

Fed Unfiltered
8/7/22, Mary Daly, Interview Transcript, CBS Face the Nation

Margaret:

We turn now to the state of the economy and the president of the San Francisco Federal Reserve Bank, Mary Daly. Good morning to you.

Mary Daly:

Good morning.

Margaret:

The San Francisco Fed said fiscal spending during the entirety of the pandemic, all the congressional funding, contributed 3% hike in inflation. Do you expect the congressional bill that's about to pass to add to inflation as well?

Mary Daly:

Well let's remember that during the time that there was this fiscal relief during the pandemic, there was also monetary policy relief and those were things necessary to get us through the pandemic. So that's why that was such an important component and history will be the judge whether it was too much or too little, but right now that's where that was and my staff have evaluated that. When I look forward, there are so many things going on in the economy right now, both domestically and globally, and we are struggling with high inflation, but the Fed is committed to bringing that down and we're looking at not only things that Congress passes, but also what happens across the entire world.

Margaret:

So do you think this bill will add to inflation? Has inflation peaked? Can you say that?

Mary Daly:

I really can't comment on pending legislation. It's really hard to tell because all the details haven't been worked out yet or the timeframe in which those things will take place. So right now I think the most important thing Margaret is that inflation is too high and the labor market is strong, the global economy is struggling with ongoing high inflation, and that's what I'm focused on.

Margaret:

You are a labor economist. We had this surprisingly strong jobs number on Friday. Why was it so surprising? What was it that economists miss here? What was your takeaway?

Mary Daly:

It's super interesting. It did surprise everyone who tries to figure out exactly what the number will be and number of projections were well off, but frankly, if you're out in the communities, if you're traveling anywhere, you're just going in your own community, I don't think consumers or workers or businesses were that surprise. There's help wanted signs all over the place. People can find multiple jobs if they want them. Search times for jobs aren't that long. So I think the labor market is continuing to deliver. It just tells me that people want to work and that people want to hire. The universal truth is that inflation's too high.

Margaret:

Does it indicate that recession is not where we are or where we're going?

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Mary Daly:

If you're out in the economy, you don't feel like you're in a recession. That's the bottom line. The most important risk out there is inflation and I think the job market just confirms that.

Margaret:

Okay. We're going to take a break and come right back with you. Mary Daly, stay with us.

Margaret:

Welcome back to Face The Nation. We continue our conversation now with the head of the San Francisco Federal Reserve Bank, Mary Daly. In that jobs number on Friday, we also saw that wages rose, but they're not rising as quickly as inflation is. How concerned are you that that shows inflation is really becoming embedded in the economy in a way that is really going to force your colleagues at the Fed to continue to have to hike rates?

Mary Daly:

I don't see inflation as embedded in the economy. The kinds of things that we would worry about just not being able to correct easily. What I see is supply and demand are just unbalanced. About 50% by my own staff's estimates of the excess inflation we see is related to demand. The other 50% is supply. The Fed is really well positioned to bring demand down and we already see the cooling forming in the housing market and investment. So I do see signs that the economy's cooling. It just is going to take some time for the interest rate adjustments we've made to work their way through and we are far from done yet. That's the promise to the American people. We are far from done. We're committed to bringing inflation down and we'll continue to work until that job is fully done.

Margaret:

So it would still be appropriate to raise rates in September by half a percent?

Mary Daly:

Absolutely. And we need to be data dependent. We need to leave our minds open. We have two more inflation reports coming out. Another jobs report. We continue to collect all the information from the contact we talk to to see how this is working its way through the economy, but you mentioned wage growth a little bit above 5% inflation last print at 9.1%. Americans are losing ground every day so the focus has to be on bringing inflation down.

Margaret:

One of the things the Fed can't control is geopolitical risk. How concerned are you about what is happening in the Taiwan Strait right now?

Mary Daly:

Well there's so much going on globally and I think that's really something that we need to think about. It's just getting through COVID, making sure the new variants don't derail economic activity. We have central banks across the globe raising interest rates to try to bridle their own inflation. And we have ongoing developments that take place geopolitically or just more generally among countries and all of those things, the war in Ukraine, all of those things create headwinds, if you will, for the US economy and we're going to have to lean against those headwinds for growth while we bridle inflation.

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Margaret:

The Fed has its work cut out and I know we'll be talking again. Thank you very much. Mary Daly. China launched-

Mary Daly:

Thank you.

Margaret:

Its most dramatic show of military force in decades with four days of war games off the coast of Taiwan, all in response to speaker Pelosi leading a congressional delegation to the self-governed island last week. Congressman Gregory Meeks-