



# The Federal Reserve is reviewing its monetary-policy framework

*It is trying to manage expectations*



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“Most of America thinks the Federal Reserve is a national forest.”

That reminder that the general public has little idea what a central banker does was offered by an incumbent governor of the Federal Reserve to Alan Blinder when he joined in 1994. He passed it on 25 years later, on June 4th, to a star-studded group of economists and policymakers gathered at the Federal Reserve Bank of Chicago to discuss the Fed’s first public review of its framework.



The review is a year-long exploration of how the Fed should adapt to trying economic times. It typically slashes interest rates by around five percentage points in a recession. But chronically low rates mean that it now has less than half of that room for manoeuvre. The Fed is seeking to answer three questions. Should it update its forward-looking inflation target to consider past inflation too? Should its toolkit be expanded? And could it communicate and implement its policies better?