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Speaker 1:

Neil Kashkari has been President and Chief Executive Officer of the Federal Reserve Bank of Minneapolis since January 1st, 2016. He serves as a member of the Federal Open Market Committee, bringing the Ninth Federal Reserve District's perspective to monetary policy discussions in Washington, DC. In addition to those responsibilities, Neil oversees Minneapolis fed operations and leads its many initiatives. Among them he was instrumental in establishing the Opportunity and Inclusive Growth Institute whose mission is to ensure the world class research helps to improve the economic well-being of all Americans.

Speaker 1:

Most recently he was joined with retired Minnesota Supreme Court Justice Alan Page to propose amending Minnesota's constitution to make quality public education a fundamental right. This effort supports the Fed's mandate to achieve maximum employment with education being the key to obtaining a good job. Under Neil's leadership, the Minneapolis Fed also released an action plan on ending Too Big To Fail, which calls for tighter bank regulations to avoid future taxpayer bailouts of large financial institutions. Neil earned his bachelor's and master's degree in mechanical engineering from the University of Illinois and he became an aerospace engineer, developing technology for NASA missions. And with all of that being said, he is here with us today. Please give a warm UP welcome to Neil Kashkari.

Neel Kashkari:

Good afternoon. There we go. Good afternoon, everyone. It's great to be with you. I always like to start just by explaining a little bit about what I'm doing here and why I'm so excited to meet with you. So the Federal Reserve is our nation's central bank. It was created by Congress in 1913 and our jobs are to try to manage the ups and downs to the US economy and I'm going to talk more about that in a little bit. But in 1913, Congress did something unique. They said they didn't want the central bank simply housed in the nation's capital. They want it distributed around the country so all the regions of the country have a voice in that policy process. So they divided the country up into 12, what we call Federal Reserve districts, the ninth of which is this region. So the Minneapolis Fed represents the Ninth Federal Reserve District, which is everything from the UP all the way to Montana, including Montana, including Minnesota and the Dakotas and northwestern Wisconsin. It's a huge region.

Neel Kashkari:

So a big part of my job and my colleagues' jobs who are here is to travel around the region and to know what's happening in our local economy, so that when I go back to Washington, DC every six weeks, and we are doing it virtually during COVID but now we're going back in person. And part of what I'm doing is talking about what's happening here on the ground. Now we cannot set different monetary policy for the UP and for California and for New York because we all use the same dollar. So it's one monetary policy. It's one interest rate for the country. But part of my job is to bring this perspective, what's happening here, to those deliberations so that we can make the best possible decision we can for the country. So that's why I'm here. I'm here eager to share with you what we're working on and what we're seeing, but I'm also eager to learn from you about what you're seeing and what you are experiencing here in the local economy.

Neel Kashkari:

And the more direct you are with me, the more I'm going to learn. So please don't be shy. Please let me know what's going on. I'll take a lot away from that. So what are we trying to achieve? Congress created the Federal Reserve and Congress has given us our goals. We call it our dual mandate, two primary goals, one of which is stable prices and that means an inflation rate of 2%. Side note, we're not doing very well on that mandate right now. The other goal is maximum employment, as many Americans as possible gainfully employed and contributing to our economy. Now normally we think that these two goals are linked like a see-saw, that as the economy gets stronger and businesses compete to find workers, the unemployment rate goes down, which is good. But as they compete to find workers, they got to pay up higher wages and then that leads to inflation.

Neel Kashkari:

And then you can see the economy gets a little bit out of balance. And in that environment, we will typically raise interest rates to cool the economy down a little bit and bring the two sides of the see-saw into balance. So for five or six years, maybe longer before the pandemic hit, we had a little bit of a conundrum. We had low unemployment which is very good, but we also had low inflation. And it was interesting. It was like, well, maybe the economy is able to generate more production without overheating and without causing high inflation, kind of a good problem to have. Then the pandemic hits. The economy shuts down, a rapid shutdown, and then a rapid reopening. And what we found was that demand for goods and for services recovered much more quickly than supply. And when demand outstrips supply, what ends up happening? Prices go up.

Neel Kashkari:

And so we're seeing prices going up all across the US economy, but also all across economies all around the world. And so there's some global things that are going on as well. And so it's our job to try to bring that back into balance. So you've probably noticed that we've started raising interest rates over the last few months. We've raised interest rates twice. One was a 0.25% increase, which is a pretty small increase. And then last month, another 50, half a percentage point increase. Rates are still quite low based on historical measures. But interestingly, financial markets are forward looking. So we've indicated that we expect to raise rates more over the course of this year to at least get monetary policy back up to what we consider to be a neutral level, a level that's not boosting the economy, but not holding the economy back.

Neel Kashkari:

So financial markets see that. They heard our message. They believe us, and they should. They adjust very quickly then, even in advance of us actually raising interest rates. So if you look at mortgage rates as an example. Mortgage rates, a 30-year mortgage rate, was around 3% at the beginning of the year. It's now, I don't know, five and a half percent, five and a quarter percent. It's gone up quite a bit just in a few months. It's gone up much more than our actual rate increases. Why is that? Because markets are adjusting based on what they believe we are going to do. So we've already actually done a lot to withdraw stimulus from the economy. The question right now that I'm asking myself and I'm asking my economist that I work with is do we just have to follow through on what we've promised? Is that going to be enough or are we going to have to do even more?

Neel Kashkari:

And I don't know the answer to that. Because part of what's driving these high inflation that we're seeing, there's a lot of demand in the economy. I said, inflation comes when demand outstrips supply.

But we also know that supply is being held back right now because supply chains are screwed up because of COVID, because of worker shortages. And in the beginning of the year, there were some evidence that global supply chains were starting to get a little bit better. But then Russia invaded Ukraine, which is a human tragedy in addition to an economic tragedy, first and foremost, a human tragedy, but also an economic problem. And then COVID, while it's gotten a lot better in America, we have a lot of immunity from vaccines and from people having had the disease in the past, it's spreading through China. So China is locking down their economies.

Neel Kashkari:

And as all of you know, all of a lot of the goods that we buy start in China, or they've got parts that start in China. So that ends up affecting our supply chains here back in America. So the way I look at it, I know the Federal Reserve, my colleagues and I, are going to do what we need to do to bring the economy back into balance. What I don't know is how much are we going to need to do? Because it depends in part on what happens on the supply side of the economy. And if we get some help on the supply side, then we won't have to do as much. If we don't get any help on the supply side, we're going to have to do more. And what a lot of economists are scratching their heads and wondering about is if we really have to bring demand down to get inflation in check, is that going to put the economy into recession?

Neel Kashkari:

And we don't know. At least I'll speak for myself, I don't know because it's not just up to us. It's also up to what happens in other parts of the economy. So that's what we're very focused on right now. And as you can tell it's quite complicated. We're not perfect. I wish we were. I wish we had perfect foresighting to what's going to happen and we don't. But the more you can share with me about what you all are seeing, the better informed I will be. And the last thing I'll say and then I'm going to open it up to questions. We get a lot of data nationally, internationally about what's happening in the economy. What's happening in the wages, what's happening to job creation, what's happening to inflation, what's happening to trade, but a lot of times these signals are mixed. Sometimes they point in one direction. Sometimes they tell conflicting stories.

Neel Kashkari:

So what I found is when I go out around our region and I meet with small businesses, I meet with labor groups, I meet with workers, it gives me insight to try to interpret these conflicting signals. And I'll give you a specific example. So for the five years before the pandemic hit, I've been in my job now for six and a half years, so for the four or five years before the pandemic hit, I was one of the lonely voices at the Federal Reserve saying I don't understand why we're raising interest rates. Inflation is low. And while the unemployment rate is low, when I go out into communities around the district, I meet lots of workers who don't have full-time jobs. So that tells me we're not really at maximum employment if these folks are still struggling to find full-time work.

Neel Kashkari:

I feel like that was the right call. And I had that insight because I would go out to groups like this and meet with folks who would share with me what they're experiencing on the ground. So I'm just telling you that story to tell you that your feedback is actually really important in helping me and helping my colleagues interpret what are almost always conflicting signals we're getting from the data. So I thank you for inviting me here today. It's great to be with you. And I would love to open it up to questions and comments. And we do have a mic, at least one microphone in the back, so raise your hand. And do me a favor. In full disclosure, we are live streaming this. So, I mean, depending on what you say, you may be famous. But do me a favor and just introduce yourself. Tell me where you work, et cetera, when you ask me your question or offer your comment. Thank you. Anyone want to go first? Yes.

Speaker 3:

First of all, thank you for taking time out of your busy schedule to come and visit us here in the UP. We welcome you. You had actually answered a couple of my questions that I had prepared, but I'm going to extend my question when you talked about raising rates and having an impact of driving us into a recession. With your dual mandate of full employment and controlling inflation, when do you throw out the recession consideration because it's not a mandate? And how focused are you on inflation with the impending results, potential result of throwing us into a recession?

Neel Kashkari:

Well, for me, where the recession comes into our dual mandate is typically a recession will lead to higher unemployment. And so at some point, let's say if inflation were at two and a half percent and the unemployment rate were at four point a half percent and we thought, okay, inflation needs to get back down to 2%. Unemployment ought to be able to get a little lower. There's some trade offs that we'd have to think through. Before the pandemic hit, it was easy for me to be a "dove" because we were undershooting on both sides of our mandate. Now it's easy to be a hawk because inflation is so auto whack, and by any measure the labor market is strong. So one would look at, theoretically, "Hey, what would a recession likely do to the unemployment rate?"

Neel Kashkari:

So if the recession is effective in bringing inflation down, but then you're pushing the unemployment rate way up, now all of a sudden you might be moving from one type of imbalance to the opposite type of imbalance. And like any kind of a system, you want to avoid overcorrecting if you can. But economics is an imperfect science. And so, yeah, one of my colleagues in Washington made a comment that Paul Voker famously raised interest rates very aggressively in the late seventies and early eighties. And he triggered a deep, deep, deep recession to bring inflation down, 10% unemployment rate in 1981, something like that. And somebody asked him about that after the fact. And he said after the fact, "I had no idea it was going to be that deep of a recession." So it's a dangerous thing. But we know we have to bring inflation down. Other question. Thank you for going first. Up here in the front.

Kathy Twardy:

Hi, Kathy Twardy. I with the city of Sault St. Marie, but then I'm also a small business owner. And the question that I asked you while we were enjoying lunch, you pretty much did answer that. But one of the things that you were sharing with us that I found really fascinating is maybe explain to the group how you are shielded from the political climate. And because I think that there's a lot of missed ideas that you do ebb and flow with what's happening in the White House, what's happening in Congress, so I would love for you to explain that.

Neel Kashkari:

Sure. So in 1913, Congress did something really unique. I said that they spread the central bank out around the country, but they also said we don't want it simply under the thumb of Washington DC where they're going to be a lot of political pressures that are going to change as administrations come and go. So there's a board of governors of the Federal Reserve System in Washington. You may have heard of our chairman, Jay Powell. Before Jay Powell was Janet Yellen, Ben Bernanke, Allen Greenspan. The governors in Washington, there's seven of them, they're appointed by the President of the United States, and they're confirmed by the United States Senate. Then there are 12 Federal Reserve banks that are independent and there's 12 Federal Reserve bank presidents. I am not appointed by the President of the United States. I am not confirmed by the Senate. I am appointed by a local board of directors of leaders from around our region, business leaders, civic leaders, community leaders from around our region.

Neel Kashkari:

And the reason that's done, the contrast is this. Think about this. The Justice Department in Washington has around a hundred US attorneys all around the country. In fact, they're the senior federal prosecutors in our nation. Every time there's a new President of the United States, all the US attorneys get fired and then the new President appoints all new US attorneys. That's an alternative model, which you can see brings that process closer to the political process, because they know every three or four years they're gone and somebody else is going to come in and take their place. And so our system in the Federal Reserve is a little bit odd. It's unusual. But I think it works by keeping the system as a whole removed from the day to day politics of Washington DC. And that was by design. Thanks for your question. There's some questions, a couple there in the back.

Creston Sheel:

Hello. Thank you. My name is Creston Sheel. I have a two-parter for you. With the implosion of UST and the regulatory issues that USDT have been dealing with, two of the largest digital currencies pegged to the US dollar, do you believe there will be a quicker or slower adoption of a central bank digital currency? And if it were to be adopted, do you think it would be beneficial to rural and unbanked populations like here in the UP?

Neel Kashkari:

Okay. So the gentleman, thank you for clarifying. I think you're asking about some of these stable coins that have blown up. So cryptocurrency was invented, I don't know, 10 years ago or so, a lot of hype, Bitcoin. There've actually been thousands of these coins that have been created, thousands of them. And there's one category of these coins are what they call stable coins, which are designed to be stable, which is, hey, this coin, you can buy this digital currency and it's simply going to track the dollar one for one. Well that worked but then it didn't. And then some of these things blew up in the last few weeks. And so the Federal Reserve has announced that we are studying would it make sense for the Federal Reserve to issue its own version of a cryptocurrency? So in China, the Chinese government has decided to introduce their own digital currency. So we have said we're going to study it and we're not going to move too fast. We're going to take it seriously. We're going to study it.

Neel Kashkari:

Now I'm going to give you Neil's opinion. I keep asking anybody under the sun, I beg them, I implore them, explain to me what problem this is solving. And all I get are hand waving and vague gestures of benefits. I'll give you some specifics. So first of all, a digital dollar exists today. I can send anybody in this room, if you have a bank account, $5 via Venmo or PayPal or Zelle electronically, instantly. That is a digital dollar. So what could a digital central bank digital currency or a Bitcoin do that that can't do? Nobody can explain it. Then they say, "Well, it's better for the unbanked." Well, why is it better for the unbanked? Is it easier to sign up for a Bitcoin account because banks and credit unions have to have basic regulations around knowing your customer and anti-money laundering? So if you think that it's better to get rid of anti-money laundering regulations, let's have that discussion.

Neel Kashkari:

But if Bitcoin is simply taking advantage of the fact that there are no regulations around it, that doesn't feel like a very compelling use case for the American economy. The other thing, why is China doing it? Well, you know what China can do with their digital currency? They can directly tax your account. US government can't do that today with your Venmo. It sounds pretty lousy from a consumer perspective, that's just me. They can also monitor every one of your transactions. Can't do that today with Venmo. Or they can impose negative interest rates. So there are a bunch of use cases why I understand why China would want to do this. It all sounds lousy from a consumer perspective. So because nobody has as yet been able to answer this basic question, actually, I take it back.

Neel Kashkari:

Some enthusiasts have said to me, "No, no, no, Kashkari, you're missing it. We want the seamlessness of Venmo and the anonymity of physical cash." Because Venmo leaves a trace. If I give you $5, nobody knows. Okay, I get why a consumer would want that. Why would any government in the world want that? So whatever this very clever new gizmo is, it actually needs to be better for both the government and the consumer. So far, I've been asking this question for several years and all I've gotten are hype and noise in telling me why it's better. And so it may well be that crypto's implosion is it's very painful for those who invested recently, but maybe it's better to have imploded now than imploding five years from now when even more people would have their own money at risk. Anyway, long answer your question, but there's a lot there.

Calvin Carter:

Hello. My name's Calvin Carter. I work for the Center for Change Northern Michigan Advocacy Group. I'd like to say thank you for coming up here. We feel ignored oftentimes and it's good to see your face here and asking for our opinions and questions. You mentioned earlier about inflation being tied to workers wages and it's something I've heard. Thing is, inflation's really high right now and I don't have anybody in my life who I would think is in danger of making too much money. So it's kind of hard for me and folk that I run with to really feel like we're guilty of ruining this economy. So I'm just kind of wondering if you could expand upon that and speak to that. Thank you.

Neel Kashkari:

Yeah, thank you. So you asked a very good question and you're right. The inflation that we are seeing right now has not been driven by wages that have taken off too much. Wages have climbed quite a bit, but that's not what has driven the inflation that we're all experiencing so far. The inflation that we're experiencing so far is a number of things. One, as I said, that the supply side has been gummed up because of COVID and the shutdown and the reopening. On the demand side, we know that the US government provided a lot of fiscal stimulus to families, and in some cases provided more stimulus than the income that was lost. So if you look across the economy as a whole, American families have about two and a half trillion dollars of what some economists call excess savings, savings in their checking accounts that are above and beyond the path that they were on before the pandemic hit.

Neel Kashkari:

So, I mean, it's good for those individual families, but if families have a lot more money and they're spending that money and the supply side of the economy has not recovered yet, you're seeing these very high prices. Now you are starting to see wages are picking up. Wages started out picking up for the lowest income workers. And now as you go up the income stream, there's been more and more competition and you're seeing wages start to pick up. That's all fine. But the danger is, if this goes on for long enough, it starts to change the behavior of workers, of firms, of consumers. And it starts to set the expectation that, hey, this inflation is here to stay. And if people expect this inflation is here to stay, they're going to lean on their bosses, their managers, even more for raises, and it starts to get woven into the fabric of society.

Neel Kashkari:

That's what happened in the 1960s and 1970s. And then the only way to bring that back down was when the Federal Reserve engineered a very, very deep recession to say, "No, we need to reset things at more of a measured pace." And so good question you're asking. My response is we need to get inflation back down to our 2% before what we call this wage price spiral actually takes off. It has not taken off yet. But the longer it goes on, there's a risk that it does take off. Thank you. Up here in the front.

Ron Meister:

Hello, Ron Meister with Central Savings Bank. By the way, thank you for your examination process. The question I have though is there seems to be a lot of cash in people's hands. You were just speaking of that. A lot of talk about the Federal Reserve adjusting its balance sheet to try to help solve that problem. Could you speak to that a little bit, please?

Neel Kashkari:

Yeah. So these are a bunch of issues that are related but are also kind of separate. So I just mentioned that there's roughly two and a half trillion dollars of "excess savings" on household balance sheets. And one of the surprises for me, even once the unemployment assistance ended last fall, I thought that money would get spent down fairly quickly. It has not. And so there's been a lot of consumption in the economy of goods and services. It seems like that consumption is being funded by current income from families. So you've got this excess savings that are just kind of sitting out there.

Neel Kashkari:

Separately, the Federal Reserve is beginning the process of normalizing our balance sheet. We've stopped growing it and in June it'll start actually shrinking down as the bonds mature. That is a way of reducing some stimulus that we're providing to the economy. It's related but it's kind of a separate issue from money that is on household balance sheets. It's just another way for us to try to bring long-term interest rates up to cool economic activity. I mean, the most direct way that monetary policy affects the economy is through the mortgage market and through housing. And so I mentioned at the top, mortgage rates, 30-year mortgage rates are gone from three to almost five and a half percent. That's a pretty big move in a short period of time. In part that is because we've raised the federal funds rate. In part that is because we've signaled that we are going to be normalizing our balance sheet which has an effect on long-term rates. So they're related, but they are separate issues as I see them. Thanks. This side of the room over there. Microphone's coming to you.

Nikki Dow McKeckney:

Hi, my name is Nikki Dow McKeckney. I was just wondering, do you know how much US currency is actually in circulation?

Neel Kashkari:

We do. I don't know off the top of my head, but we definitely do. It's been growing and I don't know the number. It's been growing about five or 6% per year in part because it's demanded all around the world. And in part, we have all sorts of problems in America and we are all well aware of them. And sometimes it's hard to tackle those problems. But we are relatively better off than just about every other country in the world. So investors want to invest in America and have confidence in our currency because for all of our imperfections, we generally get the big stuff right. We have a rule of law that works. We have a political system that's not perfect, but that's able to make decisions, et cetera. And so there's a lot of confidence in the US economy and that drives a lot of demand for US dollars around the world. So we do know how many dollars are in circulation. I just don't know the number off the top of my head. But it's on our website. I mean, it's easy to find if you wanted to.

Dave Thomas:

Dave Thomas, Nicolet National Bank. You touched on the global problem with supply chain currently, and obviously the demand is quite a bit high, not just in the United States but worldwide. It would seem to me that they are a historic problem that we haven't experienced, at least in anybody's lifetime that's sitting in this room, and the traditional interest rate hikes that we use to control our own economy or reductions to control our own economy are not exactly the tool that may be effective when we're experiencing a worldwide issue. Are there other tools that you have in, I guess, the arsenal or the toolbox so to say that you can use aside from interest rate hikes?

Neel Kashkari:

Well, and I think this is implied in your question, you're right. We do not have tools to address the supply side of the economy. All we can do is try to bring demand into alignment with supply. Businesses around the world, a lot of businesses that I talk to from our region, are working very hard on their supply chains because it's in their interest to do so. They want to be able to meet their customers' needs. They want to be able to earn more money. They want to get their supply chain sorted out. So I'm confident that the private sector is doing what it can to bring more supply online. But we still have a job to do in terms of bringing demand down into alignment with that supply. So part of it is what the Federal Reserve is doing to normalize monetary policy in America, and because the dollar is the reserve currency of the world, just like the lady's question earlier asked about demand for dollars, we have a lot of influence on global economic activity.

Neel Kashkari:

But other major central banks around the world are also taking steps to adjust their monetary policies over their currencies and over their economy. So Canada has begun. The United Kingdom has begun. The European Central Bank has indicated that they're likely to accelerate some of their adjustments. Australia has already begun. So these major economies are moving in a similar direction, maybe at different rates of speed, but in a similar direction. And if all major central banks are either stimulating the economy or pulling back on stimulus, I have a lot of confidence that that is going to work in bringing demand down. But again, it does not address the supply side directly. In this corner over here there's one. Right here in the center and then we'll come over to you.

Mark Savoy:

Mark Savoy with Central Savings Bank. We're talking about the supply side and it's easy to understand how supplies in China affect us. And you look at the housing market and the prices are through the roof. The inventory's not there. So one way to correct that would naturally be to build more houses, but the cost of doing so is prohibitive. So do you have any insight into why those building material costs, why the supply for those hasn't come back? When we look at things from overseas, it's easier to understand, but when we're building things here at home, like building materials, you would think that supply would come back a lot quicker.

Neel Kashkari:

Yeah. We've looked at this and lumber prices have gone up and down over the course of the pandemic and it's a complicated issue. Some parts of our district have lumber mills that were shut before the pandemic and then getting those reopened, or they can't get the material to feed the mills, or it's workforce shortages is another big challenge. There's also tariffs with lumber coming in from Canada. So it ends up being a pretty complicated issue. My gut would've been, I think what your gut is, hey, this thing should be short-lived and it should heal itself pretty quickly. It has not healed itself as quickly as I would have expected, as I did expect. I would also say even before the pandemic, anywhere you would go in our region just about anywhere, people talked about the unaffordability of buying a house, that housing was a challenge everywhere, red district, blue district, it didn't matter.

Neel Kashkari:

And it's funny, I go to Montana. And they'd say, "Oh my gosh, home prices in Montana are through the roof even before the pandemic." And I look around and I say as far as the eye can see, I see vacant land. So what's going on here? And the dirty secret is those of us who own a home do everything we can to prevent other people from building homes. It's like self-imposed regulations because we like our neighborhoods the way they are. We like our community the way it is. And as much as we might say, "Yes, we want more affordable housing," we are actually the culprit in most cases for why housing is unaffordable all throughout our region, whether it's minimum lot sizes or minimum number of garages. In California they passed a law that you must put solar panels in every new house. All of these well-intentioned ideas drive up the minimum cost of a house and make it less and less affordable.

Neel Kashkari:

And so yes, lumber prices is a serious issue. Workforce shortage is a serious issue right now in the country. But let's not lose sight of our own role in this. And it's pervasive. I mean, I live in a community which has large lot sizes. If you go to my neighbors and say, "Hey, we want to build twice as many homes," there will be an uproar. And if every community does this, nobody can build anywhere. And then it just drives up the cost and the cost and the cost. And so affordable housing starts here. It starts with me. It starts with you. And it starts with those of us who own homes who don't want other people to build homes, totally manmade.

Mark Clymer:

My name's Mark Clymer. I'm Clark Township Supervisor in Cedarville. And you speak very confidently about the US dollar continuing to be the reserve currency, yet I've been reading things ever since Nixon took us off the quote standard that there are different trading blocks and channels that are looking for alternatives to the dollar. Could you speak a little more specifically about that?

Neel Kashkari:

Yeah. Good question. You're right. I mean, I think China among others would love to not be so wedded to the dollar. If you look over the last, I don't know, last time I looked, the dollar's at roughly at 15 or 20 year high relative to major currencies around the world. The level of currency, it's a relative measure. It's a measure of relative economic strength between one economy and another economy, especially for free floating currencies. I mean, China and other countries try to manage it. They can only manage so much economic. Fundamentals ultimately take over. And so to me, it's a question of when is another major economy going to outcompete America? When is another major economy going to be more competitive, going to have stronger innovation, better rule of law than America? Is it possible? You bet it's possible. But we do have a lot of strengths that we shouldn't take for granted, such as our rule of law, such as our political system, such as our universities. We're here at university, our centers of higher education.

Neel Kashkari:

These are all enormous competitive advantages that we have. Another one that has been a big advantage over our history, though it's less of an advantage in this moment, is immigration. We are having fewer kids than prior generations. So that's true in most advanced economies, all advanced economies. If you have fewer kids, you're going to have less people to produce things and less consumers to buy things. Your economy is going to be less vibrant and you're going to have fewer entrepreneurs.

Neel Kashkari:

So part of the way we've dealt with that is we've supplemented that by bringing immigration in from around the world. And a lot of times they come for our great universities and then they stay. Well, immigration has really dried up in recent years, in part because of COVID, but also because of political considerations. So if some other country all of a sudden is much more welcoming to immigrants, that would be a competitive advantage for them relative to America. And so ultimately it comes down to economic fundamentals and the fundamentals of our democracy. And I wouldn't trade places with anybody else, but we can't fall asleep on it. We have to keep paying attention. Thank you.

Speaker 10:

I have a quick question for you, Neil. We were visiting at breakfast this morning and we talked about what we could do in our local economy and our local area to take advantage of the things that are coming down the pipeline. And you were very insightful talking about that. Can you give us a brief overview of what the city of Sault St. Marie can do better, Chippewa County, EUP, what you see on the horizon and how we can take advantage of things that are coming down the road, whether it be with interest rates or whatever, but what can we do going forward?

Neel Kashkari:

So a lot of communities that I visit are smaller, more rural communities, and a lot of them have been struggling with the same challenges over a long time, generally dwindling population. Their young people go off to college. They hope that they'll someday return. And they need to make their local environment as of attractive as possible so young families can move back and say, "Hey, we want to raise our kids here." So there's some big opportunities. One is of course, I know broadband is a continues to be a challenge, but there's major investments hopefully coming to make broadband more available here. That opens doors to the global economy. And now in many businesses, the ability to work remotely is fundamentally changed. So that's an opportunity. There's some things that you can't address on your own like inflation. You can't address that. We have to do our jobs to bring inflation back down.

Neel Kashkari:

Immigration, you can't address that on your own. The federal government needs to come up with immigration policy for the US economy. But you can do your part in making this an attractive place to live. You can do your part. I kind of gave my little speech about regulations and home prices and how it's all self-imposed. Hey, that's up to you if you want to make it easier for people to develop here, to build homes here, have a decent place to live here. So I think there are things you can do to make your local communities more welcoming, easier to live, fewer barriers. And then you need some help from the Federal Reserve to bring inflation down, from federal policy makers to do their part. But I do think that there's a lot under your control that can make this competitive. And I think that when broadband comes, I know it's here somewhat, when it fully comes, I mean, you all could be very well positioned to be able to compete economically, something that wasn't possible 20 years ago. And it's just technology that's making it possible.

Speaker 19:

Time for one or two more questions so don't anybody be shy.

Paul Warwick:

Yeah. My name's Paul Warwick. I'm with Center for Change Northern Michigan Advocacy. If you had total control of Congress, put aside the politics and the noise, it's a dysfunctional institution as far as I'm concerned. But if you as a Federal Reserve person that wanted to make better things happen to the economy, what would you do if you had total control of Congress, of taxation, of collecting revenues and spending, what do you think you could accomplish if there was a better function in Congress?

Neel Kashkari:

Well, we're guided not to give Congress advice, that they try to stay out of the details of [inaudible 00:40:31] policy. We try to stay out of the details of fiscal policy. I will simply say I believe that making sure all American young people get a good education is enormously important. And my parents were immigrants from India. The advantage I had growing up was that my parents were highly educated and they insisted that my sister and me get a good education. And because I got a good education, I feel like every door of this country has been open to me. And so to me, I think focusing and making sure that all the young people get a good education, K through 12, but then beyond for those that want to go beyond, I just think that's enormously important. So that's where I personally would spend a lot of effort to make sure that every young person gets a good education. I think it would pay enormous benefits to those individuals, but it would pay enormous benefits to our economy as a whole.

Neel Kashkari:

Well, I want to thank you all. This has been a really great set of questions and comments. I appreciate it. I've been to the UP many times, but we always try to go somewhere else that I haven't been to before. So I've never been here. Oh, last question I have for you. I asked the mayor and he didn't know the answer. And I visited the Locks this morning and I said, "Where did Soo, S-O-O, come from? Why is it spelled differently?" And the mayor didn't know. And if the mayor didn't know, I figured somebody in here would know the answer to that.

Speaker 13:

Soo Railroad Line. Oh, it's the railroad line that used to come through this area many years ago called the Soo Line, S-O-O.

Neel Kashkari:

So it's just coincidence that it's... I'm just wondering. Are they unrelated names? S-O-O and S-A-U-L-T?

Speaker 13:

That's a good question.

Neel Kashkari:

Okay. Well, next time I come, I expect an answer to that question. Thank you all very much. I appreciate it.

Neel Kashkari:

[inaudible 00:42:31]