(2025) 55, 107–116

The Review of Regional Studies

The Official Journal of the Southern Regional Science Association

How the Regional Lens Informs Monetary Policy*

Jason P. Brown[a]

[a]*Federal Reserve Bank of Kansas City, USA*

Abstract: The structure of the Federal Reserve offers a unique opportunity for a "regional lens" to inform monetary policy. The regional lens, as I lay out in my presidential address, is a narrative collection of quantitative, qualitative, and anecdotal information from a particular region. I discuss the reasons fora regional lens, the potential inputs, the challenges of the lens, and the opportunities for members of professional associations, such as the Southern Regional Science Association, to participate.

Keywords: regional, monetary policy, Federal Reserve

JEL Codes: E52, R10

1. INTRODUCTION

Most of my career has involved using regional data to inform policymakers on economic conditions. My first job after finishing my PhD at Purdue University was with the U.S. Department of Agriculture Economic Research Service in Washington, D.C. My work in the Resource and Rural Economics Division relied heavily on county-level data to inform original research on topics such as biofuel production and the effects of wind power development on local employment. During my time in Washington, I also briefed USDA Rural Development on regional data they could use to assess program objectives and outcomes, and I advised the Office of the Chief Economist on studies they had commissioned to evaluate the potential local impacts of cellulosic biofuels.

After three years at USDA, I accepted a job with the Federal Reserve Bank of Kansas City as a regional economist. The research agenda I developed at USDA helped inform my understanding of natural resource development within the Tenth District of the Federal Reserve System. However, the importance of regional information in understanding economic conditions was even more front and center in my new role because of the Fed's charge to conduct monetary policy that promotes full employment and price stability. While those

*Presidential address given at the 64th SRSA Annual Meeting. The views expressed here are of the author and do not reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Brown is Vice President and Economist at the Federal Reserve Bank of Kansas City, Kansas City, MO 64198. E-mail: jason.brown@kc.frb.org

ISSN 1553-0892, 0048-49X (online)
www.srsa.org/rrs

are national goals, a regional view, which I refer to as a regional lens, has much to offer in attaining them.

In my current role, I lead the regional research and policy function at the Kansas City Fed. Our main task is to prepare our bank president for Federal Open Market Committee meetings, which occur eight times a year. During my tenure, I have helped develop close to 100 regional briefings, and this experience has offered me a unique perspective on how the regional view informs monetary policy deliberations. I recognize that perhaps our work surrounding policy remains somewhat opaque. I would like to help dispel some of the mystery, especially as it relates to the role that regional information and a regional perspective provides.

In this address, I will touch on the reasons for a regional lens of monetary policy, the inputs into that lens from my perspective, the comparative advantage of the regional lens as well as the potential challenges, and lastly, the opportunities for members of professional associations such as SRSA to engage in the process. Before I go further, let me remind you that these are my views and they do not represent the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

2. THE REGIONAL LENS OF MONETARY POLICY

The formulation of monetary policy in the United States is a complex endeavor that involves integrating data, narratives, and expertise from a diverse set of regions and economic sectors. While the Federal Reserve's dual mandate to promote maximum employment and price stability is applied at a national level, its success partially depends on policymakers' ability to recognize the differences in economic conditions experienced across the country. For example, some regions of the country enter recessions at different points in time (Crone and Clayton-Matthews, 2005; Baumeister et al., 2024). Moreover, some parts of the country respond differently to economic shocks such as oil price shocks (Brown, 2015, 2017).

Applying a "regional lens" to monetary policy means examining regional economic conditions and speaking with regional business contacts to help paint a more complete and varied national picture of the economy. While each of the twelve Reserve Banks contributes its own regional lens to policymaking, I will focus my comments on the regional lens at the Kansas City Fed.

The Federal Reserve System intentionally incorporates regional representation into its governance and operations. The 12 regional Federal Reserve Banks are spread across the country and closely follow the economic issues and concentrations of their respective districts (Figure 1). While Reserve banks do not have formally designated focus areas, some have chosen to specialize in topics especially relevant to their districts. For example, the Kansas City Fed allocates more resources and attention to the agricultural sector given its prominence in the region. Similarly, the Dallas Fed closely monitors the energy sector with a particular focus on oil and gas. Each Reserve Bank gathers information from business contacts, community leaders, and regional data sources to form its view of the economy.

These regional views are presented by policymakers at meetings of the Federal Open Market Committee (FOMC), which sets monetary policy on behalf of the United States. The

FOMC has 19 members, including seven members of the Board of Governors and 12 Federal Reserve Bank Presidents. All governors and bank presidents participate in policy deliberations, but only some FOMC members vote. The members from the Board of Governors always vote, along with five of the 12 Reserve Bank Presidents. .[1] This governance model ensures that monetary policy decisions incorporate an informed understanding of economic conditions across all U.S. regions.

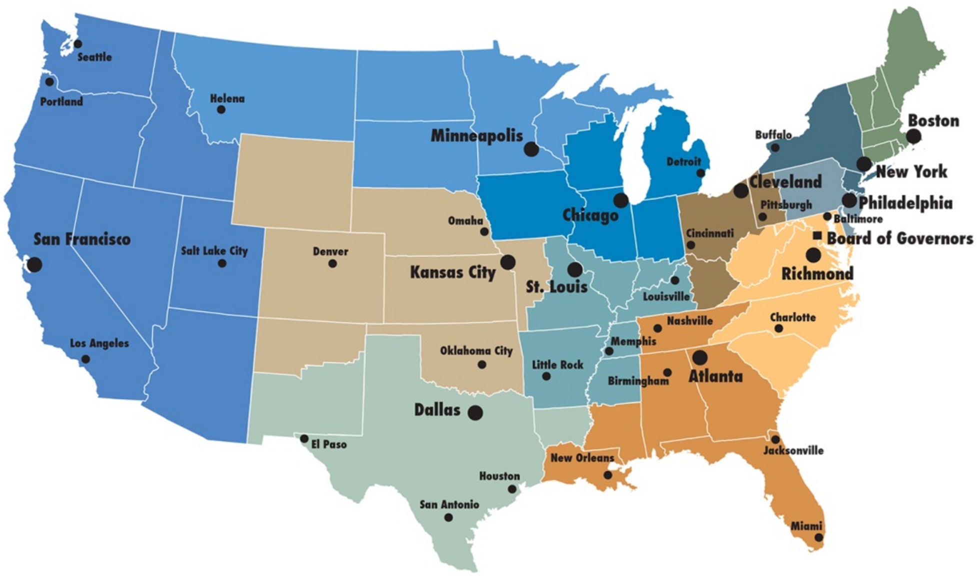


Figure 1: Federal Reserve Districts and Locations

Note: Large and small circles correspond to regional Reserve Bank and branch locations.

Source: Federal Reserve System.

3. REGIONAL INPUTS OF MONETARY POLICY

Quantitative data by itself is almost always insufficient to capture the complexity and nuances of the economy. Developing a narrative—that is, telling a story about the economy at a given point in time—is essential for framing recent data releases, guiding interpretation, and formulating near-term expectations of how the economy is likely to evolve. I and other policy advisors at the KC Fed use a narrative approach to help guide our thinking about the outlook, communicate uncertainty, and provide context for how information should be interpreted. Without the discipline of the narrative, a lot of time can be wasted searching for something interesting in the data. A good narrative evolves over time as additional information becomes available, helping policymakers update their priors and refine their policy decisions. As an advisor, my own narrative must converge with the information and data I present.

[1]The New York Fed president always votes, as they serve as the vice chair of the FOMC. The four remaining votes rotate among the other Reserve Bank Presidents from year to year. Kansas City's President votes every three years, rotating with the Presidents of the Minneapolis and San Francisco Feds.

Regional narratives often begin with anecdotal information gathered through business roundtables, interviews, and surveys. The Kansas City Fed has four offices, each with its own board of directors who regularly report on economic conditions.[2] These qualitative insights are then supported by data from sources such as the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the USDA. Through iterative refinement, these narratives become more robust tools for advising policymakers.

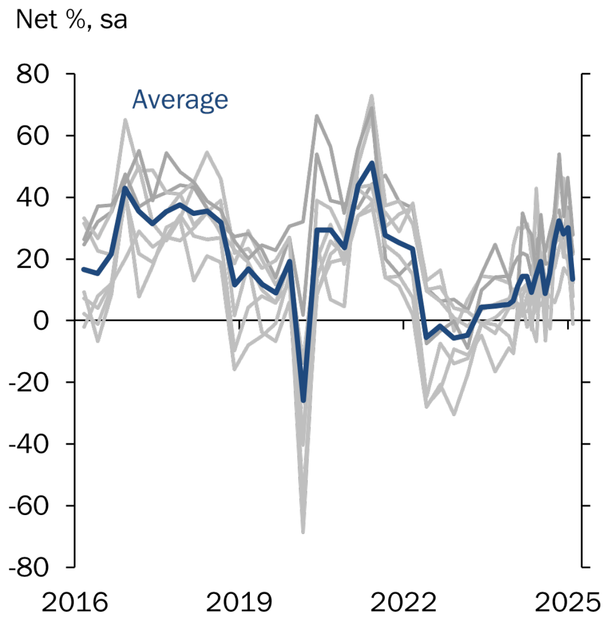
The Kansas City Fed, like other Reserve Banks, relies on a combination of survey data and official statistics to inform its economic outlook. Surveys of business contacts provide real-time insights into employment, pricing, and investment trends.[3] These inputs are especially valuable when national indicators lag or fail to reflect regional nuance. The surveys we conduct include:

- **Manufacturing Survey**: Conducted monthly, this survey assesses current manufacturing activity and expectations for the next six months. It includes indicators such as production levels, new orders, employment, and delivery times.
- **Services Survey**: This monthly survey captures data from non-manufacturing businesses, including wholesale trade, transportation, professional services, and real estate. It asks about sales revenue, input costs, employment trends, and future expectations.
- **Energy Survey**: Conducted quarterly, this survey collects feedback from energy firms operating in the Tenth District. It asks about drilling activity, capital expenditures, oil and gas prices, and profitability.
- **Ag Credit Survey**: Administered quarterly, this survey provides insight into agricultural lending conditions, farmland values, and the financial health of farm borrowers.
- **Community Conditions Survey**: This survey is used to monitor the economic conditions of low-and-moderate (LMI) income communities across the Tenth District of the Federal Reserve System.

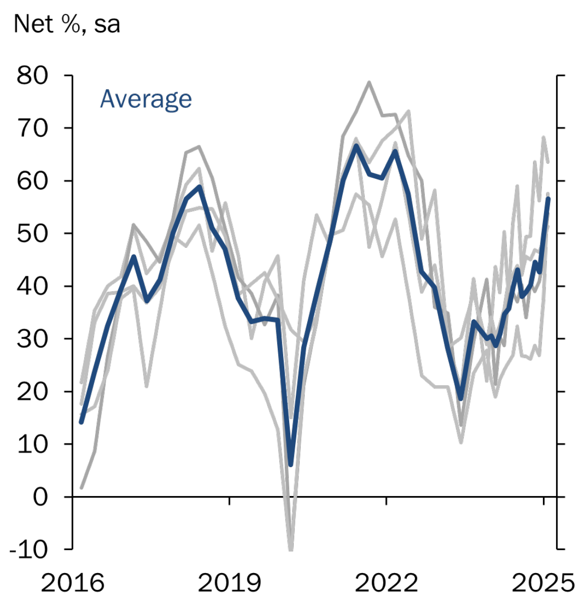
To illustrate how these surveys inform our policy narratives, Figure 2 shows results of diffusion indexes constructed for activity and price expectations from several releases of Federal Reserve manufacturing surveys. The blue line shows the average across surveys. The charts indicate that in the first quarter of 2025, expectations for activity remained positive but moved lower following announced trade policy changes. Expectations for input prices moved higher over the same period in anticipation of tariff effects.

Each of these surveys is designed to capture both quantitative and qualitative insights. For example, in the manufacturing and services surveys, respondents often provide open-ended comments explaining the reasons for their expectations or concerns. These comments are reviewed and summarized for internal briefings and public releases.

[2]FRBKC branch offices are located in Denver, Oklahoma City, and Omaha.
[3]https://www.kansascityfed.org/surveys/



(a) Activity Expectations

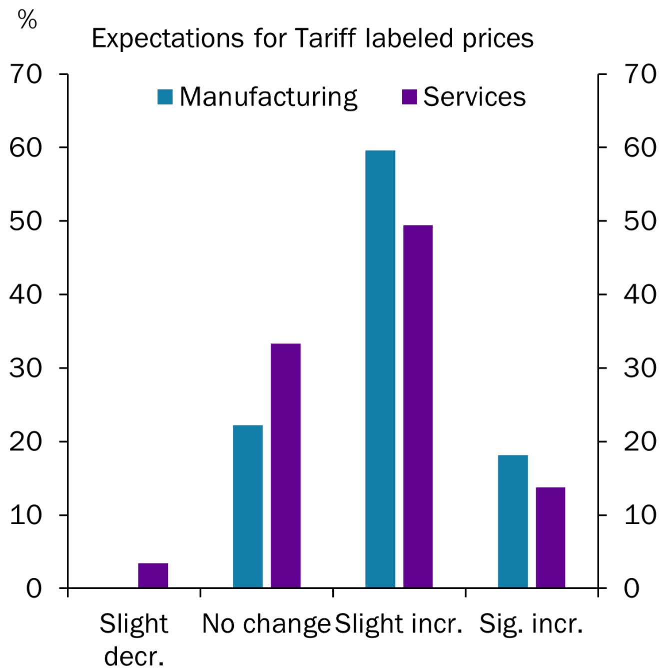


(b) Price Expectations

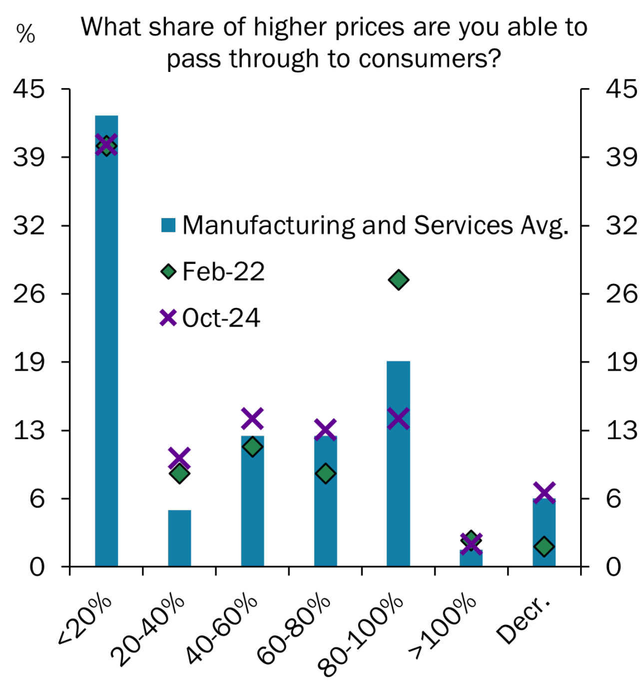
Figure 2: Firm Expectations of Activity and Prices Six Months Ahead

Note: The figure shows a diffusion index of contacts' expected changes in activity six months ahead. The blue line is an average of the individual surveys shown in gray.

Source: Federal Reserve System.



(a) Input Price Expectations from Tariffs



(b) Expected Rate of Price Pass-through

Figure 3: Business Contacts Price Expectations of Tariffs and Pass-Through

Source: Federal Reserve Bank of Kansas City.

Regions differ in their industry composition, demographic trends, and exposure to global shocks. For instance, energy-producing regions may react differently to changes in global oil prices than in regions where professional and business services employment is concentrated. By recognizing these differences, the regional lens allows the Fed to better predict how national policy decisions or shocks will affect discrete parts of the economy. This regional lens is also informed by our surveys, which provide a way to get information on special topics in a timely manner, particularly around unexpected policy changes or shocks to the economy.

The comparative advantage of regional surveys is their ability to provide real-time feedback about businesses hiring plans, capital expenditures, and input costs. Additionally, they often serve as early warning indicators for national trends. These early indicators are valuable for anticipating turning points in the business cycle and making timely policy adjustments. For example, in the spring of 2025, the KC Fed asked special questions regarding contacts' expectations of price increases due to changes in U.S. trade policy as well as the rate of pass-through from higher input prices to final goods and services (Figure 3).

In addition to these regional surveys, the KC Fed also engages with several advisory councils that provide periodic input on regional economic conditions. These councils play a key role in identifying emerging trends before they appear in official statistics. Advisory council members also play a key role in expanding the bank's network of contacts throughout our District and beyond. The advisory councils include the:

- **Community Depository Institutions Advisory Council (CDIAC)**: This council is composed of leaders from community banks who share insights on credit demand, regulatory challenges, and local lending conditions.
- **Economic Advisory Council**: This council includes business executives from a range of industries such as retail, transportation, healthcare, and manufacturing.
- **Community Development Advisory Council**. This council offers perspectives on housing affordability, workforce development, and economic inclusion.
- **Payments Advisory Group**. This group advises on financial technology trends, cybersecurity, and evolving payments infrastructure.

Many advisory council members go on to serve as a member of the board of directors at one of our branch or main offices, where they continue to provide regular updates on economic conditions from their respective sectors and regions.

4. CHALLENGES OF THE REGIONAL LENS

One of the most significant challenges in applying the regional lens is the availability and timeliness of data. Many key regional statistics such as state-level GDP, personal income, and consumption are produced with substantial lags or at a low frequency. For instance, the Bureau of Economic Analysis (BEA) releases state-level personal consumption expenditures (PCE) data with a roughly two-year lag, limiting the data's utility for timely policymaking [4] Similarly, quarterly data on GDP are typically released six months after their reference period.[5] Moreover, many regional statistics are available only annually, making them less

[4] https://www.bea.gov/data/consumer-spending/state
[5] https://www.bea.gov/data/gdp/gdp-state

useful for real-time policy decisions. Disclosure restrictions may also limit the availability of detailed sub-sector data at the state and local level.[6]

Regional surveys provide more timely insights than some data sources but can be constrained by issues of sample bias and representativeness. Participation in these surveys is voluntary, and there is a risk that the responding firms may not reflect the region's broader economic base. For instance, larger firms may be overrepresented relative to small businesses, or certain industries might be more likely to respond than others, skewing the results. Additionally, new firms and firms in financial distress may be underrepresented, creating sample selection or survival bias in the surveys.

Another challenge is ensuring that insights from regional surveys and anecdotes are properly integrated into national policy frameworks without overstating their importance. There is a delicate balance between amplifying regional voices and ensuring that decisions are consistent with national policy objectives. Policymakers must weigh heterogeneity in regional conditions against the aggregate trends that drive overall inflation and employment outcomes. This part of the process is often more art than science and relies most often on the perceived overall narrative.

5. OPPORTUNITIES FOR SRSA MEMBERS TO CONTRIBUTE

It is my view that members of professional associations, such as the Southern Regional Science Association, have a potential role to play in developing the regional lens. I see at least three primary ways that this can and does occur: 1) through the dissemination of research, 2) through the awareness, advocacy, and development of regional data, and 3) through the participation in Federal Reserve conferences and roundtables.

Researchers within the Federal Reserve System use existing academic research to help formulate their own work. Accordingly, research using a regional lens can help inform policy advisors and policymakers. Moreover, SRSA members are experts on what regional information is available on various topics and where there are are shortfalls. In some cases, members are also involved in the development of regional data. A recent example is the work by Watson and Alward (2024) to provide unsuppressed industrial data at the county level.

The Federal Reserve regularly hosts conferences and roundtables on regional topics. Participation in these events helps the Fed build more robust networks to engage and share information on economic conditions. Examples of these conferences, some of which SRSA members have participated in, include but are not limited to:

- **Investing in Rural America**: This event at the Richmond Fed brings rural stakeholders together to explore how to better leverage community assets and create space for rural residents and communities to thrive.[7]
- **Rural Future Series**: This Chicago Fed event hosts conversations on the challenges and opportunities rural economic development faces.[8]

[6] https://www.federalregister.gov/documents/2023/04/03/2023-06774/differential-privacy-methodology-for-county-business-patterns-data

[7] https://www.richmondfed.org/conferences_and_events/ira

[8] https://www.chicagofed.org/events/2024/rural-economic-conference

- **Agricultural Economic Summit**: This Kansas City Fed event brings industry participants, researchers, and stakeholders together to discuss challenges and opportunities facing the agricultural sector.[9]
- **Energy Conference**: The Federal Reserve Banks of Dallas and Kansas City hold an annual joint energy conference, which focuses on the key drivers of the energy sector, the financial sector and the broader economy. Top leaders from academia, business, and government present and discuss their views on these topics.[10]

6. CONCLUSION

As the U.S. economy continues to evolve, the relevance of the regional lens will only increase. Structural shifts such as the energy transition to more renewable sources, labor force aging, automation and artificial intelligence, and declines in business dynamism and domestic migration are unfolding unevenly across space. Rural communities will likely continue to face persistent depopulation, while urban centers grapple with housing shortages and stress on aging infrastructure. The regional lens enables policymakers to be aware of these challenges.

While monetary policy in the United States is set at the national level, it is informed by the regional lens across the Federal Reserve System. The regional lens offers a critical avenue for monitoring, interpreting, and responding to these diverse economic conditions. It ensures that Federal Reserve decisions are grounded in the real experiences of businesses, workers, and communities throughout the country.

By leveraging a regional lens, policymakers can refine their understanding of how economic conditions and the transmission of monetary policy vary across the country. During times of heightened uncertainty, such as the COVID-19 pandemic or shifts in trade policy, information gathered through regional channels provides timely and context-specific insights. Equipping the Federal Reserve System with robust regional insights ensures that monetary policy remains informed and more effective in achieving its policy objectives. Members of SRSA and other regional science organizations can and do play a key role in the development and use of the regional lens by sharing research, being a source of regional information, developing new regional data products, and participating in the Federal Reserve network.

[9] https://www.kansascityfed.org/ten/the-ag-and-energy-connection/
[10] https://www.kansascityfed.org/energy/energy-conference/

REFERENCES

Baumeister, Christiane, Danilo Leiva-León, and Eric Sims. (2024) "Tracking weekly state-level economic conditions," *Review of Economics and Statistics*, 106(2), 483–504. http://doi.org/10.1162/rest_a_01171.

Brown, Jason P. (2015) "The Response of Employment to Changes in Oil and Gas Exploration and Drilling.," *Economic Review*, 100(2), 57–81.

Brown, Jason P. (2017) "Identifying state-level recessions," *Economic Review*, 102(1), 85–108.

Crone, Theodore M and Alan Clayton-Matthews. (2005) "Consistent economic indexes for the 50 states," *Review of Economics and Statistics*, 87(4), 593–603. http://doi.org/10.1162/003465305775098242.

Watson, Philip and Greg Alward. (2024) "Tapestry: Collaborative Tool for Regional Data and Modeling," *Review of Regional Studies*, 54(2), 109–118. http://doi.org/10.52324/001c.123153.