

Fed Unfiltered, Transcript

7/7/22 – Neel Kashkari, Speech: Q&A at Hometown Helena Event in Helena, Montana

Neel Kashkari:

Thank you. Good morning. It's great to see you. My name is Neel Kashkari, President of Federal Reserve Bank of Minneapolis. I really appreciate the opportunity to chat with you this morning and, as we just heard, hopefully have a discussion. So let me just back up for a second.

Neel Kashkari:

A lot of people don't know what the Federal Reserve is or what the Federal Reserve Bank of Minneapolis is or why I'm here. So the Federal Reserve is our nation's central bank. We were created by the United States Congress in 1913. And basically, our jobs are to try to manage the ups and downs to the US economy. If the economy seems like it's overheating, then the Federal Reserve will try to raise interest rates to cool things down a little bit. If the economy seems like it's limping along or going into recession, typically, the Federal Reserve will cut interest rates to try to provide a boost to the economy.

Neel Kashkari:

Now, when Congress created the Federal Reserve in 1913, they did something unique. They said they want all the regions of our country represented directly in that process. So instead of just saying the Federal Reserve will be in Washington, DC, they created 12 independent Federal Reserve banks spread out around the country. The Ninth Federal Reserve bank is the Federal Reserve Bank of Minneapolis, and that includes the branch office here in Helena, the Minneapolis Fed's Helena branch, and our job is to represent this region: Minnesota, North and South Dakota, Montana, the upper peninsula of Michigan, and Northwestern Wisconsin. So a lot of our time and effort and my colleagues' effort is spent traveling around our region to make sure that we know what's happening in the local economy. And then we take that information and I go back to Washington, DC every six weeks. And part of what I do in those meetings is we talk about what's happening in our regional economy.

Neel Kashkari:

So we have a branch office here in Helena with around 50 employees. We have a board of directors of both the Minneapolis Fed and the Helena branch. Two of our board members are here, Bobby Wolstein and Bill Coffee. And part of what their jobs are doing is providing us real time economic insights into what's happening in the Montana economy because obviously, Montana's a huge state. Geographically, it's a huge state. There are a lot of different sectors of the US economy and with Bobby and Bill and their colleagues on our board of directors, we get a lot of rich information. So if they call you and say, "Hey, can you tell us what's happening in your corner of Montana," I hope you'll take that call because it really does provide us valuable information in the economy.

Neel Kashkari:

So for the last two years, I haven't been traveling very much. I try to get out to Montana at least once a year. I'm happy to be back. It's been a couple years since I've been in Montana, both to see our board, to see my colleagues in Helena, and to visit with all of you. And so the more interactive we can make this, the better because it'll give me your insights into what's happening in the Montana economy.

Neel Kashkari:

A few other quick comments I'm just going to kick off with, and then we'll open it up. Obviously, the flood is in Yellowstone. I wasn't thinking. I didn't know about the Helena flood till I got here, but the flood in Yellowstone is top of mind. We actually sent some of our regional economists, both from Helena

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and from Minneapolis, last week out to survey the flood damage. They've been doing surveys of businesses that are directly affected by that.

Neel Kashkari:

We are hoping to do some economic analysis of what do we think this means for the Montana economy. My initial read is that some of the infrastructure damage is more modest than we had feared, but the infrastructure that was damaged is really important infrastructure. And so that means that the dollars of the infrastructure itself may not be huge, but the economic implications of that infrastructure being washed out is probably quite significant, especially for those businesses and obviously, tourism around Yellowstone is it's the business. It is the business and so, while we're working with experts here on the ground to try to put together some analysis of what do we think the impacts are from that. And so stay tuned. That will be coming out, and we will get that to all of you and to your elected representatives who may find it interesting. So that's an example of some of the analysis that we try to do to try to be supportive.

Neel Kashkari:

Now, big picture. Obviously, front and center for the American people and for the folks in Montana is inflation. So when we say we try to achieve a stable economy, one of the things that we target is what we call price stability or what we define as 2% inflation. Inflation price is going up about 2% a year, year on year. A lot of people ask us, "Well, why isn't it zero? Why do you want prices to go up at all?" It's complicated, but the basic answer is we need a little bit of buffer. Deflation is really a bad thing. If you take out a mortgage and your home price is falling, your equity's getting wiped out and your mortgage is getting bigger and bigger and bigger. So deflation is really a bad thing.

Neel Kashkari:

And most central banks around the world have agreed that 2% of inflation feels about right. It's very low. If it's stable, that's kind of a healthy place for the economy to grow to avoid deflation. Well, obviously, we're not at 2% inflation right now. We're very high inflation. And when inflation started to take off after the economy was reopening a year ago, I thought, and many of my colleagues thought, "This is likely going to be a temporary effect." We had the service sector of the US economy shut down. Homes, households had a lot of money because they'd been saving money. There was a lot of transfers from the government in terms of fiscal stimulus. They were not able to spend that on restaurants or on travel, so that was getting spent on goods and products and washing machines and you saw really high inflation in the goods sector.

Neel Kashkari:

So what I thought was going to happen was that as the economy reopened, people would shift their spending away from goods towards services and the economy would return more into a balance. That has not happened as quickly as I expected, and you've seen prices climb and climb and climb. So in response to that, that the Federal Reserve has moved very aggressively to say, "We have to do our part to regain price stability and then get inflation back down to our 2% target."

Neel Kashkari:

Now, what causes high inflation? High inflation is caused when there's a mismatch between supply and demand. If demand is outstripping supply, prices go up. People want goods. They want services. The economy can't deliver them. Prices, then, inevitably go up. So how do you solve that?

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Neel Kashkari:

Well, one way is you bring supply up. So obviously, China is a big factor in the global economy. The Chinese economy is still really affected a lot by COVID. That's impacting our supply here. The Russian invasion of Ukraine is disrupting oil markets, is disrupting commodity, agricultural markets. That's disrupting supply. So one thing is we need help on the supply side to bring more supply to the economy, but then what can we do at the Fed?

Neel Kashkari:

We have the tools to limit demand. By raising interest rates, it raises the cost for you to go get a mortgage. It raises the cost for you or me to go get a car loan, to go spend on credit card or to borrow on our credit cards, and then that taps the brakes on demand, on consumption. And so we are raising interest rates quite aggressively to make sure that we keep demand in check while hopefully, we get some help on the supply side to bring these two things into balance.

Neel Kashkari:

We directly can't do anything with supply, but we do have the tools to limit demand. And so a big question that a lot of people are asking is, "Hey, Federal Reserve, as you're doing this and you're raising rates to tamp down on demand, are you going to tip the economy into recession" because historically, when the Federal Reserve has raised interest rates aggressively, sometimes, it has led to a recession. And the answer is, my answer is we don't know. We know that we have to and we will get inflation back down. But whether this actually leads to a recession or not is going to depend on do we get help on the supply side?

Neel Kashkari:

So the other piece of this "missing supply" are missing workers. A lot of folks when the pandemic hit, workers who were close to retirement said, "Hey, you know what? I'm just going to retire." Those are important contributors to our economy, and I hope some of them come back as they feel safe going back to work and maybe, they don't have to go back 40 hours a week. Maybe they could work 20 hours a week. If you're one of those folks, let me put in a plug to get back to work. We need all the folks in America working as possible. So that's one missing piece of supply.

Neel Kashkari:

Another missing piece is immigration really dried up. It was drying up before the pandemic and really came cratering down when the pandemic hit because countries, including ours, were worried about COVID coming across the border. Immigrants have played really important roles in our economy in Montana, nationally, and if we don't have immigrants working, then guess what? Our economy's not going to grow the way it used to grow, and we're not going to have as much supply. So that's another big factor totally outside of the Federal Reserve's control.

Neel Kashkari:

So hopefully, we're going to get some help on the supply side, but I'm confident that my colleagues and I on the Federal Open Market Committee, we're totally united in returning inflation to our 2% target. We're going to do what we need to do, but I hope that we get some help on the supply side, so it's not just falling on us. So that's been a big focus of attention for all of us and continues to be.

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So with that, I love to open it up and hear from you in terms of what's front and center, in terms of the economy here, what questions you have. We do have a roving mic just so that our friends on Zoom will be able to hear you. Ask me anything you'd like. Tell me what what's top of mind. The more direct you are with me, the more I will learn and the better this will be for everybody. So thank you for the opportunity.

Mary Ann Dunwell:

I-

Neel Kashkari:

And if you could introduce yourself, I'd appreciate it.

Mary Ann Dunwell:

... yes. Hello. Welcome to Montana, Mr. Kashkari. My name is State Representative Mary Ann Dunwell. I represent a district in Helena and East Helena, a little bit east of here. Currently, I'm out on the doors, as we say, talking face to face with individuals and households and businesses, small businesses, both for profit and non-profit and yes, what I'm hearing is a severe worker crisis. And then from individuals, I'm hearing, "I can't sustain a life, living my household on the wages I'm being paid," and it appears to me that wages are not keeping up with inflation.

Mary Ann Dunwell:

So I wonder if you can address that. And part of the problem here in Montana, I'm hearing, is that it's our childcare costs are so high. It's not worth one of the spouses or the other going back to work or especially, if it's a single parent household and then also, housing, affordable housing. We are in a crisis right now. We're trying to deal with that. Doesn't happen overnight.

Mary Ann Dunwell:

Let's see here. Yeah, also, something that stagnates the economy is folks who might receive public assistance for something and who are the working poor and who do contribute to our economy, pay taxes, which boosts our state revenue supply and local revenue supply. They are finding seriously, they have to turn down promotions that would give them a dollar or two raise because they'd be kicked off public assistance. So-

Neel Kashkari:

Can I interrupt? Can I-

Mary Ann Dunwell:

Yeah. I think I've [inaudible 00:11:58] enough.

Neel Kashkari:

... reply to some of those because I'm not going to remember all of the comments. Those were all really thoughtful points you're making.

Mary Ann Dunwell:

Thank you.

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Neel Kashkari:

So I'm going to see if I can get them all. First is wages are not keeping up with inflation. You're right about that. The analysis suggests for the lowest income workers, say the frontline workers, they've seen the biggest pay gains, and it has been keeping up for them by the measures that I've seen. But for everybody else, it has not. So inflation is very... it's very problematic for a whole lot of reasons, including it just erodes families' ability to make ends meet and it affects everybody. There's no way to escape it. And so you're right about that.

Neel Kashkari:

One of the ways we normally think about inflation is we think the labor market gets really hot. Businesses compete to find workers. They bid up wages because they have to, and then they have to pass those costs on. That is not what's happening right now. This is not so far been a wage-driven inflation. This is a supply-driven inflation and an aggregate demand-driven inflation, rather than a labor market driver.

Neel Kashkari:

So you're spot on in your comment. We're very focused on this. This is another reason why we need to get inflation in check so that families are able to just make ends meet. And again, it's the lowest income families are the ones that are hardest hit. And by the way, if you live in a large state like Montana where you have to drive, gas prices are really walloping you even harder than if you live in an urban area. So that's a big factor.

Neel Kashkari:

Childcare and affordable housing. We hear this everywhere. I'm a dad of two young children. I have a 20 month old son and a three and a half year old daughter. My wife and I are very fortunate that we're in a position that we can afford to send our kids to childcare. It's very expensive, and basically, my wife works. Basically, 100% of her after tax income is equivalently going to childcare. So one could say, "Well, why even do it? Why not just have her stay home?" We'd be economically equivalent. We think there are benefits to my wife and benefits to my kids for doing it, but it's a huge cost.

Neel Kashkari:

And I've tried to understand this, and it's complicated because you want decent wages for workers, but you also want affordability for families. And I finally boil it down like this. If you look all around the world, agriculture subsidies are everywhere, government-subsidized agriculture. And I've always wondered, "Why is that?" The reason is because governments want high prices for farmers and low prices for consumers. Those two things are incompatible unless you subsidize it. That's why every country subsidizes agriculture.

Neel Kashkari:

Well, if you want decent wages for childcare workers and affordability for families, those two things are incompatible. So either the state or the federal government needs to put money in to make those two things possible, or it's going to continue to be the system that we have today. It's not for me to tell them what to do, but that's the math. And so that's why there's this struggle that's going on because when you go and you visit with childcare workers, by and large, they're not paid very well, and it's really important, really tough work. And so there are these fundamental disconnects that the market cannot solve on its own.

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Neel Kashkari:

Third piece, affordable housing. Everywhere we go, this is a top issue. We hear about this, and this one's easier to solve. I'll tell you why because red district, blue district, it does not matter. Affordable housing challenges are everywhere. This is 100% a self-made problem. 100% because how many of us own our own home? A lot of us. Me too. Those of us who own our own home like our neighborhoods the way they are, and we don't want anybody building more homes. We can tell each other all these stories about how we want more affordable housing. But then we introduce all sorts of barriers and roadblocks to building more housing. Every time I come to Montana and I hear about affordable housing, I look around and I say, "Wow, there's a lot of land in Montana." This is not Manhattan. And yet we come up with excuses why we don't want this development over there. We don't want this extra infrastructure over there. We don't want this apartment building over there, and we create barriers.

Neel Kashkari:

And so that's... I'm being as direct with you as I possibly can. And so those of us who own our own homes erect these barriers. Prices go up. It keeps more construction from coming online and that's why it becomes unaffordable. And so unless we are willing to have this honest conversation and address this and recognize our own role... I'm guilty of this too. I live in a neighborhood with big, large lots. If you went to my neighborhood and said, "Hey, we want to build an affordable housing complex," my neighbors would go crazy. So we have to be honest with ourselves about our role in this one.

Neel Kashkari:

And then, what was the fourth one?

Mary Ann Dunwell:

Oh, I can't [inaudible 00:16:41].

Neel Kashkari:

Okay. All right. Well, we covered a lot. So you raised good topics that are front and center for a lot of folks.

Neel Kashkari:

In the back, there's a question. [inaudible 00:16:48].

John Benton:

Hi, John Benton with The Washington Companies and you mentioned-

Neel Kashkari:

Good to see you.

John Benton:

... yeah. Nice to... and it's good for you to be here.

John Benton:

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You mentioned China's economy, how important that is, and the Russian-Ukrainian war. So I think it's great that there's kind of this model where you've got regional representation and trying to seek input on what's happening locally and yet, kind of over the last 30 years with globalization and trade policy and all of that, we're so interdependent with the rest of the world. And I think we've appreciated that during the supply chain crisis and all of that.

John Benton:

So what kind of international considerations factor into what you're trying to look at into the future? I just wondered how that works.

Neel Kashkari:

Well, thanks for the question. And by the way, the CEO of Washington Companies, Larry Simkins, was on our board for six years and has been, I think, his dad was even working at the Helena branch and whatnot. So Washington Companies has been a really helpful source of information for us in terms of what's happening in the global economy.

Neel Kashkari:

We pay a lot of attention to what's happening around the world. We have a staff of economists in Washington. We do a lot of outreach to central banks and to businesses around the world to understand the dollar is the global reserve currency. So what we do with monetary policy here, it actually affects the world economy, not just the US economy. But we set monetary policy on behalf of the United States of America. We set it to achieve the goals of maximum employment and stable prices for Americans, but the global economy matters a lot, so we pay a lot of attention and do what's happening in China.

Neel Kashkari:

I'll give you an example. When COVID first broke out kind of February of 2020, March of 2020, none of us knew anything about this, so we were calling a lot of health experts in America to learn what they knew, but I also called large businesses that are headquartered in our district that have big Chinese operations. And I said, "What's happening in your Chinese operations because maybe you can forecast what's going to happen here because it's coming here next." And they provided us a lot of insight.

Neel Kashkari:

Similarly, we make those calls to understand with what's happening with supply chains, with some of the big global companies that are headquartered in this region. And what I've heard repeatedly is, "Hey, the supply chains aren't getting any better," that we put out one fire over here and then a fire breaks out over here. And so it's like whack-a-mole. We're constantly looking around the world, trying to fix these supply chains. And so I ask them, "When do you think it's going to get better?" They kind of shrug their shoulders and say, "Not in 2020, 2022. Maybe in 2023," but they're just guessing. And so those are really important inputs. Meanwhile, we have to do our jobs and we have to make decisions with imperfect, incomplete information in order to achieve the goals that we have.

Neel Kashkari:

Thanks.

Speaker 4:

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[inaudible 00:19:47] just got one there.

Speaker 5:

Lots of questions.

Speaker 6:

Yeah, China is financing Putin's war. Do you think we should put sanctions on China?

Neel Kashkari:

Good question. And I'll tell you, I don't want to profess to be a national security expert to understand what the implications of that would be. I will say that there are debates you can read about in the paper. There are debates right now, for example, on tariffs on China, where the national security experts in Washington want to keep the tariffs on China as a negotiating tool. Meanwhile, the economics folks are saying, "Hey, these tariffs are driving up prices for American consumers."

Neel Kashkari:

And so it's a very complicated situation. And so I don't know the answer to that. I wish I did. It's a good question. Do you have a view?

Speaker 6:

Well, I would think we should put sanctions on China simply because in order to stop the war, Putin has to have money and if China doesn't give him money, he's done and the war is probably over.

Neel Kashkari:

Yeah. I'm very sympathetic with that. I'll just tell you the flip side of that. Some will say you're going to raise prices even... you're going to raise inflation even higher for American families. And so you need to make the argument to the American people that that's the price that we all need to pay for national security, and that's a reasonable argument.

Neel Kashkari:

One follow-up, Carmine. Let him...

Speaker 6:

Well, I'm not sure that part of the inflation that we're experienced is because China has slowed the production to supply us with goods, and that's part of the... I think, my personal opinion is I think that's part of the reason that we're seeing the inflation that we're experiencing.

Neel Kashkari:

Appreciate your comments. Thank you.

Peter Strauss:

Good morning.

Neel Kashkari:

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Morning.

Peter Strauss:

Peter Strauss with Montana Self-Insurers Association, Helena Farmer's Market, Great Divide Ski Patrol. I'm one of those COVID retirees who's-

Neel Kashkari:

Come on back.

Peter Strauss:

... [inaudible 00:22:19] three or four part-time jobs.

Peter Strauss:

Want to ask you the impossible question. Many people I work with have never experienced inflation like we have. I've been through it plenty of times. Looking forward, where are we July 1, 2023 with our economy? It's an impossible question.

Neel Kashkari:

Well, I feel quite confident... I shouldn't say that. I'm hopeful that inflation will be well on its way back down and that we will all have a lot more comfort that we've got this genie back in the bottle. It won't be back to our 2% target by then, but I'm hopeful that it'll be well on its way back down with some confidence behind that. The question's going to be how strong is the economy? How strong is the labor market? Are there still a lot of jobs available? And that's the risk that people, a lot of economists are talking about is monetary policy is a blunt instrument. Already, I'll give you an example.

Neel Kashkari:

So we have raised interest rates, but you can see the repricing of mortgages happen even faster than we raised interest rates because markets are forward looking. So when we tell them, "Hey, we're shifting to a tougher stance on interest rates," markets price that in right away, and you see a big adjustment. So mortgage rates have gone from 3 to almost 6% just in a few months. That is going to put some brakes on the housing market. Housing is one of the sectors that gets most directly affected by monetary policy.

Neel Kashkari:

So again, I don't know where are we going to be a year from now? It does matter what happens with Russia, what happens with China, what happens with these global supply chains. Are there new variants that emerge that gum up the works again? I don't know.

John Cech:

Neel, John Cech, President of Carroll College here in Helena, and thank you so much for being here. I'd just like to follow up on a couple of the statements that Mary Ann made a few moments ago.

John Cech:

Housing is a huge issue here in Helena, and Carroll College is about 400 employees. We had to take some of our apartments for students offline this past year to house incoming faculty and staff because there's no place to live in Helena and that's presented some challenges because we're actually seeing

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growth in our enrollment, so the inn is getting pretty full. But housing is a huge issue for everyone here in Helena and with respect to workforce, this past year, we've seen nationwide about a 9% drop in higher education enrollment, about 655,000 students. So as we look at that, many students are saying, "I can make more money in the workforce," but they're not taking the longer view of what a higher education could do for them in over the next 40 years.

John Cech:

So one of the things that we're trying to do is reach out to students as they graduate from high school and talk to them about the value of going to college now and what that means over the next 5, 10, 15 years.

Neel Kashkari:

Yeah, I appreciate those comments. I'm not surprised by either of those, but again, go back to housing just for a second and affordable housing. I've been hearing about this. I joined the bank in 2016. Everywhere I go from the beginning of my time of joining the Minneapolis Fed, traveling around our region, traveling throughout Montana, I heard about affordable housing. And so I always asked the question, "Well, why aren't greedy developers stepping in to go build these projects that are profitable, that people could have a decent place to live?" And then you learn that there are all these barriers that get erected.

Neel Kashkari:

In California... I'll give you an example. I used to live in California. They passed a state law that said every new home must have \$10,000 of solar panels on the roof. Guess what? That directly affects the price of the house. And if you have a minimum lot size and you have a minimum number of cars or garage and you've got a minimum number of bedrooms and you've got this, obviously, you need to have safety standards. I'm not saying Wild Wild West. But most of this stuff is self-imposed and now, it's made worse because there's also a worker shortage because you had lumber prices skyrocketing. Those factors are true, but those things are normalizing. Lumber prices are coming back down to earth, as an example.

Neel Kashkari:

But are we going to do our part, make it easier for people to build? How many of you have heard your neighbor say, "Oh, I don't want them to build over there. I like my neighborhood the way it is." When we all say that, homes don't get built, and then we're shocked that home prices go up.

Robert Bruskotter:

Thank you. Mr. Kashkari, thank you so much for being here. Robert Bruskotter, again, with a Senator Steve Daines's office. In my current role, I have the privilege of being a bit of a Swiss army knife and interacting with a number of industries in our state, but a number of the folks that I interact work in what continues to be one of our biggest sectors: agriculture. The three things I continue to hear from them are the ones that you've already touched on: supply chain, workforce, and inflation.

Robert Bruskotter:

So I guess more on the supply chain front some more, does the Federal reserve have a way to measure what percent of inflation is related to those supply chain concerns versus other things that could be causing inflation?

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Neel Kashkari:

We try. We have the New York Fed. We've got colleagues at the Federal Reserve Bank of New York has introduced a Global Supply Chain Index that tries to get a sense of how smoothly supply chains are running, how gummed up they are. It's an inexact science. And so what are the possible sources of the supply side of... on the demand side of this, we know that Congress passed a lot of fiscal stimulus, which I thought was the right thing to do because we didn't know how bad the pandemic was going to be. We also know that the Federal Reserve has been supporting the economy with aggressive monetary policy. On the supply side, we have missing workers that we talked about, both immigration and retirees and people who got sick from COVID or fear of COVID or childcare issues, as an example. We have COVID-related lockdowns and shutdowns. We have Ukraine and the war with Russia gumming up things on the supply side. There are probably more.

Neel Kashkari:

But disaggregating how much of those is responsible for this and how much is responsible for that, it's tough. I mean, we know oil and ag prices are... it's easiest to track those directly to Russia and Ukraine because you can look at the calendar. You can look at when Putin started acting. You can look at how oil prices have responded.

Neel Kashkari:

I mean, another thing on supply. We did an event with the Dallas Fed and we had Senators Kramer and Senator Hickenlooper as some of our speakers, bipartisan, to talk about the oil sector and the energy sector. And a lot of the questions are why aren't American oil companies producing more? And on one hand, they will say, "Hey, we don't think the political environment is supportive of us making long-term investments in oil and gas. We don't want to make these long-term investments if the government leaders are going to shut us down in five years because we're not going to get paid back." That seems like a reasonable concern.

Neel Kashkari:

Another concern is if you look at futures prices of oil, so where financial markets think the price of oil is going to be, those prices are falling quite quickly over the next several years. So there's a lack of confidence that oil prices are going to stay high. That also is a chill on investment because if you're an energy company, do you want to pour billions of dollars into more development if you think prices are going to fall back down on their own over the next few years?

Neel Kashkari:

We saw in the pandemic, a bunch of companies... I mean, the poster child of this is the bike company, Peloton, right? Prices skyrocket, and then people think, "Oh, this is the new normal. We're going to be like this forever." They make massive investment. And now, the companies are in real trouble.

Neel Kashkari:

And so anyway, this is... I'm kind of giving you a meandering answer. There's a lot that we try to unravel to try to make sense of what direction things are going, and it's inexact.

Paul Pacini:

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My name is Paul Pacini. I live here in Helena. And what I'd like to say, Neel, might be viewed as a challenge to you, but I think it's important that you know how some of us feel, at least, here in Montana about housing costs, and housing costs are going up, of course. We all know that, and it's going up a lot. And many people celebrate that because their house is worth a lot more.

Paul Pacini:

You mentioned that the housing cost problem is a self-made problem and that there's lots of space in Montana. To me, that's indicating we could spread out and start building in a lot of places that now are wild country, mountains, farmland. And how I see that, Neel, is sprawl. And the more we encourage people to move out of the towns and build on top of a mountain or in a wheat field or whatever, the more we increase sprawl and the more we increase sprawl, the less we have of Montana. So...

Neel Kashkari:

I appreciate that, and I take you seriously, and that's a very honest, reasonable perspective. That's part of the conversation that needs to happen. So what's the solution then? Creativity. I mean, that's not much of an answer to a family that can't [inaudible 00:32:16]. Well, we're just going to be creative. There's no affordable housing, but we should all just be creative. That's not very satisfying to them.

Neel Kashkari:

I'm not disagreeing with you. These are decisions that the people of Montana need to make. But when I hear over and over and over again, affordable housing, we need to be honest about what are all the different trade-offs?

Neel Kashkari:

Let the gentleman follow up, please.

Paul Pacini:

Yeah, those are very valid comments.

Paul Pacini:

I've spent a lot of time in Italy and probably other people have spent a lot of time in Italy or other European countries or even Oriental countries. Italy is approximately the size of Montana. We have a million people here. Last I checked, Italy has 60 million people. And when you walk down the streets in a large city, Naples or Rome or wherever, it actually feels kind of quaint and comfortable and nice. And yet, people are living on top of each other in these buildings.

Paul Pacini:

Now, many people are going to say, "Paul, you're crazy. We're not going to live that way," but we have to do something like that. We have to increase the density in which we're living. And on top of that, in Italy, you can enjoy this city life, but you step out of town and you're actually in the country. There's not houses built on every hillside and-

Neel Kashkari:

Very true.

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Paul Pacini:

... so we need to be creative and come up with something like that. Like I said, a lot of people will just refuse, but [inaudible 00:33:57] be creative.

Neel Kashkari:

Yeah, well that's... I hear you, and I'll just say density is definitely a strategy and that's a choice that you all need to make. Do you want more supply with density or more supply with sprawl?

Neel Kashkari:

I'm not here to tell you which to choose, but I'm telling you if you don't get more supply, you're not going to do anything about the prices.

Speaker 5:

We're running a little low on time here, so I think this may be our last question.

Emily Frazier:

I love having the last question. I'm Emily Frazier [inaudible 00:34:24].

Neel Kashkari:

Make it count.

Emily Frazier:

I'm Emily Frazier. I'm the Executive Director of the Helena Area Community Foundation, and as such, I'm always very focused on the challenges facing the nonprofit sector, which we are hit by all of the same economic pressures, but we sort of have to double down on them because also, when people are feeling economic pressure, they have less money to donate. And most of us are responsible for raising our own budgets annually year over year.

Emily Frazier:

Do you have any thoughts or, if nothing else, it's a statement, but if you have any thoughts, I'd love to hear them.

Neel Kashkari:

Well, I know we work with a lot of nonprofits. We have a lot of contacts with nonprofits around the region. We hear this all the time, so you're 100% correct in what you're experiencing and it's a real challenge. And if the economy takes a downturn, corporations' willingness to make donations... sometimes, they have less money to then go spread and then the need goes up.

Neel Kashkari:

So for example, in food banks or food shelves, depending what you call them, the need goes up, obviously, when families are out of work and they can't afford to make ends meet. And so it's a real challenge and that's why we have to restore price stability. We have to get... the economy runs best when prices are stable, when we got a lot of workers, a lot of jobs available, low unemployment, and there's stability and you aren't having these massive disruptions going on that's just so hard to plan for.

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Neel Kashkari:

And the economy was quite good before the COVID pandemic hit. We had pretty low unemployment. We had low inflation. Things were overall pretty good. We need to get back to something that looks like that.

Neel Kashkari:

And my message to you is we're going to do our part, but hopefully, we're going to get some help on the supply side as well so the responsibility doesn't just fall to us.

Neel Kashkari:

Well, thank you all. This is a really engaging discussion. I really appreciate it.