

Fed Unfiltered, Transcript
6/17/22 – Raphael Bostic, Interview: Marketplace

Kai Ryssdal:

This is Marketplace I'm Kai Ryssdal. It is possible, I suppose, even in a program about business and the economy for there to be too much talk of the Federal Reserve. Today, though, is not that day on this program, because when you get a chance to put questions to one of the people whose job it is to help run this economy, especially in an economic week like this one, well, you take it. Raphael Bostic is the President of the Federal Reserve Bank of Atlanta. Dr. Bostic, welcome back to the program. It's good to have you on again.

Raphael Bostic:

It's good to talk to you, as always, Kai.

Kai Ryssdal:

Let me ask you this, sir, you have been pretty consistent saying that a half a percentage point was good for you. You actually even talked about maybe taking a pause in September, and here the Federal Open Market Committee comes out and says, "You know what? We're going to go three quarters of a percentage point." With the caveat that you're not a voting member of the FOMC this year, you good with that, three quarters of a percentage point?

Raphael Bostic:

Yeah, I actually am good with that. As you noted, I've been talking about the hope that inflation would start to come down on its own. The data just doesn't say that. And if the data is not showing that inflation is moving down and by some measures, it's actually getting worse, that suggests to me that our policy is going to have to be a bit stronger.

Raphael Bostic:

So, the reports that we've seen recently, and we've just actually did a survey of business inflation expectations, which shows that long run expectations for businesses are starting to creep up to levels that are concerning for me. And to me, all of that says that we need to act decisively and affirmatively to get inflation under control and start to bring it back down to our 2% target.

Kai Ryssdal:

Okay. So, look, why three quarters of a percent, why not just really whack it on the head and go a full percent?

Raphael Bostic:

It's funny you asked that question, we had the same debate in my building. We called one of our crews, the go big or go home crew. I think from my view, if you think about the trajectory of where policy has been, not three, four months ago, a 50 basis point move was thought to be inconceivable. And so, 75 is a pretty big move given where the mindset was about what our policy's actions were likely to be, not too long ago. So for me, I do think this is actually going pretty big and it definitely got people's attention in a way that I hope will be helpful in moving the economy back into a more sustainable level.

Kai Ryssdal:

So, along those lines of what you all had been communicating and the message you had intended to be giving. So, the modern day Fed, the present day Fed, so, post-Greenspan, has prided itself on its

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transparency and its communication strategy. And Chair Powell, and the rest of you, have been really clear about what you intend to do and then you came out the other day and said, "No, no, no, we're going to do something else than what we communicated." And I wonder if you're concerned at all about the Fed's credibility in this really tenuous time?

Raphael Bostic:

Look, we are always concerned about our credibility and we want to make sure we do things to preserve that credibility, so that when we act, people respond to it, both in terms of businesses and consumers. But one thing I would just say and remind everyone, another part of what we've said in terms of how we're going to approach our policy actions, is that we're going to be data dependent. And as data comes in, we're going to observe it and then we'll adapt our policy as necessary.

Raphael Bostic:

And I think this episode is a very good case of that, where there was no data that came in during a blackout period when we're not really going to go out and change that forward guidance, but we can't let those sort of details deter us from doing the things that the new information suggests is the right course of action.

Kai Ryssdal:

Chair Powell said the other day that he believes a soft landing is still possible, but the path is getting more challenging. There are good things happening in this economy, right? I mean, labor market is strong and consumers, generally speaking, are still spending. What's your view on the path to a soft landing?

Raphael Bostic:

Well, I actually agree with the Chair here, I've been thinking for a long time that as strong as the labor market is, there is a lot of momentum which should allow us to be able to attack inflation in ways that don't lead to deteriorations in labor market conditions, so that we start to see losses in terms of jobs. I still think that's possible, but the numbers that have come in and the broadening of inflation suggest that we're not getting enough support from supply side resolution of challenges. And that means that we're going to have to be more muscular in our policies.

Raphael Bostic:

I'm hopeful that as we go through the summer, we will start to see some of the supply issues resolve, so that imbalance between demand and supply can narrow in ways that don't just rely on demand side policies, which is mainly what our policies are.

Kai Ryssdal:

Thing is though, Dr. Bostic, a good chunk of the American public, and I know you've seen these surveys, whether they're anecdotal or internet or what have you, good chunk of the American public believes we're in a recession already, even though the underlying data don't support that. What do you say to those who are in that recession vibe? Because that's the meme out there, right? The recession vibes.

Raphael Bostic:

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Yeah. So, I understand that, look, inflation is very hard and for most Americans they've never lived in an inflationary environment, and I live this just like everybody else. I go to the grocery store, I see the higher cost for goods. I fill my gas tank and see amounts that are much higher than they've been historically. And that is going weigh on your psyche.

Raphael Bostic:

But to me, I think the best way to address this is first of all, to note that there are some good things still happening in the economy. And then second, that we're attacking inflation and we're going to do all that we can to get it back down to a more normal level, which for us is going to be 2%, and we'll do whatever it takes to make that happen. And we are with the American people in trying to make sure that the pain that is experienced and the discomfort is as short lived as possible.

Kai Ryssdal:

Dr. Raphael Bostic, he's the President of the Federal Reserve Bank of Atlanta. Dr. Bostic, thanks for your time, sir. I appreciate it, as always.

Raphael Bostic:

I look forward to the next time, Kai.