The National and Regional Economic Outlook and Monetary Policy

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Introduction

I thank Doris Carson Williams and members of the African American Chamber of Commerce of Western Pennsylvania for inviting me to speak today about the economy and monetary policy. As you may know, in addition to being president and CEO of the Chamber, Doris chairs the board of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland. I'd like to take this opportunity to thank Doris for her service to my organization and to the country. In her role as chair, Doris brings us a wealth of information on the regional economy, information she has gathered from the entrepreneurs and other contacts in the region. I am sure that many of you provide Doris with insights into how your businesses and communities are faring, so I'd like to also thank you for your service.

The Cleveland Fed represents the Fourth Federal Reserve District, which comprises western Pennsylvania, as well as the state of Ohio, eastern Kentucky, and the northern panhandle of West Virginia. As president of the Cleveland Fed, I make it a point to bring the economic information we have garnered throughout the District from business, consumer, and labor contacts to meetings of the Federal Open Market Committee (FOMC). The FOMC is the body within the Fed that sets monetary policy. The regional information, along with economic and financial data and analysis, plays an important part in the FOMC's setting of national monetary policy in pursuit of our statutory goals of maximum employment and price stability.

Indeed, the regional structure of the Federal Reserve has served the country well for more than 100 years. Congress established the Fed in 1913 to operate in the public interest to promote the health of the U.S. economy and financial system. Congress designed the Fed as a decentralized central bank, independent *within* the government but not independent *from* the government. The Fed's design balances public-sector and private-sector interests, and Wall Street and Main Street concerns.

The Federal Reserve System has 12 regional Reserve Banks distributed across the country and overseen by the Board of Governors in Washington, D.C. This design allows monetary policy decisions to take into account the diversity of the American economy and its people. The regional structure also helps us to carry out our other responsibilities. In addition to setting national monetary policy, the Fed is also responsible for supervising and regulating banks and other important financial institutions, promoting the stability of the financial system, playing a major role in overseeing the nation's payments system and providing certain financial services to the U.S. government, and identifying effective community development policies and best practices for promoting economic progress and access to credit in low- and moderate-income neighborhoods.

Today, I would like to focus on our monetary policy role by discussing my outlook for both the national and regional economy and my views on monetary policy. Of course, these are my own views and not necessarily those of the Federal Reserve System or my colleagues on the Federal Open Market Committee.

The Economic Outlook

The economic expansion is now in its eighth year, and considerable progress has been and continues to be made on both parts of the Fed's statutory goals of full employment and price stability. In my view, the underlying fundamentals supporting the economic expansion remain sound. Growth has been moderate, and although the quarterly pattern has had its share of ups and downs, the economy has been resilient to a number of shocks throughout the expansion. One of those shocks, the sharp decline in energy prices between mid-2014 through the end of 2015, was a major negative for the energy-producing sector and its suppliers in this region and elsewhere. Still, the economy and, in particular, employment growth persevered.

All forecasts carry risk, and sometimes, it is difficult to extract the signal about where the economy is headed from noisy economic and financial market data. With these usual caveats in mind, my modal forecast is that over the next couple of years, the U.S. economy will expand at a pace at or slightly above its longer-run trend, which I estimate to be about 2 percent; that the unemployment rate will move further below its longer-run level, which I estimate to be about 5 percent; and that inflation will return to the Federal Reserve's 2 percent target.

Economic growth

After a slow first half, U.S. output growth picked up in the third quarter. Consumer spending, which makes up about two-thirds of U.S. output, has been the driver of growth and I expect that to continue. Improving household balance sheets, growth in personal income, low borrowing rates, and low oil prices have all supported consumer spending.

Smoothing through the monthly volatility in housing sales, starts, and permits indicates that the housing sector is gradually improving. I expect activity in the sector to continue to expand at a sustainable pace. The gradual nature of the housing recovery likely reflects a mixture of supply and demand factors. Builders report that they are having trouble finding qualified workers in some of the construction trades, and they are avoiding over-building, having learned from the housing boom and crash. Mortgage rates are low, but households are being careful not to take on more mortgage debt than they can handle, and banks are lending, but to those with good credit quality.

In contrast to consumer spending and housing, manufacturing has been restrained and business fixed investment has been weak. As I mentioned earlier, part of the weakness in investment reflects the impact that the earlier sharp drop in oil prices had on the drilling and mining sectors and their suppliers. In western Pennsylvania, steel production, which supplies the energy sector, has been down and firms tied to the energy sector have had to cut jobs and curtail investment plans. On a positive note, oil prices have stabilized and are up somewhat this year, and we have started to see a pickup in oil drilling activity. The relatively slow growth of our trading partners, which has led to an appreciation in the value of the dollar, has also weighed on manufacturing and investment at firms that are reliant on exporting goods. But even outside of the energy- and trade-related sectors, business investment has been soft despite generally accommodative financial conditions. Some firms seem to be using the low interest rate environment to buy back stock rather than to expand plant and equipment spending. More generally, there just seems to be a sense of caution on the part of businesses.

I do expect investment to begin to pick up with economic growth, which would be welcome because a stronger pace of capital spending would help raise labor productivity growth from recent low levels. This is important because structural productivity growth is a key determinant of the longer-run growth rate of output and of living standards. And a key determinant of productivity growth is investment in physical and human capital. Labor productivity growth has risen at an annual rate of a little above a half of a percent over the past five years. Part of this weakness is cyclical; some of it reflects longer-run demographics, including the aging of the population, and some of it likely reflects difficulties measuring productivity in the service sector, including intellectual property and information technology. It is difficult to forecast productivity growth, so the recent softness may reverse itself, or it may be longer lasting and reflect a structural issue. If it's the latter, then the longer-run growth rate of the U.S. economy may be lower than the 2 percent growth I've been assuming.

Small businesses

I do not need to tell this audience about the important role that small and new businesses play in the U.S. economy. The vast majority of firms in the U.S. are small businesses; in fact, three-quarters of U.S. businesses have fewer than 10 employees. So while it is true that large and mature businesses employ the most people, still, over a quarter of U.S. private-sector jobs are at firms with fewer than 50 employees, and over half are at firms with fewer than 500 employees.[1] Digging deeper into the data, economist John Haltiwanger and his co-authors have documented the important role played, in particular, by young firms. This group includes new firms, which are almost all small to begin with. Their research shows that young firms disproportionately contribute to both overall job creation and job destruction in the U.S. economy,

[1] Data from Supplemental Tables F and G of the National Business Employment Dynamics Data, U.S. Bureau of Labor Statistics indicate that as of 2016Q1, 28 percent of private-sector employment (20.5 million jobs) was at firms with fewer than 50 employees, and 95 percent of firms have fewer than 50 employees. These tables and others are available at http://www.bls.gov/bdm/bdmfirmsize.htm.

and on average, over the 1990s and until the Great Recession, business start-ups accounted for about 3 percent of total employment per year.[2] More recent data show that since the Great Recession, this share has fallen to around 2 percent,[3] which brings up a cautionary note about our economy.

An enviable aspect of the U.S. economy around the globe is our spirit of innovation, entrepreneurship, ease of business entry and exit, and labor market flexibility. Small and young businesses have played an important role in the dynamics of the U.S. economy. This dynamism has contributed to economic growth and well-being in the U.S. It allows resources to be reallocated from less-productive to more-productive businesses and allows workers to move up the career ladder, resulting in higher productivity growth and rising incomes.

But research by Haltiwanger and others has shown that the degree of dynamism in the U.S. economy has been declining for some time. As indicated above, the start-up rate has been declining, and since 2000, key innovative sectors like high-tech have seen a sharp slowing in the rate of start-ups.[4]
The decline in business and labor market dynamism may be contributing to the slowdown we've seen in productivity growth.[5]

To better understand one factor important to start-ups and small firms, for the past three years, the Federal Reserve has conducted a survey on small-business credit. In 2015, seven Reserve Banks, including the Cleveland Fed, collaborated on the survey, gathering responses from over 5,400 firms with fewer than

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[2] See John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," *Review of Economics and Statistics* 95 (May 2013), pp. 347-361.

[3] Author's calculations based on the firm age table from the Business Dynamics Statistics, Firm Characteristics Data Tables, U.S. Census Bureau (http://www.census.gov/ces/dataproducts/bds/data_firm.html).

[4] See John Haltiwanger, "Top Ten Signs of Declining Business Dynamism and Entrepreneurship in the U.S.," paper written for the Kauffman Foundation New Entrepreneurial Growth conference, August 2015.

[5] Haltiwanger (2015), p. 9.

500 employees and located in 26 states.[6] The 2015 results indicate that among the more than 3,400 employer firms – those small businesses employing at least one person in addition to the owner – both firm performance, in terms of the share reporting profitability and revenue growth, and financing success improved over the previous year. Slightly less than 50 percent of surveyed employer firms applied for credit and about half of those received all the credit they sought. Among the firms receiving less credit than they wanted, micro-businesses (those firms with less than $100,000 in annual revenue) and start-ups had somewhat less success in gaining credit approval. The differential in credit approval by revenue and age of firm may appropriately reflect the risks entailed in lending to these types of firms. Nonetheless, it does point out that the availability of credit is one of the challenges smaller and younger firms are facing as they try to grow, and that appropriate access to credit will remain a key attribute of an innovative economy.

As this brief overview suggests, some parts of the U.S. economy have fared better than others. But overall, economic growth has proven to be resilient, and I expect growth over the next two years to be at or slightly above a trend of around 2 percent. The pace of growth, while lower than in other expansions, has been sufficient to generate significant and sustained progress in labor markets.

Labor markets

In fact, since the employment trough in early 2010, the U.S. labor market has added more than 15 million jobs, about a 10 percent increase. The national unemployment rate has fallen more than 5 percentage points from its peak of 10 percent in late 2009. In addition, other gauges of the under-utilization of labor have improved significantly. These include the broader measures of unemployment that track the number of part-time workers who would rather work full time and the number of people who have been discouraged from looking for a job.

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[6] See "2015 Small Business Credit Survey: Report on Employer Firms," Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond, and St. Louis, March 2016. Other information about the survey is available at https://www.clevelandfed.org/community-development/small-business/about-the-joint-small-business-credit-survey/2015-joint-small-business-credit-survey.aspx.

So far this year, firms have added slightly more than 1.8 million payroll jobs, or around 180,000 jobs per month. That's well above estimates of trend employment growth, which range from 75,000 to 120,000 per month depending on what one assumes about labor force participation. Demographic factors, including the aging of our population, have resulted in a downward trend in labor force participation, which is one of the reasons trend employment growth is lower than it was a few decades ago.

As labor market progress has been made, we have been hearing increasingly from our labor and business contacts across a broad set of industries that firms are having trouble finding qualified workers, both in high-skilled occupations and in lower-skilled jobs, and that they are responding by raising wages. Now those anecdotal reports are showing through to the wage data where measures such as the employment cost index and average hourly earnings are accelerating moderately from year-ago levels.

I expect to see the labor market continue to tighten somewhat over the next couple of years. Although payroll job growth is likely to slow a bit from its current pace given the progress that's already been made, it will be sufficient to put further downward pressure on the unemployment rate. I expect the unemployment rate to stay below my estimate of its longer-run rate of 5 percent over the next two years. So in my view, we have met the maximum employment part of our monetary policy dual mandate; that is, maximum employment from the standpoint of what monetary policy can achieve.

In saying that, I certainly do not want to underestimate the difficulty in finding work that many people have had and some continue to have, or the persistent differences in the employment situation faced by different demographic groups in the U.S. Technological advances and globalization are changing the nature of available jobs and the skill sets needed to perform those jobs. While the overall economy will benefit from these forces, many individuals and some regions are adversely affected by these structural trends. Government policies and programs, and public-private partnerships, can and should be brought to bear to help people and communities make the transition.

A promising start is being taken right here in Pittsburgh to help ensure that people are developing the skills that will be needed in the workforce of the future, and that those providing the education and training understand what those jobs will be. Earlier this year, the Allegheny Conference on Community Development published an in-depth analysis of the expected supply and demand for labor in the Pittsburgh region over the next decade and made a number of recommendations to help the region prepare for the coming changes.[7] One recommended initiative would create a digital career awareness hub to help teachers and students in kindergarten through high school better match curriculum offerings and choices to the skill sets in demand in the future. Another would create a digital jobs database to make it easier to match those with particular skills to employers currently in need of those skills. A further recommendation is to focus resources on high-growth "opportunity occupations," positions that pay higher than the median wage but don't require a bachelor's degree. This diverse group of occupations includes certain jobs in health care, transportation, and bookkeeping.[8]

The Federal Reserve, through its Community Development function, has a role to play in easing these types of transitions. Our objective analysis can help in evaluating the pros and cons of various policies and programs, and provide guidance on how to best scale-up those programs found to be most effective. Although I don't believe monetary policy is the right tool for solving the longer-run workforce development issues facing our economy, I do believe monetary policy can positively contribute by fostering conditions to ensure that the economy achieves an economic expansion that endures. This economic stability will help those demographic groups – minorities, older workers, and lower-income people – who are disproportionately harmed by economic downturns.

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[7] "Inflection Point: Supply, Demand and the Future of Work in the Pittsburgh Region," report prepared by Burning Glass Technologies and the Council for Adult and Experiential Learning with Allegheny Conference on Community Development, May 2016.

[8] Research by the Federal Reserve suggests that even in opportunity occupations, employers are demanding higher levels of skills than they did in the past, both technical skills and so-called soft skills such as being able to handle ambiguity and to effectively communicate. See "Identifying Opportunity Occupations in the Nation's Largest Metropolitan Economies," Federal Reserve Banks of Philadelphia, Cleveland, and Atlanta, September 2015.

Inflation

The other part of the Fed's dual mandate is price stability. Inflation has been running below the Fed's target of 2 percent for a while, but it has picked up over the past year and I believe the conditions are in place for a return to 2 percent over the next couple of years. As the drags from earlier declines in oil prices and non-petroleum imports have dissipated, year-over-year headline inflation measures have moved up, from the very low levels recorded last year to over 1 percent in recent months. To get a better sense of the underlying trend in inflation, economists often look at measures that smooth through or strip out some of the more volatile components. These include core PCE inflation and trimmed-mean PCE inflation, which are gradually nearing the 2 percent goal, as well as core CPI inflation and median CPI inflation, which are now over 2 percent. Indeed, the Cleveland Fed median CPI measure has been above 2-1/4 percent all year, and near 2-1/2 percent for the past several months.[9]

What people think inflation will be over the long run – what economists call inflation expectations – is an important factor that influences the path inflation actually takes. If people are confident that the Fed will set monetary policy to achieve 2 percent inflation over the long run – in other words, if longer-run inflation expectations are stable – then they will look through shocks that temporarily raise or lower inflation when they make financial or business decisions. This helps inflation move back toward the target after the effect of the shock dissipates. To assess whether inflation expectations are stable, we look at a number of different measures and indicators. Some are based on surveys of consumers and of professional forecasters; others are based on financial market data. The Cleveland Fed's expectations measure of five-year inflation, five years from now, which combines survey and market data, has been stable this year, in a range of 1-3/4 to 2 percent.[10] After dipping earlier in the year, other measures have risen in recent weeks. Based on the various measures, in my view, long-run inflation expectations have been reasonably stable. This, along with evidence that inflation is moving up, the continued strength in

[9] The Cleveland Fed's median CPI inflation rate is available at https://clevelandfed.org/our-research/indicators-and-data/median-cpi.aspx.

[10] The Cleveland Fed's inflation expectations measure is available at https://clevelandfed.org/our-research/indicators-and-data/inflation-expectations.aspx.

the labor market, and growth expected to be at or slightly above trend all suggest that inflation is on a path of returning to our 2 percent goal over the next couple of years.

Regional growth and labor markets

As I mentioned at the start of my talk, assessing regional economic conditions plays an important role in setting national monetary policy, so let me spend a few minutes discussing the Pittsburgh-area economy. The Pittsburgh region has undergone the type of regional economic transformation I discussed earlier, moving from an economy that was dependent largely on steel, coal mining, and heavy industry, to one that has diversified into health care, education, financial services, and technology.[11] This is a promising development because we have seen that regions that remain dependent on one particular industry have fared less well over time than those that have been able to diversify their industrial bases and adapt to the changing economy.

The path of the economic expansion in Pittsburgh reflects its industrial mix and the nature of the shocks that have hit the economy during the expansion. The Great Recession took its toll on the region, as it did in the rest of the nation, and the region is also sharing in the benefits of the expansion. Indeed, Pittsburgh was an early achiever in the recovery.

In 2012, Pittsburgh was one of the first major U.S. metropolitan areas to see payroll jobs move back up to pre-Great Recession levels. The U.S. as a whole didn't achieve this milestone until mid-2014, and Pennsylvania, not until 2015. But since 2012, job growth in Pittsburgh has been relatively flat, while jobs in Pennsylvania and the U.S. have been expanding. A similar story can be told about Pittsburgh's

[11] Pittsburgh has a higher share of employment in the service-producing sector than does the U.S., and this share has risen over time, from about 71 percent of employment in the 1990s to about 77 percent today. The comparable shares in the U.S. are 64 percent and 71 percent, respectively. The share of employment in the education and health services component of services in Pittsburgh is higher than in the U.S., and it has shown considerable growth over time. In Pittsburgh, this share rose from 17 percent in the 1990s to 21 percent today. The comparable shares in the U.S. are 11 percent and 16 percent, respectively. (Author's calculations using payroll employment data from the U.S. Bureau of Labor Statistics.)

unemployment rate. After falling sharply from a peak of over 8 percent in 2010 to under 5 percent early this year, the unemployment rate has moved up to 6 percent, about a percentage point higher than the national level.

Some of the recent weakness in the regional labor markets is related to the earlier drop in energy prices. The Marcellus region is now the most important shale-based source of natural gas in the U.S., accounting for about 40 percent of domestic natural gas from shale sources. As a result, among the 50 states, Pennsylvania is now the second-largest producer of natural gas behind Texas. But while the region gained as the natural gas industry developed, the recent contraction in the industry has been a negative. Over 2014 and 2015, both natural gas prices and the number of active rigs in the Marcellus region were cut in half, resulting in considerable job losses and lower earnings. This year, natural gas prices have begun to increase, and since the summer, the number of active rigs has picked up as well. Although Allegheny County is less exposed to the natural gas sector than other parts of the Marcellus region, it felt the spillovers of lower energy prices, as well as slower global growth, both of which put a considerable drag on the steel industry. Here, too, the modest rise in oil prices this year has been a positive development.

Another positive is the region's well-educated workforce. Among the 100 largest metropolitan areas, Pittsburgh ranks in the top half in terms of the percentage of its population holding a bachelor's degree or higher, and among people aged 25 to 34, its ranking rises to 12th out of 100.[12] This bodes well because when it comes to the economic well-being of entire regions, many studies have documented the importance of investments in human capital.[13] As a home to strong universities and a well-educated

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[12] According to the 2015 data from the American Community Survey, U.S. Census Bureau, Tables B15001 and B15002, for the U.S. as a whole, about 31 percent of the population and about 34 percent of the population aged 25 to 34 hold a bachelor's degree or higher; for Pittsburgh, the comparable numbers are 33 percent and 46 percent, respectively.

[13] For example, Cleveland Fed researchers found that over a 75-year period, education levels were consistently one of the most reliable indicators for each state's per capita income growth. See "Altered States: A Perspective on 75 Years of State Income Growth," Federal Reserve Bank of Cleveland 2005 Annual Report.

workforce, Pittsburgh is already attracting and sustaining many of the businesses of the future. No doubt, this made Pittsburgh an excellent choice to host this October's White House Frontiers Conference on the future of innovation both in the U.S. and around the world.

In addition to a quality workforce, research shows that effective leadership can make a big difference in how regional economies navigate the type of transition Pittsburgh has accomplished. I commend the African American Chamber of Commerce of Western Pennsylvania for its leadership in the region.

Monetary Policy

Let me now turn to the implications of the economic outlook for monetary policy. All participants on the FOMC share the same objective – setting monetary policy to promote our longer-run goals of maximum employment and price stability. In setting monetary policy, we assess the realized progress the economy has made on our goals and our expectation of further progress based on the economic outlook over the medium run and the risks to the outlook.

In my view, economic developments have corroborated the Committee's medium-run outlook that labor markets will continue to show strength, that growth will rebound to a pace at or slightly above trend, and that inflation will gradually rise to our 2 percent target. We have seen sustained improvement in the labor market, which, in my view, is now basically at full employment from the standpoint of what monetary policy can do, and inflation has been moving up closer to our goal. I view the risks to the outlook as broadly balanced.

The current target range for our policy rate, the federal funds rate, is 1/4 to 1/2 percent, which is quite accommodative. When the Committee met in early November, it assessed that the case for moving the policy rate up had continued to strengthen but decided, for the time being, to wait for some further evidence of continued progress toward the dual-mandate objectives. I, and one of my colleagues, dissented from that decision, preferring to see a 25-basis-point rise.

I view a small step up in interest rates as appropriate, not because I want to curtail the expansion, but because I believe it will help prolong the expansion. We know that monetary policy affects the economy with long and variable lags, so policy actions have to be taken before our policy goals are fully met. The lesson that policy should be forward looking is based on the history of poor outcomes when that strategy hasn't been followed and we've fallen far behind the curve. If we delay too long and then find ourselves in a situation where the labor market becomes unsustainably tight, price pressures become excessive, and we have to move rates up steeply, we could risk a recession, a bad outcome that disproportionately harms the more vulnerable parts of our society. Delaying for too long might also induce investors to search for yield, raising risks to financial stability. I do not think we are behind the curve yet, but I think the risks to macroeconomic stability and to financial stability will grow over time should we fail to take appropriate action given where we are on our goals and the current low level of our policy rate. I view another increase in interest rates as a prudent step to take.

I anticipate that a gradual upward path of policy is likely to be appropriate given economic developments. That means that the policy rate won't be moving up at each meeting and that policy will remain accommodative for some time, continuing to lend support to the economic expansion going forward. It will allow us to recalibrate policy over time as we gain more insight into the underlying structural aspects of the post-crisis economy and as the economy evolves.

Conclusion

Between now and when the FOMC next meets in December, I will continue to assess economic and financial conditions to see if any change is warranted in my medium-run outlook. My colleagues on the FOMC will be doing that too, and, in December, the FOMC will provide a new set of forecasts summarizing our current views on the economy and monetary policy. I look forward to the meeting, and I commend Chair Janet Yellen for fostering an atmosphere of serious deliberation and the free exchange of ideas in FOMC meetings. Setting monetary policy is a complex undertaking, and I believe the history of the Fed has shown that better policy decisions are made when a diversity of information and views is considered.

Sometimes I'm asked whether the FOMC routinely coordinates our monetary policy actions with those of other countries. The answer is no – we set our monetary policy to promote our goals of maximum employment and price stability in the U.S.[14] But we operate in a global economy and there are ties among economies and financial markets, so we must consider economic and financial developments abroad to the extent they affect the outlook for the U.S. economy. For example, weak growth abroad has been a drag on our economy because it has meant weaker U.S. export growth. Similarly, the appreciation in the value of the dollar that began in mid-2014 put downward pressure on inflation by holding down import prices. So these developments factored into our assessment of appropriate monetary policy. U.S. fiscal policy is also part of the economic environment. The prospects for some changes to fiscal and other economic policies, such as infrastructure spending, tax code changes, immigration policy, and trade policy, have likely increased. But the form any policy change will take, the timing of passage, and the timing and size of the impacts are very uncertain at this point. When we gauge the effects of any forthcoming fiscal and other economic policy changes on the outlook for growth, employment, and inflation, the devil will be in the details.

As we gain more clarity about the policies that might be forthcoming, the FOMC will assess their effects, as well as the implications of economic and financial developments, on the medium-run economic outlook and appropriate monetary policy. Monetary policy is not on a pre-set course and we will continue to use the best available models, analysis, and judgment to assess the situation. As an FOMC

[14] An exception is that during times of extreme stress in financial markets, central banks have coordinated action to promote orderly market functioning. For example, during the financial crisis, the Fed, Bank of Canada, Bank of England, European Central Bank (ECB), and Swiss National Bank issued a joint statement announcing certain actions being taken to address elevated pressures in short-term funding markets, including the authorization of temporary reciprocal currency arrangements (swap lines). (See the press release dated December 12, 2007: https://www.federalreserve.gov/newsevents/press/monetary/20071212a.htm.) Another example was the announcement of a reciprocal swap line between the Fed and the ECB after the terrorist attacks on 9/11. (See the press release dated September 13, 2001: https://www.federalreserve.gov/boarddocs/press/general/2001/20010913/default.htm.)

member, I will remain focused on and committed to setting monetary policy to promote the Federal Reserve's longer-run goals of price stability and maximum employment for the benefit of the public.