project.

Hall said, “It showed that she was not willing as a woman and as a civil servant to be pushed around by these guys. Bernanke was viewed more as an academic academic. She’s viewed a bit more political.”

Yellen often doesn’t give straightforward answers. For example, she repeatedly responds to questions about the interest rate decision by saying the Fed’s decisions are “data-dependent.”

“Because she’s very good at dodging, there’s a lot of interest in getting reactions out of her,” said John Heltman, Fed reporter for *American Banker*.

“I spent time privately with her and Bernanke as well,” Hamrick said. “Yellen is more like a regular person. She is the smartest regular person you could ever meet. She is kind. She is caring. She is incredibly intelligent. Yellen seems to be a more straightforward person (compared with Bernanke).”

Press conference, the statement and additional disclosure

1) Reporters’ experiences of attending the press conferences

The Fed’s press conference has always been in the same meeting room at the Fed’s building. At 2:30 p.m., after the FOMC meeting wraps up, the chair walks directly up to the desk in front of the room and takes a seat. All the reporters sit at tables facing the chair in a classroom style. The chair gives an opening statement first, and then takes questions. Chief communications officer Michelle Smith decides the order of the questions on the spot. She points to reporters and calls them by their first names to let them know that they are next. Normally, about 17 or 18 reporters have a chance to ask questions until the hour is used up.

Reporters describe the Fed's communication style as polite, smart, and cautious. The Fed is unique when compared with other federal agencies. It guards its independency as the central bank. Hilsenrath said public affairs staff at almost all institutions in Washington, such as the White House, the Treasury and the Capitol, is very political, but the Fed's is less so. Public affairs officials at the White House defend the president; "At the Fed, it's about defending the Fed, but it's also about defending the Fed as an independent institution," Hilsenrath said.

Reporters attending the press conferences are mostly financial reporters, unlike the diverse press corps at the White House. Reporters described the conferences that happen during the market hour as consistent, cautious and technical; and the communications staff and reporters are familiar with each other.

"The press conference is largely organized to give the chair the ability to elaborate on the statements and on the forecasts," G. R. said. Reporters prepare specific questions about the monetary policy or banking regulations, and they also read the materials released at 2 p.m. and think of questions from the statements and economic projections.

Reporters at major media outlets said they think it's always possible to get called on to ask a question, while others said they think the Fed prioritizes speaking to the financial industry by taking more questions from major financial media outlets.

"There's a bit of hierarchy" as higher-visibility journalists are given the opportunities to ask both the first questions and more questions, Hamrick said. He said the White House's press conferences "really mix it up a lot more. The Fed isn't quite as random."

Some questions are asked repeatedly and may generate very similar answers each time; sometimes there will be a good quote or comment when the chair talks off the cuff. Reporters said they are unable to ask follow-up questions, which makes it hard to get the information they want because the topics involved are normally complicated and it's hard to phrase the questions smoothly. Additionally, reporters have to pass on the microphone right after they finish asking a question, which Hilsenrath said “makes it pretty formal and regimented.”

2) Yellen learned from misspeaking at her first press conference

When Yellen hosted her first press conference on March 19, 2014, she said one sentence caught the markets off guard.

***Yellen:** I simply meant to say that if we continued to reduce the pace of our asset purchases in the manner that we have, in measured steps, that the program would be winding down next fall.*

***Reporter:** Then once you do wind down the bond-buying program, could you tell us how long of a gap we might expect before the rate hikes do begin?*

***Yellen:** So, the language that we use in the statement is “considerable” period. So, I—you know, this is the kind of term—it’s hard to define. **But, you know, it probably means something on the order of around 6 months or that type of thing.** But, you know, it depends. What the statement is saying is, it depends what conditions are like. (Words made bold by author)*

Yellen put a time frame on when the rate hike could be expected after the bond-buying program wound down, which caused some panic among the financial industry. “I

think she regrets being that specific about it. That was a lesson learned on her part. Her words are really watched,” G. R. said.

Lee said, “Markets latch on every single word... Since then, she’s learned. She became more vague and more cautious and followed the scripts. Then it wouldn’t be as interesting. You rarely get something unpredictable, but it’s also understandable. A slip would influence the markets around the world. You get nuggets of additional information or things that help you get better understandings, but it’s rare that you are going to find significant pieces of information.”

Fed chairs need to be extremely careful about what they say in public. Bernanke experienced a similar incident at 2013’s June 19 press conference. He said:

If the incoming data are broadly consistent with this forecast, the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year. And if the subsequent data remain broadly aligned with our current expectations for the economy, we would continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around midyear.

The Dow Jones Industrial Average dropped 3.7 percent in the two days after Bernanke’s comment. In the “tapering tantrum,” Bernanke “hadn’t prepared the markets enough,” Crutsinger said. It turned out that the Fed didn’t scale back its bond-buying program until December 2013.

3) Fed rhetoric with “constructive ambiguity”

The Fed’s vernacular and the vocabulary are not targeted at the general public, and its words can be confusing even for longtime Fed watchers. This is said to be “constructive ambiguity.” Those different kinds of materials require the chair’s explanation at the press conferences.

When Fed reporters start their jobs, they have to learn the insider lingo and talk with a handful of sources, sometimes including the Fed’s staff, to get a grasp of the Fed speak. Sometimes, it is more than just the technicality. Even reporters who have been on the beat for years still need to talk to as many people as possible to get a consensus read of the statements to make sure their coverage is closest to accuracy.

A challenge of covering the Fed is “trying to accurately decipher exactly what they are trying to say,” said Ylan Mui, Fed reporter at The Washington Post. “Once you’ve learned the Fed’s speak lingo, you know what to look for in a statement.”

For example, “participants” means all members at an FOMC meeting; “committee” means voting members. Words and phrases like “some members” versus “a number of members” or “modest” versus “moderate” all have a subtle difference. “Long-term security asset purchases” is the Fed’s preferred phrase for “quantitative easing.” Every time a new word appears in the statement, reporters ask about it at the news conference.

While reporters would ask higher level or broader questions at the press conference or when they get to interact with high-ranking officials, they will often call the Fed’s public affairs office to ask for technical assistance and more nitty-gritty details, according to Kollig.

Over the years, the Fed's statements stick to the same Fed rhetoric to guarantee consistency. "The Fed had to use this very intricate language," Irwin said. "It's central bankers around the world, not just the Fed... They always add caveats. They always use very technical languages."

Also, once the pattern of the Fed speak is set, the obligation to stay consistent makes it very hard to change, which Lee said is "because it can cause disruption and misunderstanding and may be jarring. If you want to make it more accessible and simplify it, you may need to gradually do it in a very long time."

Sometimes, the consistency requirement can be a burden. For example, for a while, the Fed listed employment rate in the statement, but unemployment slid much faster than expected. The Fed wanted to remove the number in its statement, but it would make people think they were going to raise interest rate. Under circumstances like that, the Fed needs to make extra efforts to make it clear that there's no ulterior motive for the change, G. R. said.

The most repeated phrase at the Fed throughout 2015 has been "data-dependent." Yellen wants to make clear that the Fed makes decisions in real time because a lot of developing economic elements are uncertain by nature. Therefore, the Fed may not know what it is going to do in advance neither.

This practice is new. In the past, the Fed had a more planned schedule to take actions. On May 4, 2004, the word "patience" disappeared¹⁴ from the Fed's statement, and the Fed raised the interest rate at the next meeting, on June 30. Many people are

¹⁴<http://www.federalreserve.gov/boarddocs/press/monetary/2004/20040504/default.htm>

looking for the same pattern right now, but the Fed has changed its decision-making pattern and also communications pattern.

Up to now, the Fed has been trying to prepare the public for an imminent rate increase. They very often don't provide definite information on economic projections but instead maintain flexibility. Irwin said the reason may be that the Fed doesn't know it themselves until things happen.

Over time, the FOMC has become more consensus-driven, and it has included compromises and debates among all the members in its statements. The Fed incorporates as many people's ideas as possible to get members to sign off on the statements. Sometimes, this consensus-driven or compromise-driven approach leads to messages that even two Fed officials can have different interpretations of the same line, Hilsenrath said.

For example, in a statement released May 1, 2013, the Fed said:

*The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is **prepared to increase or reduce** the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives. (Words emboldened by author)*

The Fed wanted to send a signal that the bond-buying programs can be discontinued at some point, but they didn't want to say they were really doing it very

soon. Obscurity in these lines has caused confusion and contrary interpretations of the markets for the financial industry.

In the current interest rate increase discussion, each monetary policy would include more than a dozen factors that play a role in the FOMC's decision-making. But the readers can't tell which factors are prioritized over the others. "When you give that broad range of things, it just leads to rampant speculations," Hall said.

Lee said that the Fed chair has always been vague on the significance of each factor.

Economics and monetary policies are complicated by nature. They are like many official documents that are passed around in Washington. Legislation is rigid, written with complexity to assure legal precision.

"If you want precision, you need to be able to use the full range of vocabulary," Lee said.

"When rules get written sloppily, they get challenged in court," Heltman said. "That's why they use seven paragraphs to explain one thing when one paragraph would do."

4) Efforts of other Fed officials

Fed transparency moves have occurred systemwide and go beyond the high-profile efforts of Fed chairs. Besides the Fed chair, other Fed governors and officials at the regional banks also advance transparency, recognizing a lack of transparency potentially hampers the modern economy.

Federal Reserve officials nationwide actively promote openness. In a 2009 public speech in Basel, Switzerland¹⁵, William Dudley, president and CEO of the Federal Reserve Bank of New York said of the 2008 financial crisis: “There were many areas where a lack of transparency contributed to a loss of confidence, which intensified the crisis.” In 2010, Dudley participated in a SABEW event and explained the outlook, policy and mandate of the Fed, a move to further engage with the media to facilitate the Fed’s public communication.

Narayana Kocherlakota, president at the Federal Reserve Bank of Minneapolis since October 2009, said, “One of my main objectives has been to make both the Minneapolis Fed and the Federal Reserve system more open and transparent.”

Regional bank presidents Charles Plosser (Philadelphia) and James Bullard (St. Louis) have both spoken out about the significance of communication and transparency in central banking¹⁶.

Fed officials at all levels are giving an increasing number of public speeches all around the world. They generally begin a speech with a clarification that they speak only for themselves as a single individual, which demonstrates the cautious nature of their communications.

However, the whole Fed community is generating more communications with the general public. As a result, Fed reporters follow these bankers around the globe to cover their speeches, indicating how the Fed has increased its own public profile.

¹⁵ <https://www.newyorkfed.org/newsevents/speeches/2009/dud090702.html>

¹⁶ <https://www.fedinprint.org/subjects/transparency.html>

5) Data release at regional banks

The website of the of the Federal Reserve System today contains more comprehensive information, press releases, data and disclosure on the monetary policy, banking regulation, payment system, consumer information and a wide array of economic research.

Besides the Board of Governors, regional banks are also providing more economic research. The St. Louis bank's website called "FRED" or "Federal Reserve Economic Data," tracks 292,012 data sets on all aspect of the economy. Regional banks in Atlanta, Boston and Philadelphia also provide national and regional economic data.

Reporters scrutinize the information to analyze the data releases to support their news and enterprise, said Mui, who published several stories that went viral by analyzing regional banks' economic data. She said, for example, she wrote a story that said women with children are more productive in the workplace than those who don't have children based on information in the Federal Reserve Economic Data.

Forces behind the transparency

The Fed has always been so closely watched by players in the financial world, and it is also scrutinized by the public, especially since the financial crisis.

"There is always a temptation for the central bank to speak in a whisper, because anything that gets said reverberates so loudly in markets," said Jeremy Stein, a former member of the Fed's Board of Governors.¹⁷ "But the softer it talks, the more the market leans in to hear and, thus, the more the whisper gets amplified. So efforts to overly

¹⁷ <http://www.nytimes.com/2014/05/07/upshot/whispers-from-fed-could-lead-to-wild-swings-internal-critic-says.html?r=0>

manage the market volatility associated with our communications may ultimately be self-defeating.”

Various factors have influenced the Fed’s growing transparency. The tendency toward openness has been pushed by the combination of crisis reaction, politics and legal pursuit. The Fed’s realization of that communications can be an effective tool.

1) Crisis brought scrutiny

Criticism of the Fed spiked after the bailouts of General Electric and AIG. The Fed was a major player in stabilizing the economy during the crisis. The ever-increasing scrutiny and questioning of the power of the Fed have pressured the institution to communicate more with the public. “The government rescued corporations but didn’t rescue ordinary people who lost their homes and jobs,” Lee said. “People had been resentful. They generally misunderstood and didn’t know much about the Fed.”

“The crisis created a focus on what the Fed was doing and the realization of what kind of power they wielded,” Irwin said.

The Fed exerts more power than it used to within the banking system, and the public is eager to know what the Fed is really doing. Managing trillions of dollars of assets, the Fed feels the “democratic impulse to say more about what they are doing,” said G. R. “It would have been a real blow to credibility and wouldn’t be politically sustainable. So they have to be transparent.”

2) Politics and policy

“In some circumstances they are forced (to be more transparent), against their own will,” Hilsenrath said. Political forces are a driving force behind the Fed’s transparency.

Legal forces also have ruled against the Fed's will. The Fed refused to divulge the names of the banks that borrow emergency loans at the Fed's discount window, saying not doing so is for the betterment of financial stability. However, it lost a Freedom of Information Act lawsuit in 2009¹⁸ to Bloomberg and had to identify the companies in its emergency lending programs to the media and the public.

Soon after the crisis, in 2010, President Barack Obama signed into law the Dodd-Frank Act, which has imposed thousands of additional restrictions and mandates on the Fed. "For example, the swaps markets were completely dark before Dodd-Frank," said Heltman. "I think that's been illuminated in a very meaningful way. The whole dark pool of the financial activities has gone more known." The act also improved regulators' view of the market by disclosing more information about the banking industry and the economy.

Some politicians have been very vocal in criticizing the Fed, such as congressman Jeb Hensarling, R-Texas; Sen. Elizabeth Warren, D-Mass.; and Sen. Rand Paul, R-Ky. These people have been trying to hold the Fed accountable, and those efforts have meanwhile pushed the Fed to be more transparent. Some have questioned that the Fed has deviated from the Taylor rule, a rule-of-thumb equation describing the interest rate decisions. The Fed is different from Congress in the sense that none of its officials are duly elected, another fact that has drawn criticism.

3) Realization of transparency as an impactful economic tool

As the interest rate has remained at zero for nine years, the Fed has been left with few tools to stimulate the economy. In January 2012, the Fed officially announced its

¹⁸ <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a7CC61ZsieV4>

inflation target to be at 2 percent and the longer-run normal rate of unemployment to be between 5.2 and 6 percent¹⁹.

“One innovation started under Greenspan but really continued under Bernanke is (that) being transparent about your goals and intentions can actually make policies more effective,” Irwin said.

The Fed wasn't the first central bank to announce its key target rates, nor was it the first one to introduce press conferences. The European Central Bank has held press conferences ever since its establishment in 1998. Global central banks have been leaning toward more communication.

Economists have largely recognized the role expectations play in the economy. The modern Keynesian Phillips Curve introduced expectations as a factor influencing the relationship between unemployment and inflation.

On Jan. 27, 2015, the Fed said in its amended policy on external communications of committee participants that “considerable evidence indicates that central bank transparency increases the effectiveness of monetary policy and enables households and businesses to make better-informed decisions.”

“Central banks realized that they could use communications and transparency as a tool to shape those expectations,” G. R. said. “It's not that they want to be democratic, it's because they realized it's a tool,”

4) Global economy and the Internet

As globalization deepens, central banks are having more interrelated communications with one another. Central bankers all around the world get together at

¹⁹ <http://www.federalreserve.gov/newsevents/press/monetary/20120125c.htm>

events such as the Group of Twenty (G20) meetings. The Fed has to keep domestic media updated on its activities lest anonymous sources from the other side of the world reveal major incidents before it gets a chance to do it, so as to control accuracy, G.R. said.

Across different times zones, there are always markets running. When the Asian markets are closed, the U.S. markets open. The Fed can no longer expect the economy to digest certain information utilizing the time when the U.S. markets are closed. Because of that and the fact that the Internet transmits information instantly, the Fed has had to open up to the globe.

Multifaceted transparency

1) Difficulties and complexities in becoming transparent

Ever since the crisis, the economic backdrop has become increasingly complicated, which requires more descriptions and explanation, and the Fed has been initiating more diverse economic tools, such as quantitative easing. That has made communications at the Fed more difficult than before. “During the crisis, they were doing things they had never done before,” Hilsenrath said. “They went to uncharted territory.”

The Federal Reserve Bank system is a giant multilayered institution with challenges to its communications. Participants’ opinions at the FOMC have been diversifying, especially as the 19 people on the committee have become more collegial since the Bernanke era.

The Fed’s system is composed of the Board of Governors in Washington and 12 regional banks. Each institution acts individually, providing statistic information and policy decisions. Regional presidents often make public appearances and speeches, and

they are more accessible than the board members and are more willing to talk on the record, according to journalists interviewed.

The system's massive size and the growing complexities of the economic conditions both have added to the difficulties in the Fed's communications.

2) Boundary of transparency

Reporters reflect that the Fed is a relatively transparent agency, especially compared with institutions like Congress. But as with all transparency, there are boundaries to and limitations on the Fed's communications. These may come from external requirements that are not subject to the Fed's own will.

"The Fed is always going to see more than what the markets could see, by virtue of its access to privileged information," Heltman said.

The Fed's everyday work involves communicating with banks and the financial industry. It has examiners inside banks around the nation to understand the banks' balance sheets and weigh their potential risks. A lot of the information is confidential, and it's illegal to disclose it. Mishandling of the information could create economic chaos.

Unlike the White House, which may give some exclusives to certain reporters, people at the Fed "don't want to do on-the-record exclusives," G. R. said. "If they have got something to say, they usually want to broadcast very broadly. Second, they view 'exclusive' as some kind of violation of privilege."

The Fed doesn't tend to plan exclusive stories, and there have been cases where certain communications became "leaks" and eventually turned into federal investigations.

In 2012, Yellen met with an analyst at Medley Global Advisors, a financial firm, and the conversation touched upon the Fed's plans for further economic stimulus. Medley later disclosed what it learned from the meeting to its clients. The incident has escalated into an insider-trading investigation in October 2015²⁰.

Fed officials routinely communicate with market participants to understand the economic conditions better, but the conversations the Fed facilitates may provide informational advantages for the people and companies that are involved in those events. Leaks are the last thing the Fed wants to incur during its communication efforts. The Fed sets a clear limit about it in its policy on external communications of committee participants²¹:

*Committee participants will strive to ensure that their contacts with members of the public do not provide any profit-making person or organization **with a prestige advantage over its competitors**. They will consider this principle carefully and rigorously in scheduling meetings with anyone who might benefit financially from **apparently exclusive contacts** with Federal Reserve officials and in considering invitations to speak at meetings that are sponsored by profit-making organizations or that are closed to the public and the media. (Words emboldened by author)*

²⁰ <http://www.wsj.com/articles/questions-about-leak-at-federal-reserve-escalate-to-insider-trading-probe-1443650303>

²¹ Adopted effective June 22, 2011; as amended effective January 27, 2015.
http://www.federalreserve.gov/monetarypolicy/files/FOMC_ExtCommunicationParticipants.pdf

3) Constraints in over-sharing

Having more communications may not be more effective. Sometimes over-communications backfires.

The Bank of Japan holds press conferences once a month, which is said to have hurt its credibility because the bank president reports to the public too frequently and couldn't keep his promises. The European Central Bank has cut back the frequency to eight meetings a year in 2015 as opposed to once a month since its establishment in 1998²².

For the Fed, "the academics over time will be debating whether transparency is a good thing," Hall said. Some people argue that FOMC meeting transcripts should be released sooner than five years after each meeting, but a lot of major economic issues last longer than five years, and releasing the transcripts that involve discussions about those issues may create political problems, such as the Greek debt, Hall said. Releasing transcripts of officials' discussions about on-going global events too soon may harm policy execution processes and trigger political instabilities. Therefore, transparency efforts shouldn't merely expedite the information releasing process at the Fed.

There are people calling for the Fed to broadcast the FOMC meetings live on C-SPAN. Reporters might favor that but the change would be unrealistic and possibly cause unnecessary market fluctuations.

The Fed wants to ensure economic stability, and excessive disclosure of its activities would make the organization "more centrally controlled, less democratic and less transparent than it is now," Irwin said.

²² <https://www.ecb.europa.eu/press/pressconf/2015/html/index.en.html>

Over-communication could also restrain the Fed's activities and sometimes even have "lethal effects." For example, after 2004, the Fed promised to raise interest rates at a measured pace, which many suggested would lock the Fed into a pace much too slow for better economic recovery. "In that case, more communication was not only ineffective communication," Hilsenrath said. "It kind of became a constraint for them, which prevented them from taking necessary actions."

4) Non-transparent aspects of the Fed

There are matters the Fed is not being transparent about.

First, the current FOMC information disclosure is mostly on a bi-meeting schedule. When there's an FOMC meeting with no press conference and only a statement very similar to the last one, the media and the financial industry are left with little information regarding what has changed. Hamrick said an example would be the July 2015²³ statement that was "very much the same as" the June statement²⁴.

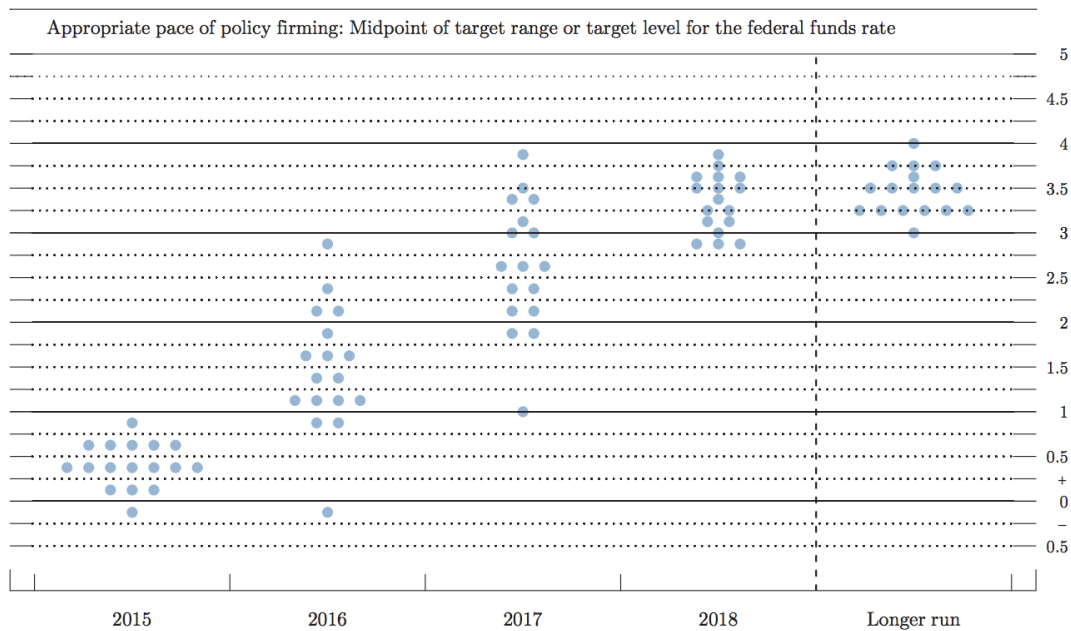
Second, even though there are a lot of discussions about the interest rate hike in 2015, the Fed's message is still very vague. Hamrick said, "it's really hard to characterize Fed policy right now because it's almost like the Fed doesn't want to characterize it."

If the public wants to interpret the FOMC's minds by looking at the "dot plot," a dotted chart showing the FOMC participants' projections of the federal funds rate, they will have little clue because the dots are not labeled with names. Hall said the chart "underscores how little they are actually telling you. It actually muddies the water more than it makes it clear."

²³ <http://www.federalreserve.gov/newsevents/press/monetary/20150729a.htm>

²⁴ <http://www.federalreserve.gov/newsevents/press/monetary/20150617a.htm>

(Image three: a “dot plot” from the FOMC meeting)



Also, people question if the Fed is being less transparent as a banking regulator. Banks are complaining the Fed is not very transparent in 2015’s “stress test.” The Fed doesn’t tell what conditions it includes in its test. Hilsenrath said banks described the Fed as a “black box” because the criteria of the stress test are unknown to people outside of the Fed.

Moreover, a Wall Street Journal story in February 2012 pointed out that the Fed had been making regulatory rules almost exclusively without public meetings after the Dodd-Frank Act granted it more regulatory responsibility.

“They are not open about everything,” G. R. said. “It’s selective.”

Suggestions for the Fed to improve its communications

The reporters interviewed provided suggestions for the Fed:

- Hold press conferences after every FOMC meeting, even though some recognize the difficult and potential redundancy to do so. When there is only a similar statement released after a meeting without a press conference, reporters have no idea what happened during that meeting.
- Allow several more FOMC members to speak at each press conference.
- Release the projections after every meeting. FOMC members should “stand by their dot” in the economic projection “dot plots.”
- Allow reporters to keep their microphones at the press conferences longer and have the chance to ask follow-up questions.
- Make the process of calling on reporters to ask questions at the press conferences more random and democratic. Give more chances to reporters at non-major financial outlets and foreign media.
- Open up the regulatory policies according to the requirements of the Dodd-Frank Act.
- Open up the Financial Stability Oversight Council, the conglomeration of the Treasury, the SEC and the Fed.
- Facilitate more on-the-record interviews instead of only permitting the attribution to titles such as “a senior Fed official,” which would decrease the richness of the stories.
- Hold more regular briefings with small groups or individuals. Reporters said they think that Bernanke did more off-the-record briefings with reporters than Yellen does.

- Form a special task force from the press corps and the Fed to get together and talk about transparency issues and information disclosure.

Suggestions for the journalism community to improve their Fed coverage

“(Reporters) provide an important public service getting people who would otherwise not want to think about money into thinking about money and to being educated enough to understand money and how it works in the big scheme,” Heltman said.

Reporters interviewed think that the public hasn’t learned enough about the Fed and that there should be more coverage of economic topics across the board. They provided the following suggestions for members of the Fed press corps:

- Diversify interview questions at the press conferences so as to wisely use the limited time reporters have interacting with the chair.
- Invest more resources in covering the Fed as a banking regulator.
- Adopt a more aggressive approach of holding financial institutions accountable and challenging their conventional practices; produce more accountability stories, which are very important to society, even though they are harder stories to do.
- Sharpen Washington-based reporters’ news judgments when the national capital keeps spoon-feeding journalists with information, as described by Hilsenrath; sift through the excessive number of news events in Washington and work on really important stories that require a lot of investigations and digging instead of being distracted by irrelevant events.

- Take the initiatives to write stories that hold the Fed accountable and provide analytical knowledge for the audience; enhance the Fed coverage so that the institution feels more pressured and obligated to improve its economic policies.
- Engage with the general public with more versatile storytelling methods such as infographics and data visualization, and in a more instant way.
- Acknowledge that it can be very technical when explaining issues involving the Fed, but remember the world is not only composed of financiers and investors.
- Ask the questions that the general public wants to know at the press conferences and connect the Fed with the average people.
- Be humble and forget about trying to impress peer reporters with difficult questions; reflect from time to time whether reporters are pursuing the right topics, which is a lesson learned from the recession, when the press overlooked covering the housing bubble before it was too late. The media need to be humble and careful to watch everything that might be a problem in the economy.
- Embrace more diversity in the Fed's press corps. Currently, most of the Fed reporters are white men, often ones with beards. There are few female or minority reporters, which reflects the lack of diversity in financial journalism. Also, international media, such as France's AFP and China's Xinhua, though have some presence at new conferences, seem to have less direct access to the Fed than domestic media.

Analysis: Rethinking transparency

The Fed seems to find its way into the news almost daily in the post financial crisis era. There has been a spike in coverage of America's central bank.

The global tumultuousness has hastened the Fed's march to transparency. Financial journalists have done their jobs with increasing access to the Fed and its information.

Efforts to be more open and transparent started at the Fed in the 1980s and have continued since. It did not happen overnight. The Fed coverage is accordingly very different from before. Globally, with the financial crisis acting as a catalyst, many central banks around the world also adopted more transparency. This provided journalists and people around the globe with more information to better understand the economy.

Historic move

American reporters are direct beneficiaries of the nearly three-decade-long development of the Fed's transparency. The way they do their jobs is totally different from their predecessors. Economics reporters are enjoying the privilege of having much more disclosed Fed information—such as the statements, meeting minutes, the transcripts, the economic projections, etc.

Reporters should realize that this access didn't come easy. The Federal Reserve, for much of its history, was not open and transparent. The Fed was cloaked in secrecy and had zero communications with the public. It didn't even disclose changes in the federal funds rate.

Three decades ago, economics reporters subsequently were passive in their newsgathering. Most media did not even have a Fed beat. Fed coverage generally was part of an economy beat.

The relationship between the Fed and the media changed dramatically since the 1980s. Central banking in the United States was no longer believed to be more powerful in its surprise effect on the markets. The Fed, therefore, started to communicate more openly with the media and the public.

A landmark came when Chair Alan Greenspan issued the Fed's first-ever statement on monetary policy in February 1994. As the leader of the nation's central bank, he realized the necessity to elaborate on an unusual interest rate increase so the issue could be better understood. Since then, media has had official monetary policy statements to use. With more information, the Fed press corps started to grow.

Later on, more types of Fed materials have become available and in a more timely fashion. Ben Bernanke and Janet Yellen, both from academic backgrounds, have pushed forward Fed transparency, sending regular signals about the economy to the markets.

Besides the Fed chair, other Fed governors and officials at the regional banks also advance transparency, recognizing a lack of transparency potentially hampers the modern economy. They give public speeches all year round, and Fed reporters also follow them and cover their public appearances.

An important treasure trove from the Fed system is its data research and data release at all levels of the economy. The Board of Governors website provides national key data. In addition, regional banks are dedicating many resources to industry, business, demography and regional data. The St. Louis bank's website called "FRED" or "Federal

Reserve Economic Data,” tracks 292,012 data sets on all aspect of the economy. Regional banks in Atlanta, Boston and Philadelphia also provide national and regional economic data. Fed reporters have become more data-aware than before with availability of this data, which allows them to take a deeper and historic look into the economy in order to produce in-depth enterprise stories.

These years have been golden years for Fed reporters as they have seen a spike in the Fed’s communication initiatives and in the Fed’s information and data disclosure. A good amount of excellent media coverage on the Fed has resulted to boost public understanding of complicated topics such as quantitative easing and the interest rate hike in 2015.

Transparency relativity

Advancements to transparency were not prompted by the journalism community. They also didn’t come because the Fed wanted to be democratic.

The Fed realized that disclosures of its reasoning behind certain actions could be a tool to steer the economy at low cost. Public communication is especially useful as the nation’s interest rate has been pegged at zero for seven years and the role of psychology, or people’s perceptions, has been recognized to play a bigger part in modern economy. It’s almost that the Fed wants to have more media coverage. Therefore, from the perspective of the media, journalists might as well utilize those resources provided and carry out their mission to help the public understand the national economy better by learning more about the Fed’s behavior.

To be sure, transparency is relative. The Fed is not fully transparent yet. It may be more transparent than other federal agencies and other central banks. There may be more

transparency in its monetary policy than before. However, there are still areas where the Fed is being criticized for being opaque. For example, bankers complain that the “stress test” has stressed banks because the Fed keeps the criteria of the test to itself.

Reporters need to use their judgment identifying the Fed’s behaviors and not to be constrained by the existing documents that the Fed releases to the media. Media professionals should be highly aware of not doing simply what they are guided to do or what is convenient to do. The media have the responsibility to hold the Fed accountable, and therefore, reporters should keep their keen eyes as watchdogs and produce news coverage with professionalism and prudence. Working on these accountability stories, such as revealing wrongdoings at the Fed and holding people accountable when they voice opinions in public, are more difficult and warrant much more dedicated resources. The media will be doing better service if they strive for stories that stress accountability.

The mediation between politics and economy involves the participation of the media, even though the media don’t play a decisive role in advancing transparency at times. Sometimes the Fed moves toward transparency passively because Congress and laws such as the Dodd-Frank Act that impose restrictions on the Fed.

These events themselves are great stories. Even though reporters don’t always have solid leverage to trigger changes, they could help encourage the Fed toward more transparency.

On the other side of the spectrum, oversharing and the burden of public communications sometimes trip up the Fed. Economists argued that Greenspan’s promise of quarter-basis-point increases in interest rates may have limited the pace of economic recovery at that time. During the 2015 interest rate hike discussion, some people are also

arguing if Janet Yellen is doing the right thing if the Fed is going to raise interest rate cautiously by quarter-basis-point incremental moves.

In this regard, from the perspective of the media, reporters should refrain from asking repeated questions when the Fed itself doesn't know what is coming forth or it is amid the formation of ideas. It may not be helpful if the media want to push the agenda forward when the policymakers aren't ready themselves.

The benign interaction between the media and the Fed requires coordination from both sides. Both Bernanke and Yellen gradually learned how to host press conferences by having inappropriate words slipped out of their mouths once or twice. The media reacted dramatically when a Bernanke speech was interpreted as hinting the end of quantitative easing, and also when Yellen during her first press conference said an interest rate hike could be expected as soon as in six months. Central bankers are learning, and so are the media. There may not be a golden mean for the central bank's execution of transparency. Central bankers around the world are practicing and experimenting how to advance transparency by trial and error. The media are also improving their Fed coverage over time.

In recent years, as the FOMC is becoming more collegial and there are dozens of Fed governors and regional bank leaders giving public speeches around the world. Reporters sometimes find themselves overwhelmed by numerous public appearances of Fed officials within a short period of time. They need, therefore, to learn about the hierarchy within the Fed and the more influential players. The need to identify if people speak out of their personal interests instead of reflecting the reality. For example, some Fed officials are always more dovish or supporting low interest rates than others.

Reporters, as the ones in charge of building up the frame of news coverage, now bear bigger responsibilities to filter and select relative and effective information.

There has been an on-going debate about how transparent the Fed should be. The Fed may now still label more than a necessary amount of information as confidential. At the same time, however, the institution has to put a limit on its disclosure. Oversharing could be dangerous at times.

Reporters should never produce news based on insider information, which could lead to federal investigations. The Fed established a policy on its external communications that forbids FOMC committee participants to provide any confidential information to any parties during its regular interactions with the financial industry.

Also, the economy has an intricate mechanism with a multitude of factors weighing in. A series of historic events unfold gradually over time. Disclosing too much information too far in advance could be dangerous for the execution of policies and the stability of the economy. The media should bear this in mind very carefully and not intrude on the wrong territories. Any nation's economic management is bound to be a hierarchy, and reporters should comply with the rules of federal agencies. There is information that is only entitled to the Federal Reserve. Reporters should always obtain information via legal and ethical measures only.

Role model

Today, the People's Bank of China (PBOC) still whips its staggering economy by catching markets off guard when its interest rate changes. The PBOC may appear arbitrary, but it reminds people the time when Paul Volcker steered the Fed's policy in similar patterns 30 years ago and threw surprises to the markets on Christmas Eve.

Emerging markets and their central bankers would gradually improve their own monetary policy and macroeconomic policy. Even though Greenspan said he didn't want to set up a precedent when he released the first monetary policy statement, the Fed is indeed a precedent of central bankers' long march to transparency.

Communication is the next economic tool. To establish and improve this tool, the Fed, the media and all related public communications efforts have recruited more talents, such as reporters, researching analysts and public affairs specialists, to facilitate and push forward at different related bodies.

The Fed's actions, albeit not perfect yet, have been revolutionary. They could serve as a role model for its global counterparts in terms of developing initial transparency.

Fed developments since the 1980s have unleashed forces that have led to transparency domestically. Globalization and modernization are leading other central banks to the path to transparency. The Fed's move has attracted a vast number of international media. Because the U.S. dollar is the most important currency in the world and the American economy plays a major part in the international economy, media outlets around the world, such as Al Jazeera, Xinhua, CCTV, Kyodo, AFP, Financial Times, etc., all very closely follow the movements of the Fed's. By reporting on the U.S. central bank, they compare the U.S. economy with their own nations'.

Reporters around the globe could ride the tide and make contributions to society by stimulating central banks to become more transparent and educate the general public about their national economy.

Actions at the Fed appear to be contributing to a better informed press corps, one that seems poised to ask better questions and produce deeper and richer stories of benefit to consumers to make better financial decisions for their families.

Improving Fed coverage produced by the media benefits the Fed as the institution learns how to approach to better transparency and improve their public communications practices. The more mature Fed press corps is prompting the Fed to be more transparent and accountable. The interaction and coordination between the two sides will provide better coverage and more efficient information to both the financial industry and the general public,. This in turn could help improve the economy with more information guidance and disclosure.

Summary and reflection

The Federal Reserve hosted an “Introduction to the Federal Reserve System” workshop for 18 reporters at the Board Room at its Eccles Building on Jan. 17, 2014. It was the first time business reporters were invited to the room where FOMC members meet eight times a year. I was fortunate to be the only student participant at the event and marveled at efforts that the Fed was making to help reporters do their jobs better.

During the half-day event, representatives from the Fed’s public affairs office gave us an overview of the structure of the Federal Reserve System and also briefed us about the resources on the Board of Governors’ website. The Fed staff encouraged reporters to use the Fed’s public affairs for questions and information. In turn, they also asked the reporters for ideas about how the Fed could improve its communications efforts. At this event I got my initial interest in the Fed’s transparency topic, eventually deciding to make it the subject of my graduation project.

Reviewing the findings of my graduation project, I think the achievements the Fed has made in its transparency endeavors are exemplary and invaluable. The Federal Reserve's press corps today has access to an abundance of disclosed information, while reporters and the public may be expecting more disclosure in certain areas where the Fed hasn't been fully open yet.

Main findings from this project listed below could help economics reporters better understand the Fed's transparency endeavor and improve their reporting strategies. It could also help journalism organizations improve their professional practices and think ahead what the industry needs to do with its economics coverage amid the media industry's dramatic restructuring.

- The general public and the media started to pay more attention to the Fed's activities after the financial crisis of 2008. Amid the changing landscape of the economy, the old access practices of the Fed – rooted in mystery and secrecy – were found to be inadequate. Transparency urges the Fed to be clear about how it exercises power and makes decisions, and why.
- Both Fed chairmen and regional Fed officials are dedicated to the Fed's long march to transparency. The Fed publicized its economic projections, started press conferences and made public appearances to connect the central bank with consumers.
- The drive to improve the Fed's transparency, in line with the Fed's global counterparts, was aided by increasing scrutiny from the public, criticism

from politicians, legal forces and the realization that transparency could be used as an economic tool to steer the markets.

- Transparency is a relative concept. There are still areas where the Fed is not disclosing enough information, including banking regulation.
- The public may not be able to expect full transparency of the Fed because the Fed controls a huge amount of confidential information that cannot be shared. Also, a certain lag in information disclosure is believed to help stabilize the economy and facilitate execution of policy.
- The Fed's rhetoric may be dense and technical. But the bank has found that it must retain the words it uses to maintain legal accuracy on complicated topics.
- The relative nature of transparency makes full disclosure impossible. The institution has to reveal its business for better governance of the economy, but it is being selective and defensive at the same time. In addition, too much transparency may actually cause things to lock up, which could disturb its policies. Policy makers need to weigh the intricacies in those strategies and advance the Fed's transparency over time.
- Covering the Fed and the economy is a valuable public service that reporters provide the public to inform them of how the Fed's activities influence their lives while holding the institution accountable.
- Journalism around Fed issues is potentially better with greater transparency. With more information and access, stories will be richer and deeper. By the same token, the Fed benefits from journalism in that they

are able to practice techniques that improve those practices around transparency.

- Financial media should embrace more diversity and encourage reporters with minority backgrounds, such as female and African American reporters. They could provide diverse perspectives to the media coverage.
- Business and economics reporters should remain humble and constantly reflect if they are following the right economics topics and how they could improve the Fed coverage; media organizations, facing the industry's own challenges, could take on more organizational initiatives to sustain media coverage on those important but not as click-generating subjects such as the Fed.
- The Fed and its press corps learn from each other and improve their actions. The public benefits when more and better information is available.

Story to pitch for publishing

(The author plans to pitch the below story to one of the following websites: the Missouri School of Journalism website, the Society of American Business Editors website and Writers website, or Talking Biz News website.)

Discussions on Rate Hike Shows the Fed's Leap Forward to Transparency

The most significant economics discussion of 2015 is likely to see an outcome when the Federal Reserve's Federal Open Market Committee (FOMC) meets Dec 15, In its final meeting of the year, the Fed is expected to decide if the U.S. will end its 9-year - long zero-interest rate era.

Fed chair Janet Yellen has openly commented on a rate hike to prepare the financial industry since she became leader of the nation's central bank in February 2014.

"At this point, I see the U.S. economy as performing well... Domestic spending has been growing at a solid pace," said Yellen in testimony before the House Financial Services Committee on Nov. 4. She said a December rate hike would be a "live possibility."

Markets rallied in the second half of November, more signs of a looming rate hike. People are confident of economic growth even knowing the interest rate will increase. Yellen's months of communications and conditioning seem to be paying off.

The effects of a rate hike would eventually affect all aspects of the economy, even as the country prepares for the holiday shopping season

More disclosure

“It’s pretty dramatic. In 100 years of the Fed’s history, for most of that, you had zero communications,” said Don Lee, Washington correspondent for the Los Angeles Times.

Fed chairmen never disclosed their thoughts on monetary policy until about 30 years ago when the Fed started its move to transparency.

Increased disclosure has changed the way the Fed functions. The nation’s monetary policy was once secretive, until the Fed’s first-ever monetary policy statements came in 1994.

This release “was the start of the more transparent Fed,” said Martin Crutsinger, an Associated Press reporter who has covered the Fed for 31 years. He said the progress the Fed has made in terms of transparency would have been unthinkable several decades ago.

The statement is now the most important official document on the Fed’s monetary policy. It explains all the complicated measures the Fed is taking to stimulate the economy. The number of words in the statements has increased fivefold in 20 years.

Clear goal

The old school thought that believed in central banking’s surprising effect has been gradually replaced by the realization that more public disclosure could act as a low-cost economic tool. This conscious has been behind the rate liftoff debates.

“Being transparent about your goals and intentions can actually make polices more effective,” said Neil Irwin, a Fed reporter at the New York Times.

In January 2012, the Fed officially announced its inflation target to be at 2 percent and the longer-run normal rate of unemployment to be between 5.2 and 6 percent.

Fed officials have frequently referred to these numbers when evaluating current economic conditions.

The Fed nowadays provides an abundance of information release to the media and the public, including monetary policy statements, economic projections, voting results, press conferences, FOMC meeting minutes, the Beige Book, transcripts and various data sets on both national and regional levels.

As the nation is well informed of a possible increase in the interest rate, people have been able to refer to those disclosures to better understand the economic environment.

Long March

A rate hike would impact all aspects of the economy, both domestically and globally.

Even with increased disclosure, Fed activities can still be “very arcane,” said Jon Hilsenrath, reporter of *The Wall Street Journal*. He said the public may not understand very well this “very complicated institution with enormous consequences.”

The Fed is more open than ever before, but it still has room to improve. This year’s news events have further introduced the Fed to the public. However, more is yet to be done.

Ylan Mui, reporter of *The Washington Post*, said the Fed’s tradition to be technical and hard to understand is unlikely to change anytime soon. She said, “the way the letters are arranged on the keyboard is not the most efficient way for you to type. In fact, it’s designed to slow you down.”

The year 2015 has been a landmark year for the Fed as it considers a rate hike. It will be a challenge for the Fed to stay in the media spotlight after the decision is made, as the economy further recovers and society moves away from a long-term financial crisis.

“News tends to be driven by crisis,” Mark Hamrick, Washington bureau chief of Bankrate.com said. “Once you get beyond the crisis, there’s the sense that we don’t need to necessarily pay as much attention.”