

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF MONETARY AFFAIRS

Date: June 5, 2001
To: Federal Open Market Committee
From: Donald L. Kohn
Subject: Equilibrium Real Federal Funds Rate Measures

A number of Committee members and members of the Reserve Bank research staffs have asked for more information about the measures of the equilibrium real federal funds rate used in the construction of Chart 3 in the May bluebook. The attached memorandum provides summary descriptions of the series used.¹ The methods described in the memorandum were developed by Antulio Bomfim of the Division of Monetary Affairs and by Tilda Horvath, Thomas Laubach, Eileen Mauskopf, and John Williams of the Division of Research and Statistics.

Our intension is to include these measures in future bluebooks. However, please bear in mind that these measures are preliminary in nature and represent work in progress. Board staff will continue to improve and refine the estimates, and information on the resulting changes in the measures will be distributed.

1. Additional background information can be obtained in the documents cited in the memorandum. These documents will be posted on the secure document site. Time series for these five measures of the equilibrium real federal funds rate can be obtained from Andrew Carlson at the Board (Andrew.P.Carlson@frb.gov).