

## With 2 consecutive quarters of negative growth, is the U.S. in a recession?

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NPR's Leila Fadel talks to Raphael Bostic, president of the Federal Reserve Bank of Atlanta, about whether the U.S. is in a recession, and how people are being affected by inflation.

LEILA FADEL, HOST:

Is a recession coming? Is it already here? This week, there's been a lot of back and forth about that between politicians and economists. In a nutshell, it's not clear whether the U.S. is experiencing the formal definition of a recession. What is clear, people are feeling the pain of rising costs. Bret Heilig is a solar contractor in New York. He says getting parts for his business now costs four times its previous price.

BRET HEILIG: We're trying to buy this breaker for six months and ordinary channels just kept saying it'll be in in two weeks. And, you know, finally we went around looking for second-hand dealers, and we found people who anticipated this and stocked up on these breakers knowing that they were going to go for what turned out to be four times the normal asking price.

FADEL: And Chris Morrison is a firefighter in Napa Valley. He says he's been working overtime just to make ends meet. He also had to sell his truck and buy a new car because of fuel prices.

CHRIS MORRISON: It's not uncommon for me to work 96 hours straight or 72 hours straight. I don't feel like I could keep going at this rate.

FADEL: Joining me to talk about what's going on with the economy is Raphael Bostic, president of the Federal Reserve Bank of Atlanta. Thank you for being on the program. Good morning.

RAPHAEL BOSTIC: Good morning, Leila. Good to be here.

FADEL: So let's start off with that central question that everyone's arguing over. We've now seen two consecutive quarters of negative growth. Is this country in a recession?

BOSTIC: Well, I don't think the country is in a recession. But on some level, that's not the right question. I think the right question is whether current economic conditions are creating hardship.

FADEL: Yeah.

BOSTIC: And here, I mean, you know, I think the two spots you just ran make the answer clear that there are a lot of people hurting. And because of that, we really need to address the high levels of inflation and get this economy back into a more stable and sustainable situation.

FADEL: And how is that done? I mean, the Fed hiked interest rates again this week to try to get inflation in line. Is - in your view, is that the right move?

BOSTIC: Well, you know, inflation is really driven by an imbalance between demand and supply. When we increase interest rates, we reduce the demand, and that will bring it closer to the levels of supply that are being met. But we're - there's still more work to be done. And so while what we're doing is, I think, appropriate, we're going to be watching the supply dynamics and - to see whether they ease up. And we'll hopefully start to get that balance, which will help bring inflation down.

FADEL: When you say there's more work to be done, what does that look like?

BOSTIC: Well, you know, it's hard to say. The - you know, the pandemic has been very unpredictable in terms of how the economy has responded. So we're going to have to - I'm convinced we're going to have to do more in terms of interest rate moves. But exactly how much and in what trajectory will depend on how the economy evolves over the next several weeks and months. We're going to get a lot of data in the next two months before our next meeting, and that will give us a good indication of what the right course of action is likely to be.

FADEL: Like you said, people are struggling, but there's a lot that's unique about this money. I mean, right now there's job growth. Could these rate hikes hurt that growth?

BOSTIC: They could. You know, one of the things that I've been encouraged by is actually how strong the job growth has been, which suggests to me there's a lot of momentum in the economy. And so we can still continue to see people get jobs, get good incomes, stay employed as we try to reduce the imbalance between demand and supply. If that goes well, I think we can get inflation under control while at the same time minimizing the number of families that have really bad outcomes in terms of losing their jobs and coming closer to precariousness.

FADEL: Right. Right now, obviously, the White House doesn't like the word recession, especially with the midterms coming up. Meanwhile, administration opponents, critics have a vested interest in capitalizing and blaming the White House for the weakening economy. But let's get away from the noise of Washington. When - with all this talk about recession, do you worry at all that it could cause recessionary behavior, less consumer confidence, people spending less? I mean, could it just bring about what everybody's talking about?

BOSTIC: You know, we talk about that a lot in my building, and my team and I are not seeing that in the field right now. We hear people asking, so are we in a recession? And there's a lot of concern there. But the individual experiences of business leaders and families - or many families has been, you know, we're still able to find jobs. I'm still able to sell goods. There's a lot of demand out there. And so I think we're a ways from a recession, and there is this reality. I do share the same concern, though, and we're going to be watching very closely through our surveys and other connections to make sure that we understand if the concerns about a recession start to translate into behavioral changes. But we're not seeing that right now.

FADEL: Raphael Bostic is president of the Federal Reserve Bank of Atlanta. Thank you so much for being on the program.

BOSTIC: It's been a pleasure - look forward to next time.