



## Will more Fed forecasting help the economy?

By Loren Steffy  
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The Federal Reserve is encouraging all of us to become its back seat driver. The central bank said on Tuesday that it would begin publishing its policymakers' forecasts for interest rates — not just the consensus forecast of the Fed, but the individual predictions that are used to create the consensus.

The latest move is part of Fed Chairman Ben Bernanke's [efforts to make the central bank more transparent](#). I'm generally in favor of more transparency, but I'm not sure providing more forecasting detail is [going to align the financial markets with the prevailing view at the Fed](#).

Fed watcher [Sandy Leeds](#), a senior lecturer at the University of Texas' McCombs School of Business, said he thinks the Fed may be less concerned with transparency and more concerned with lowering expectations about monetary policy.

"It's hard to say whether that is because they think they can have a positive impact on the economy, avoid a panic or just think that transparency is the right thing to do," Leeds told me. With the Fed basically running low on weapons to spur the economy, central bankers may be trying to push some expectation back on lawmakers.

One thing is clear: the picture is likely to get murkier. With the Fed predicting farther into the future, the chance for those forecasts to be wrong increases.

In the past, regional Fed presidents often telegraphed forecasts by making speeches. Bob McTeer made quite a few of those during his 14 years as president of the Dallas Fed. Speeches, of course, are easy to change. McTeer worries that by publishing policy predictions, Fed forecasters will ["stick to their forecasts too long after the need to adjust them becomes obvious to everyone else."](#)

McTeer feels the Fed has already overextended itself on the prediction game, looking too far into the future, and the latest transparency move may compound the problem. The Fed's reassurances that interest rates will remain low until mid-2013 has already given the market too much information.

Leeds said he isn't sure how much impact the new transparency moves will have. In fact, he suggests that the economy would benefit from more transparency in another part of the government:

"Ultimately, we'd be a lot better off if Congress would let us know when we could expect to end the gridlock and reduce the deficit," he said.

I'll have more on this issue in Friday's column.