























**Exhibit 4  
Statement Alternatives**

**Rationale**

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>In every alternative:<br/><br/>Economic growth appears to have slowed further in the third quarter, partly reflecting a cooling of the housing market.</li> </ul> | <ul style="list-style-type: none"> <li>In Alternative A:<br/><br/>Readings on core inflation have been elevated, and the high levels of resource utilization and of the prices of energy and other commodities have has the potential to sustain inflation pressures.</li> </ul> |
|--|--|

**Assessment of risk**

| Alternative | Possible Effect                                 | Target Rate      | Assessment of Risk   |
|-------------|---|------------------|--|
| A           | Ratify expectations of easing                   | Unchanged        | In these circumstances, future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.  |
| B           | Leave expectations about unchanged              | Unchanged        | Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.  |
| B+          | Emphasize tightening is more likely than easing | Unchanged        | Although the Committee both seeks and expects a gradual reduction in inflation, it continues to view the risks to that outcome as remaining to the upside. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information. |
| C           | Impose additional restraint                     | +25 basis points | Although the Committee both seeks and expects a gradual reduction in inflation, it continues to view the risks to that outcome as remaining to the upside. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information. |

**Table 1: Alternative Language for the October FOMC Announcement**

|                           | <b>September FOMC</b>   | <b>Alternative A</b>   | <b>Alternative B</b>  | <b>Alternative C</b>   |
|---------------------------|---|--|---|--|
| <b>Policy Decision</b>    | 1. The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.   | The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.   | The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5¼ percent.  | The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 5½ percent.   |
| <b>Rationale</b>          | 2. The moderation in economic growth appears to be continuing, partly reflecting a cooling of the housing market.   | Economic growth appears to have slowed further in the third quarter, partly reflecting a cooling of the housing market. Although there is a risk that the slowdown in economic growth may become more pronounced, the economy seems likely to expand at a moderate pace.   | Economic growth appears to have slowed further in the third quarter, partly reflecting a cooling of the housing market. Going forward, the economy seems likely to expand at a moderate pace. | Economic growth appears to have slowed further in the third quarter, partly reflecting a cooling of the housing market. Going forward, the economy seems likely to expand at a moderate pace.  |
|                           | 3. Readings on core inflation have been elevated, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand. | Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand. | [Unchanged]   | Readings on core inflation have been elevated and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. Inflation pressures seem likely to moderate over time, but the extent and speed of that moderation is uncertain. In these circumstances, the Committee believed that an additional firming of policy was appropriate to bolster progress towards achieving price stability. |
| <b>Assessment of Risk</b> | 4. Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.  | In these circumstances, future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.  | [Unchanged]   | Although the Committee both seeks and expects a gradual reduction in inflation, it continues to view the risks to that outcome as remaining to the upside. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.   |