



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Executive Summary, 2021-MO-B-001, February 24, 2021

The Board Economics Divisions Can Enhance Some of Their Planning Processes for Economic Analysis

Findings

The Board of Governors of the Federal Reserve System’s four economics divisions—the Divisions of Research and Statistics, Monetary Affairs, International Finance, and Financial Stability—produce analysis and research to support the Board’s mission. In defining the scope and approach for our review, we categorized the economics divisions’ analysis and research activities into three types: *recurring economic analysis*, *nonrecurring economic analysis*, and *independent research*. The scope of this evaluation focused on the planning processes and supporting practices for recurring and nonrecurring economic analysis, which we refer to jointly as *economic analysis*. Independent research was outside our scope.

Economic analysis serves as the basis for formulating and implementing monetary, regulatory, and supervisory policy. The economics divisions use a variety of processes and supporting practices to plan such analysis. We noted that these planning processes vary by division and that certain planning practices align with common planning practices used by our benchmark organizations and other central banks or international banking organizations.

We found that the economics divisions can enhance some of their planning processes for their economic analysis activities by considering additional practices to improve transparency, communication, and monitoring. In addition, the economics divisions can benefit from developing a more structured approach to sharing processes and supporting practices with each other, as well as considering the value of an external evaluation of certain activities to support continuous improvement efforts.

Recommendations

Our report contains recommendations designed to improve some of the economics divisions’ planning processes. We recommend that the divisions consider additional practices to enhance the transparency of certain division plans and priorities for economic analysis, gather and communicate governor feedback on certain economic analysis outputs, and gauge time allocation among activity types. We also recommend that the economics divisions consider adopting additional methods to continuously improve their planning efforts. In response to our draft report, the Board concurs with our recommendations and outlines actions that will be taken to address them. We will follow up to ensure that the recommendations are fully addressed.

Purpose

Given the importance of economic analysis performed by the four economics divisions in support of the Board’s mission, we conducted an evaluation of certain planning activities. Our evaluation assessed the economics divisions’ processes to plan certain research activities and identified opportunities to enhance the effectiveness of those processes. Specifically, our work focused on opportunities to enhance certain planning processes for economic analysis. Our evaluation did not assess how management factors unexpected events or significant changes to the economy into planning processes, nor did it assess the quantity, quality, relevance, or utility of the divisions’ economic analysis and research.

Background

The Board conducts economic analysis and research to support the mission of the Federal Reserve System: to foster the stability, integrity, and efficiency of the nation’s monetary, financial, and payment systems to promote optimal economic performance. The Board’s four economics divisions conduct economic analysis and research that support the Board’s pursuit of the monetary policy goals established by Congress: maximum employment, stable prices, and moderate long-term interest rates. The economics divisions perform economic analysis that supports the Board’s and the Federal Open Market Committee’s policymaking activities. The economics divisions have planning processes that help to conduct and communicate the results of such economic analysis.