

## Fed Unfiltered, Transcript

9/25/22 – Raphael Bostic, Interview: CBS Face the Nation

MARGARET BRENNAN: That's Mark Strassmann reporting from Atlanta. And we turn now to the president of the Federal Reserve Bank of Atlanta, Raphael Bostic. Good morning to you, sir. It's good to have you back. I want to get your perspective. We know the stock market is not the economy, but it is a forward looking indicator and it's showing some concern right now. Around the world, central banks are trying to get control of inflation. The Fed has already raised rates five times this year. Why isn't inflation coming down?

BOSTIC: Well, first of all, good morning, Margaret. It's really good to see you. And, you know, inflation is high. It's too high. And we really need to do all that we can to make it come down. And when we think about its source, it's because we have very high demand. We have not enough supply. And as long as you have that gap, prices are going to be feeling upward pressure. So we've got to narrow that gap. And what we were hoping would happen is that we'd see some movement on the supply side, to move the supply up so that there wasn't so much of an auction on goods that are in the marketplace. But that hasn't happened. And that really has meant that we have had to turn to our policies to try to take demand down and reduce this level. I think a lot of what you saw on the- in the lead in piece here is that that demand is starting to shrink and ultimately that will start to pay dividends when we think about inflation levels.

MARGARET BRENNAN: So these higher interest rates for businesses, you know, it makes it more expensive for them to get loans for consumers. It makes them more expensive, as we were talking about, to get mortgages, credit card debt, loans. That's how it sort of cools things off a little bit. We've already had two back to back quarters of negative GDP growth, which would put us in that category of recession. How significant of a pullback are you expecting here?

BOSTIC: Well, first of all, I think that the GDP number is one way to think about the economic performance, but many others would suggest that the economy has a lot of positive momentum. We're still creating lots of jobs on a monthly basis. And so I actually think that there is some ability for the economy to absorb our actions and slow in a- in a relatively orderly way. But we need to have slow down. There's no question about that. But I do think that we're going to do all that we can at the Federal Reserve to avoid deep, deep pain. And I think there are some scenarios where that's likely to happen.

MARGARET BRENNAN: Deep, deep pain or that you can avoid the deep, deep pain?

BOSTIC: Oh, that we can avoid the pain, okay, thank you.

MARGARET BRENNAN: That's all right. Alan Blinder, the former vice chair of the Federal Reserve, wrote a piece in The Journal this week, and he said the chances of a soft landing based on history are well under 50%, but above zero. What are the odds here that this is a soft landing?

BOSTIC: Well, I'm not an odd person. And people who know me know I don't like to gamble because I hate to lose money. But I will tell you, this is something that is going to be hard. It's not going to be easy. There will likely be some job losses. But I think if you look over the historical history here and our economic experiences, there's a really good chance that if we have job losses, it's going to be smaller than what we've seen in other situations. And that's what I'm banking on. You know, I talk to business leaders and

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people in communities across the southeast. They are concerned, but they do still feel that there's a way to get to 2% in terms of inflation that will still leave them in a good place. And I leave our economy in a place where it is poised to grow and be resilient.

MARGARET BRENNAN: So you're still sticking with 2%?

BOSTIC: That's our target. We are- we haven't changed my view. I haven't changed my view on that. And I'm going to keep working to make sure that inflation starts to move in that direction as soon as possible.

MARGARET BRENNAN: So at the beginning of June, Jamie Dimon, who is the CEO of JPMorgan, predicted an economic hurricane. This week, he was before Congress and he said some of the challenges facing the US are persistent inflation shocks from Russia's war in Ukraine and rising oil prices. You can't control some of those things. Are we in the eye of the storm? Is this the hurricane?

BOSTIC: So I don't know if it's a hurricane. Look, there are lots of things that have happened over the last several months that really have been unexpected and have made our job more difficult. You know, the war in Ukraine definitely disrupted supply chains and I think set us back in terms of our recovery by many months. And so that's- that's real. But there are also some positive things happening. Now, just last week, we averted the rail strike. I think that was a very positive thing. And we are still hearing, as I talk to businesses, that they are not expecting that they're going to have to lay off people very soon. And so we have momentum and we should not lose sight of that as we start to see demand come down and as- get inflation under control.

MARGARET BRENNAN: So tell me about that, because you look at the American south, we just did this CBS News polling to get political views. And we're seeing people in the state of Georgia have a rosier view of the economy than people nationwide. So 55% of Georgia voters describe the economy to us as good. Nationwide, only 28% say that. So that's perception. What's reality and what's happening in the South that's not reflected in the rest of the country?

BOSTIC: Well, I can't speak for the rest of the country. But I will tell you, as for here in Atlanta, there is still considerable job growth. Businesses are saying that they are seeing a lot of economic potential and that is shaping, I believe, the willingness to invest in the future. My expectation is that as we move along and we start to get inflation more under control, that viewpoint will become more generalized across the country and people will be able to look over longer horizons and see that there is potential out there. So, you know, I understand we've got a lot of uncertainty now. The situation in Russia that you spent the first part of this show on has got everyone on edge. But we do know that some bottlenecks are starting to ease. And I'm hopeful that over the next several months, we'll start to see that gap between the high demand and that lower supply narrow significantly, which will then translate into inflation moving closer to our target.

MARGARET BRENNAN: You have job growth, you said, in the South. Do you have enough workers?

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BOSTIC: Well, we do have the challenge of a tight labor force. Everyone I talked to says, look, it's- it's harder to find workers than it has, than it was two years ago. But our--

MARGARET BRENNAN: Is a solution immigration?

BOSTIC: Well, immigration could contribute to that. But what I would say is our business leaders have said it's not as hard today as it was a month ago. So they are starting to see those challenges ease up. But look, we have a- we have lots of complexity in our labor market. We know inflation is down. We know that families have done a lot of rethinking about whether they need two earners or whether they should keep someone at home and not. We have challenges in terms of childcare. There's a lot of churn in our labor markets that we are going to have to monitor. And, you know, I'm grateful, my team. We've been doing a lot of good research on this and we've identified some some places to focus on that will give us a good clue as to the extent to which labor markets are easing.

MARGARET BRENNAN: We'll be watching for that. Thank you for your time today. We'll be back in a moment.