

Strategic interactions in preparing for committee meetings

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Discussion by Klodiana Istrefi (Banque de France)

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This paper

- Hypothesis: **Strategic communication of committee members could influence policy decision**
- Study speeches of a part of the FOMC (Fed presidents)
- Use text analysis algorithms to build:
 1. speech intensity of Fed presidents
 2. speech tone (positive or negative)
- Investigate the influence of district-level economic variables (**unemployment, inflation, RoA**) and voting status on 1 and 2
- Investigate whether 1 and 2 relate to communication during FOMC meetings

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This paper: Findings

1. Before-meeting communication

- Highlight regional unemployment (instead of inflation and RoA)
 - ▶ more speeches when gap between regional and U.S unemp. is large
 - ▶ more negative (dovish) tone when regional unemployment increases
 - ▶ more so for voters than non-voters

2. During-meeting communication

- No role for voting status and regional unemployment
 - ▶ More speeches, longer statements in the FOMC
 - ▶ Tone of statements consistent with tone of speeches
- Overall message: Fed presidents more inclined to signal a deviating stance when
 - their private information is relatively different from other members
 - when they are more influential.

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1. Before-meeting communication
 - Highlight role of regional unemployment (not inflation)
 - Interpreted as signaling a deviating (monetary?) stance
 2. During-meeting communication
 - No role for voting status and regional unemployment
- I am not surprised about 2, I am surprised (intrigued) about 1
- Surprising given how Fed Presidents are perceived in public & how they vote on monetary policy
 - ▶ Fed presidents usually perceived on the hawkish side (Istrefi, 2019)
 - ▶ Fed presidents usually the only ones to dissent & dissent for tighter policy

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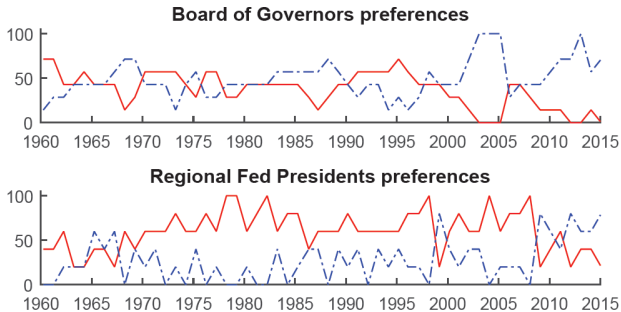
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Fed Presidents perceived on the hawkish side

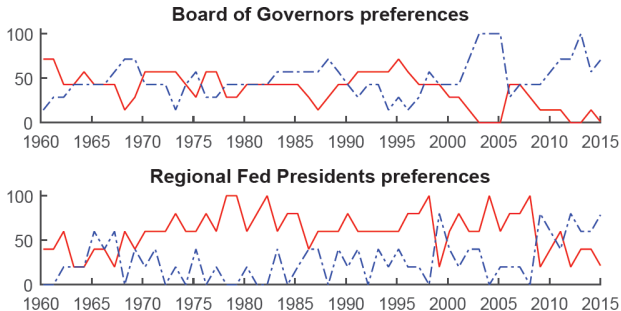
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- Fed Presidents usually dissent for tighter policy
- During the period covered in the paper, 1993 - 2013
 - Fed presidents have dissented 64 times, 87% for tighter policy
 - Board members dissented 4 times, 75% for easier policy.
- Fed Presidents (deviating) actions seem opposite to concerns about unemployment
- So, what are they signaling with speeches and to whom?

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Fed Presidents communication: What for Whom

■ What are they signaling with speeches and to whom?

- What topic are they covering more in their speeches (labor, inflation, community...?)
- Where are they covering that topic (academic conference, private sector, government, community, ...)
- Fed presidents have a responsibility for *Community and Civic Involvement*

"Represents the Bank and the Federal Reserve System to the community within the District. Educates community leaders and the public about the Federal Reserve's roles and responsibilities. Promotes the Federal Reserve as an involved and supportive organization within the cities and localities where the Bank has a presence."

- ✓ Are they probably calibrating topic and tone to the audience they are facing?

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Comment 2: Tone/Sentiment of Speeches

Clarification/precision of the meaning of tone (sentiment) measure

- Tone constructed as the prevalence of negative words in the speech
- Interpreted in the paper as hawkish or dovish tone
- What is the link in mind between tone and hawk/doves?
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- How does tone measure look like and compare for Board vs Fed presidents (voters & non-voters)?

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- Not only for the Fed but also other central banks, for which:
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