

PRESIDENT'S MESSAGE

The Federal Open Market Committee has placed communication about the evolution of monetary policy at center stage in recent years, during which the federal funds rate has been near zero. However, good communication is a key part of effective monetary policy even in more normal times with a higher federal funds rate.

This year's *Annual Report* essay is about one way that the FOMC could improve its communication about monetary policy. Most of the public conversation about monetary policy in the United States focuses on the question, "What's going to happen to interest rates at the next few meetings?" Indeed, the Committee's own communication often has this focus. But interest rates are only a tool or instrument for the FOMC to achieve its congressionally mandated objectives of price stability and maximum employment.

The essay argues that the FOMC could be more effective if its communications about policy were more focused on the Committee's macroeconomic objectives, and how its policy choices are specifically designed to facilitate the achievement of those objectives. This kind of goal-based communication would provide more clarity to households and firms about the future evolution of the economy, and help stabilize the economy against adverse shocks.

The art and science of monetary policymaking are continuously evolving as policymakers learn from research and from historical experience. As policymakers, we have learned a lot about communication in the past few years. I believe this year's essay is an outstanding example of a way forward for FOMC communication that builds on both research and historical experience.



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