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## The Federal Reserve Prepares to Make a Statement

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PAUL KANGAS: One down, one to go. The Federal Reserve's key policy committee today finished up the first day of a two-day meeting on the economy and interest rates. The big question now is what will the Fed say in the policy statement it releases tomorrow? Darren Gersh reports on what to expect and what not to expect.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: At roughly 400 words, the statement of the Federal Reserve's interest rate setting committee is one of the most closely read documents in the world. But anyone looking there for major changes in wording or big hints about the future is likely to be disappointed this week. Former Fed Vice Chair Alice Rivlin is expecting only minor tweaks in the statement, beginning with a nod to reports the economy is growing again.

ALICE RIVLIN, FORMER VICE CHAIR, FEDERAL RESERVE: That's good, but other things are not so good. Consumer confidence isn't so great. Consumption hasn't been holding up quite as well as they hoped it would, so they will convey in the first paragraph a slightly changed, mixed message, because the economy is sending mixed messages.

GERSH: With unemployment high and factories operating at low levels, economists expect the Fed will see no signs market pressure is driving up inflation. And with the stimulus spending peaking, there is reason to worry the economy could falter yet again. Add up the uncertainty and economist Mark Calabria expects the Fed won't shift course tomorrow.

MARK CALABRIA, DIR. FINANCIAL REGULATION STUDIES, CATO INSTITUTE: I do think there is going to be a reluctance on their part to really try to signal, because they don't want to panic the markets right now. And we really are near an inflexion point. And it's hard to say, nobody has got a crystal ball. Are things going to get weaker or are things going to get better? I think they want to leave themselves room to go either way.

GERSH: Rivlin agrees, saying there is too much time spent looking for hidden meanings in Fed statements.

RIVLIN: They are carefully crafted, but there are a lot of people employed in what seems to me rather busy work -- guessing what the Fed means and what it will do next. The notion that the Fed doesn't know what it is going to do next and doesn't have it all planned out seems to be hard for Wall Street people to grasp.

GERSH: Rivlin adds the Fed is unlikely to change course and raise interest rates substantially before the employment outlook has clearly turned. Darren Gersh, NIGHTLY BUSINESS REPORT, Washington.

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