Deliberating American Monetary Policy: A Textual Analysis

Cheryl Schonhardt-Bailey
and
Andrew Bailey
To Samuel and Hannah,

For distracting us with laughter and playfulness,

since there is more to life than work.
ACKNOWLEDGEMENTS

Various portions of this book (in its many stages) were presented at annual meetings of the American Political Science Association; the History of Congress Conference (Yale, 2006); the Département d’économie et de gestion École normale supérieure de Cachan (2008); the Domestic Preferences and Foreign Economic Policy Conference (Princeton, 2008); the annual meetings of the Midwest Political Science Association (2009) and Southern Economic Association (Atlanta 2010); the Macroeconomics and Econometrics Conference (Birmingham University, 2010); the Text as Data Conference (Northwestern, 2011); the Inaugural General Conference of the ECPR Standing Group on Parliaments (Dublin, 2012); Politics in Times of Crisis Conference (LSE, 2012); and the ESRC Research Methods Festival (Oxford, 2012). We are very grateful to our many discussants as well as the audiences at these conferences for their suggestions. In addition, an earlier version of the Volcker Revolution case study in Chapter 3 was published in Political Analysis.

For assistance on the interviews for Chapter 5, we are grateful to Allan Meltzer, Adam Posen, Phil Bradley, Ken Shepsle, Stephen Ansolabehere, Jim Snyder, Patrick Dunleavy, and Mark Peterson. Brookings Institution provided office space and further assistance.

Others gave us insightful advice at various points in this project, including Sarah Binder, Henry (Chip) Chappell, Jeff Frieden, William (Bill) Bernhard, William (Bill) Roberts Clark, and Lawrence Broz.

We are hugely grateful to Gordon Bannerman for assistance in preparing the text files for analysis. We also thank STICERD (Suntory and Toyota International Centres for Economics and Related Disciplines) for financial support for this project. Mina Moshkeri (LSE Design Unit) provided patient and diligent assistance in helping to prepare all the graphs. Paul Horsler and Clive Wilson (British Library of Political and Economic Science) worked to locate the congressional hearings transcripts in hard copy or microfiche (all of which the St. Louis Federal Reserve Bank now helpfully posts on its website).

Last but certainly not least, we thank Kathy Zeine, Sandy Schiffman, Barb Dixon and Doreen Bailey—who shared with us their time, their friendship and their love throughout this project.

We dedicate this book to our children, Samuel and Hannah, who put up with their parents working far too many hours on their computers. But away from esoteric topics like monetary policy and textual analysis (of little interest to teenagers), they made us smile and laugh.
# Table of Contents

**Chapter 1:** Introduction: Why Deliberation?

**Chapter 2:** Deliberation in Theoretical Perspective

**Chapter 3:** Deliberation in the FOMC

   Part One – From 1979 to 1999

   Part Two – Case Studies: The Volcker Revolution and the FOMC in 1999

   *Chapter 3 Appendices*


**Chapter 4:** Congressional Committees and Monetary Policy

   Part One – A Bird’s Eye View of the Monetary Oversight Hearings, 1976-2008

   Part Two – A Cross-Sectional Approach to the Monetary Policy Oversight Hearings

   Part Three – Do Constituency Characteristics Influence the Discourse of Banking Committee Members?

   Part Four – The Best Man to Keep the Job? Merging Words with Votes in the Process to Reconfirm the Fed Chairman

   *Chapter 4 Appendices*


   Part III: Core Statements of Fed Chairmen on Monetary Policy


**Chapter 5:** In Their Own Words - Perspectives From the FOMC and Congressional Banking Committees

**Chapter 6:** Does Deliberation Matter for Monetary Policymaking?

*Bibliography*

*Notes*
Additional materials (available at [MIT Press URL])

Chapter 3 Appendices

3.C: FOMC Meeting Structure
3.D: FOMC Membership
3.E: Thematic Scores for Individual Members of the FOMC in 1999

Book Appendix I: Alceste Software and Methodology Explained
Book Appendix II: Details of Congressional Hearings
Book Appendix III: Sources for Congressional Hearings
Book Appendix IV: Does the Choice of Textual Analysis Software Affect the Results?