Do central banks take into account public opinion and views?

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[Abstract] The Federal Reserve through the Federal Open Market Committee (FOMC) regularly releases macroeconomic forecasts to the general public and the US congress with the purpose of explaining the likely evolution of the economy and the appropriate stance of monetary policy. Immediately before doing so, the FOMC receives a forecast produced by the Federal Reserve staff which remains private for five years. The literature has pointed out that, despite the informational advantage of the FOMC, its forecast differs from and is not always more accurate than the staff forecast. This finding has raised concerns regarding the loss of relevant information and the usefulness of the FOMC forecasts. This paper brings evidence that the FOMC forecast also incorporates other publicly available forecasts and views, and that the weight attributed to public forecasts is larger than what is optimal given a mean squared error objective. These findings are consistent with i) the institutional role of the FOMC in being representative of a variety of public views, ii) the academic literature recommendation to use equal weights and not to overfit specific forecasts based on past performance. The statistical model can also account for several empirical regularities of the forecasts.