Fed Unfiltered, Transcript

Neel Kashkari, Interview: on CBS Face the Nation, 7/31/22

John Dickerson (00:05):

And welcome back to Face the Nation. We continue our conversation with Minneapolis Federal Reserve's, Neel Kashkari. Neel, let's pick up where you left off on this question of supply. When I was talking with two senators earlier, there was this debate about whether taxation on companies that don't pay a minimum level of taxation will have their supply hurt. So in other words, you tax them, supply goes down, that hurts with inflation. What's your assessment of that?

Neel Kashkari (00:34):

Over the long term, that's probably true on the margin, people say that about raising interest rates. Why raise interest rates? That's going to make it more expensive for firms to invest and that's going to not help with the supply side. That's true over the long term, but over the short term, the demand side effects totally swamp the supply side effects. And so when I look at a bill that's being considered that your two senators talked about, my guess is, over the next couple of years, it's not going to have much of an impact on inflation. It's not going to affect how I analyze inflation over the next few years. I think long term, it may have some effect, but over the near term, we have a acute mismatch between demand and supply and it's really up to the Federal Reserve to be able to bring that demand down, and we're committed to doing what we need to do.

John Dickerson (01:17):

Help me understand recessions. There is a debate in Washington that's full of political gamesmanship so take us inside why it matters if America is in a recession and what the component parts are that are a part of that and how that helps us understand the health of the economy.

Neel Kashkari (01:35):

Well, it really matters when Americans feel it. When Americans, especially in the job market, that's the most important part of the economy, so to speak, for Americans is their job. Do they have a decent place to work and earning decent wages? And typically, recessions, they demonstrate wide job losses, high unemployment, those are terrible for American families, and we're not seeing anything like that. The labor market so far is very strong. We are seeing some sectors like the tech sector start to shed workers or start to cool down in hiring, but fundamentally, the labor market appears to be very strong, while GDP, the amount the economy is producing, appears to be shrinking. So we're getting mixed signals out of the economy.

Neel Kashkari (02:14):

From my perspective, in terms of getting inflation in check, whether we are technically in a recession or not doesn't change my analysis. I'm focused on the inflation data, I'm focused on the wage data, and so far, inflation continues to surprise us to the upside, wages continue to grow. So far the labor market is very, very strong, and that means whether we are technically in a recession or not doesn't change the fact that the Federal Reserve has its own work to do, and we are committed to doing it.

John Dickerson (02:42):

Last 20 seconds, Neel, on GDP, when it goes down, isn't that kind of what the Fed's trying to do, slow down growth? So is that a good number?

Neel Kashkari (02:52):

Well, we definitely want to see some slowing. We don't want to see the economy overheating. We would love it if we can transition to a sustainable economy without tipping the economy into recession. There's not a great record of doing that. Typically, when the economy slows down, it slows down by quite a bit, especially if it's the central bank that is inducing the slowdown. So we're going to do everything we can to try to avoid a recession, but we are committed to bringing inflation down and we are going to do what we need to do. And we are a long way away from achieving an economy that is back at 2% inflation, and that's where we need to get to.

John Dickerson (03:25):

All right. Neel Kashkari, thanks so much for being with us, and we'll be back in a moment.