Steve Gregorian:

Gentlemen, my name is Steve Gregorian. I'm the president and CEO of the Detroit Economic Club. Thank you, Ms. Rochelle. I want to welcome you to today's meeting and I especially want to welcome our DEC members. If you're not a DEC member yet, please allow me five seconds to myth bust. There's no nomination or application process. There's no job level or salary requirement to be a member of the DEC. We're simply looking for people that want to build their networks and hear from thought leaders like you'll hear on today's stage. And you can sign up at econclub.org. As we get started, please silence your cell phones so we do not disturb today's program. And if you've been with us before, you know we always begin by honoring our country with the Pledge of Allegiance. So I'd ask you to stand. The flag is to my right, I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all. Thank you. And you may be seated.

If you've been with us before, you know we love having high school and college student with us at each meeting. They're here courtesy of our generous corporate sponsors. Their morning already began with a private reception with Governor Cook. I want to take a minute and tell us who's with us today. We've got students that came all the way from Chelsea High School, compliments of Kathy Weaver at Aon. Thank you Kathy. Troy High School, go Colts. Thank you Chuck and the Michigan State team for bringing the Troy High School students. Melvindale High School, thank you to Bank of America and our presiding officer, Matt Elliot. Northville High School. Thanks to General Motors, Elaine Buckberg, thank you so much and students from University of Windsor. So please join me at a round of applause as we welcome our students.

Two things on your table. One is our season lineup. After today, we've got a couple events coming up I want you to know about before we break for the holidays. December 7th, next week we'll present the very next meeting in our Future of work series, which is a partnership with Detroit Public tv. And we're going to host Johnny Taylor, the CEO of the Society of Human Resources, talking about the great reset and the future of work. And on December 12th, we'll be out in Birmingham. At the Town zone when we host Bruce Van San, the CEO of Citizens Bank. And to kick us off in January, you're going to hear from Elaine Buckberg from General Motors and Quentin Messer from the MEDC as we do our annual Michigan economic outlook that's on January 12th. So get your tickets for those. Always check our website. We're always adding more. Also on your table is our sponsor brochure.

We can never, never, never thank those organizations enough. They're the reason we can bring you programs like today. So thank you. And of course, the DEC has an incredible history of speakers that tell the history of our country, and Governor Cook, I want you to know November 30th is a very popular date in our 88 history. And you now join a distinguished list of 16 other speakers who graced our stage on this day. A few highlights, think of the year 1936, the chairman of the Committee for Economic Recovery addressed the DEC. And again, think of the year 1942. United Press War correspondent Virgil Pinkley delivered a speech titled The Price of Victory 1942. In 1953, UAW's Walter Ruther, and in 1998 then Senator from Missouri, John Ashcroft. And today, governor, we are pleased to add you as our 17th speaker on this day in DEC history. Congratulations and thank you for being with us.

And finally, using your cell phone, there's two ways for you to be involved in today's program. Take lots of pics, share with your social media networks using #econclub. And a second way you can participate is you can submit questions for Governor Cook using your smartphone and those instructions are on your table. And those questions will make their way to our presiding officer who I'm about to put to work. Matt Elliot is the Midwest Region Executive for Business Banking and President Bank of America Detroit. He is a DEC Board member and a very good friend of the DEC and to me personally. Thank you Matt.

And also a solid supporter of many, many things in our community, state, and region. Ladies and gentlemen, please welcome Matt Elliot.

Matt Elliot:

Thank you Steve. Walter Ruther, no pressure Dr. Cook. On behalf of the Melvindale Cardinals and myself and my teammates around the state, really happy to and proud to be able to introduce today's speaker. Dr. Lisa Cook took office as a member of the Board of Governors of the Federal Reserve System in May of this year. And prior to her appointment to the board, Dr. Cook was Professor of Economics and International Relations at Michigan State. Can I get a go green?

I happened to start my economics career and next to the building where she used to have her office. Previously Dr. Cook was on the faculty of Harvard's Kennedy School of Government. And before that she was a national fellow at Stanford. Along the way, from 2011 to 2012, Dr. Cook served as a senior economist at the Council of Economic Advisors under President Barack Obama. So in addition to having an incredible professional resume, she also has a distinguished academic resume. She received a BA in philosophy from Spelman College and as a Marshall Scholar, she received a second BA in philosophy, politics and Economics from Oxford University. And finally, Dr. Cook owns a PhD in economics from Cal Berkeley. Ladies and gentlemen, please give her a warm Detroit Economic Club welcome to Dr. Cook.

Lisa Cook:

Good afternoon. It is a pleasure to be back in Michigan, although I wish I had been back here last week for the Turkey trot, which is an annual tradition for my family and me. It is also especially a treat to be back in Detroit with its rich history of art, architecture, music, and industrial innovation, which is what I'll address today. I'm also delighted to see some familiar faces. Today I would like to discuss the economic outlook and focus on one particularly important aspect of the economy, productivity. I've spent much of my career researching the ways in which American ingenuity and innovation can be well springs of economic growth. I am here therefore to address the impressive innovation happening in the auto industry and what it tells us about future prospects for productivity in the US manufacturing sector and in the economy more generally. I can think of no better place to do that than in the motor city.

To set the stage, I will first turn to the US economy as a whole where inflation remains much too high. As a result, the Federal Reserve must continue to focus on bringing inflation back down to our 2% target. We have begun to see some improvement in the inflation data. The October report on consumer prices was encouraging, particularly the slowing and core inflation, the measure that excludes volatile categories like food and energy. Producer price inflation also moderated in October suggesting that inflation pressures on businesses may be easing. Nonetheless, I would be cautious about reading too much into one month of relatively favorable data. Core goods inflation has finally begun to slow significantly, helped by some long anticipated improvement in global supply chains. Declines in wholesale prices for used cars and in prices for key manufacturing components like plastic residue and steel also suggested continued moderation and goods price inflation.

Services, however, make up two thirds of consumer spending and inflation in that sector has not yet slowed. Notably, inflation in housing costs shot up this year and will likely contribute substantially to overall inflation for some time. Nonetheless, some good news is emerging on this front. Rent increases on new leases have slowed in recent months and a substantial number of multi family units currently under construction will be delivered next year, helping to ease the housing shortage. Still, these positive developments are likely to feed into measured consumer prices only gradually. Services prices more broadly have accelerated sharply this year and may prove to be a persistent factor keeping inflation elevated. Demand for services continues to be to recover from its pandemic lows with the release of pinup demand for travel evident to anyone who has spent much time in DTW and other airports recently.

Labor compensation is a key factor for non housing services prices and growth and labor costs remain well above pre-pandemic rates. There has been some moderation recently with slowing an average hourly earnings and in the employment cost index. But wage growth remains above what would be consistent with 2% inflation given prevailing trends and productivity growth. In Michigan and in other parts of the country that boast manufacturing hubs, we understand the importance of productivity. Productivity growth is a key factor in the health of the overall economy and in the daily lives of all Americans because ultimately it drives rising standards of living for all of us.

Growth and labor productivity or output per hour work has been lackluster in the US economy and around the world in recent years. Some observers spread that we are running out of innovative ideas to squeeze more outputs from the same inputs. Others look around and see amazing technology used in cutting edge factories, warehouses, and stores, and wonder if the innovation is happening but not spreading as fast as it once did. Whatever the cause, in recent years, output per hour has only increased at half the rate it did as recently as the mid 2000s. This is cause for concern. Over the first three quarters of 2022, productivity in the business sector has recorded a disappointing decline of three and three quarters percent at an annual rate. Payroll employment in the private sector has continued to increase, yet GDP has done little more than move sideways, resulting in an outright decline in labor productivity. However, the recent decline in productivity is partly an artifact of the pandemic. In 2020 and 2021 productivity soared when firms found ways to keep producing while many employees were away from the workplace, as you can see in figure one.

Meanwhile, the economy shifted away from services, a lower productivity sector, and towards goods, a higher productivity sector as households substituted new televisions, were dining out, and family vacations. As a result, average productivity moved up. These temporary changes have now largely reversed, leading to the recent declines in productivity, pushing it back towards its pre-pandemic trend. The tight labor market has played a role as well. With 1.8 job openings for every job seeker, firms may be using the GDP slow down as an opportunity to let their hiring catch up to the earlier surge in labor demand. Some firms may even be operating with a larger workforce than necessary in order to hold on to talent they may not have retained in normal times. In any event, we should avoid making too much of quarterly swings in choppy data, but focus instead on the trend over several years.

Taking this longer view, what pace of productivity growth should we expect going forward? This question is critical to policy makers, as inflation is tied to productivity. When firms see rising output per hour, they have room to keep prices low. For consumer goods, this can help lower inflation. For material input, this lowers the cost of downstream production and for equipment, lower prices mean more capital investment, a knock on effect that boost productivity overall. If there is a productivity revival, it will likely involve manufacturing if history is our guide. When it comes to productivity, the sector has a record of punching above its weight. Since the mid 20th century, manufacturing productivity has risen a full percentage point faster than productivity for the broader economy as you can see in figure two. The sector seems to find ways to do more with less. For example, manufacturing lost a staggering five million workers between 2000 and 2019, nearly 40% of the workforce.

As seen in Michigan, this meant difficult transitions from industrial workers and their families as the economy shifted towards services and substituted imports for domestic production. Yet at the same time, output is measured by the Federal Reserve's industrial production index continued to climb. Since the mid 2010s though, this relationship has reversed and manufacturing productivity has been noticeably lower than that of the overall economy. What explains the anemic growth in recent years? For one thing, IT equipment manufacturing has moved offshore, taking the productivity gains from progressively smaller and faster computer chips with it. More generally, offshore locations have focused on production of high volume goods. Many of the remaining US plants produce more specialized products, which tend to require more specialized labor, and have lower productivity growth. The motor vehicle industry has mostly defied this trend of offshoring final production. The US motor vehicle industry still produces more than 10 million vehicles per year and employs one million people at assembly, plants, labs, and suppliers.

Furthermore, it is an extremely innovative industry, and fierce competition forces automakers to roll out innovations quickly. As you know, dozens of motor vehicle R&D labs reside in Michigan alone, turning out ideas for vehicle safety, fuel efficiency, comfort and style. And with each passing year, cars and trucks look more like computers on wheels. Looking around Michigan today, I see all kinds of changes. Some changes are to the production process, like the newest generation of robots. These communicate at lightning speed, using the same high speed 5G technology as the latest phones, use artificial intelligence to adapt to their environment, and operate safely right next to workers on the assembly line. Some changes are to [inaudible 00:20:52], like collision avoidance systems, sophisticated navigation apps, and the dozens of electric vehicles now on the road are coming to market soon.

Some observers look at these changes with trepidation. Robot orders surged after the onset of the pandemic and have continued to pace a partial solution to the critical shortage of labor and manufacturing. What does this all mean for production line workers? Motor vehicle manufacturers have been the most intensive users of robots for decade. The first assembly line robot was rolled out in 1961 by GM and Trenton, New Jersey. Yet the motor vehicle industry still employs more than a million workers and its share of manufacturing employment has been going up since 2010. How did that happen? Research has shown that workers are not just suited for a single job. They have a bundle of broadly applicable skills. When robots take over one task, workers are shifted to another task and in turn, new tasks appear. The set of tasks to perform is not fixed. A belief economist called the lump of labor fallacy.

Rather, we need production workers to work with the new equipment and to focus on the problem solving that robots do not do well. That means that the next generation of plant workers will use touchscreens a lot more and rivet guns a lot less. And the systems they install as they assemble the vehicles are more laid with electronics with each passing year. Many are anticipating the arrival of the self-driving car, but in many respects it is already here. Vehicles can parallel park themselves with a touch of a button. I wish that were here when I was taking driver's ed. That's another story. Stop you from drifting outside your lane, and follow the car ahead of you keeping a safe distance. While the US is not making as many semiconductor trips anymore, we are using a lot of them. If that was not apparent already, we learned that lesson the hard way during the pandemic.

I understand that even now, thousands of vehicles are all but built, parked while they await missing chips. The increasing share of electronic content and vehicles contributes to that delay, as does the shift toward electric vehicles, which may have two or three times the chip content of an internal combustion vehicle. The shortfall in supply and corresponding price pressures have eased somewhat, but they have not disappeared. Highly innovative companies in the motor vehicle industry as well as pharmaceuticals, biotechnology, and of course information technology stand out as leaders in driving the quality of goods up and the cost of production down. Why isn't that showing up in productivity? For one thing, it takes time. History has shown that major innovations take years for their effects to be fully manifested. Firms have to organize production, reorganize production, including changing the layout of plants, rethinking management and reshuffling workers to maximize their talents. Electrification of the manufacturing sector took decades as plants were redesigned and rebuilt to exploit the flexibility of getting away from steam power.

Likewise, we still have not seen the last of the changes that the IT revolution will bring. Productivity enhancing ideas spread more quickly in more dynamic environments. When laboring capital move quickly toward their best uses at the more productive firms, overall productivity accelerates. And when firms have close competitors on their heels, they may adopt new techniques faster. Entrepreneurship plays an important role in this process. Sometimes a new idea needs a new firm not committed to old ways of doing business. This kind of dynamism has diminished in recent years, although the surge and business creation in the past two years may be an encouraging sign. Indeed, the US manufacturing sector is healthy. The recovery from the pandemic downturn has been remarkable, especially in comparison to the great recession. The sector is currently producing at 3% above its pre-pandemic level. And importantly, October marked 18 consecutive months of increasing manufacturing employment. If manufacturing were to return to its role as a productivity leader, productivity for the total economy would grow noticeably faster. Looking ahead, productivity plays an important role in our thinking about the outlook.

Productivity growth raises the nation's per capita income and one hopes the welfare of the typical household. As I mentioned earlier, productivity growth may also help lower prices. If we can make more with less, firms can lower the cost of the final product and still remain profitable. For this reason, it is heartening to see all the innovation happening in the motor vehicle industry and throughout the economy. It is hard to know exactly when all the benefits will show up, but we know the historical evidence suggests they are coming. What does this all mean for monetary policy? Innovation and productivity growth undergird our long-term growth prospect, but they have only an indirect link to current inflation development. More broadly, the auto sector and manufacturing overall serve as a microcosm to observe many factors buffeting the economy and impacting consumer prices such as bottlenecks and labor shortages.

Not withstanding some easing of these pressures on goods prices, services prices continue to rise briskly. Altogether, inflation is still unacceptably high and must be our primary focus. The Federal Reserve has taken significant steps to rate in price increases. Since March, the FOMC has raised its policy rate nearly four percentage points and unusually rapid pace of increases that has significantly tightened financial conditions. That tightening is clearly slowing demand in sectors that are interest sensitive, especially housing, with residential investment contracting sharply. Consumer spending has remained resilient. However, supported by labor income and still elevated savings.

As we said in the most recent FOMC statement, we anticipate ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2% over time. What policy rate is sufficiently restrictive? We will only learn over time by watching how the economy evolves. Given the tightening already in the pipeline, I am mindful that monetary policy works with lags. Thus, as we get closer to that uncertain destination, it would be prudent to move in smaller steps. How far we go and how long we keep rates restrictive will depend on observed progress and bringing down inflation. But rest assured, we will keep at it until the job is done. Thank you. I hear you have some questions for me, Elliot.

Matt Elliot:

I do have questions for you. Thank you Dr. Cook. Actually, there are a large number of great questions here. So I'm going to combine a few together to get at the heart of a lot of these. You mentioned the fact that the Federal Reserve is a dual mandate, which is to provide price stability and also full employment. So clearly you talked a lot about the work the Fed is doing to get a hold of price stability, which we all understand. So the flip of that is that everyone is now concerned about a recession. So there are a few questions about that. One is in the financial markets right now there's called an inverted yield curve. A lot of what people pay attention to is the spread between the two year and the 10 year treasury, which has gone negative, negative 76 in case you're wondering. So the question will be what does that yield curve inversion tell the Fed about the likelihood of a recession? Excuse me.

Lisa Cook:

So I think that's a really good question. Downward sloping yield curves have often preceded recessions. But if we look at the literature, consistently across the literature, there's no economic reason to believe that this has predictive power. So there are many factors that affect the tenure, especially as you know. Not all of them have to do with tools that the Federal Reserve has, but this is something that we watch closely along with everything else. But I'd like to urge caution and humility in very uncertain times about the signals that we typically get from data like this.

Matt Elliot:

Which leads into a couple of other questions that I think are really important. One is just the definition of a recession. A lot of times when we around here in Detroit think of a recession, our minds immediately go back to financial crisis. But academically speaking, and then maybe more practically, what is the definition of a recession from the point of view of the Fed?

Lisa Cook:

Luckily we don't have one. This is something we outsource happily. And for those of you who may have, students of mine, may know students of mine at Michigan State, the National Bureau of Economic Research does our job for us. The Business cycle data and committee. And they look at a wide range of economic indicators, and these indicators have to be indicators of economic activity that are widespread throughout the economy. And this has to have occurred for months. So it's not just GDP. And again, we outsource it and we look to them to tell us when a recession is happening. So we don't have any part in that. We don't need all these fancy apps for us to stay in our lane.

Matt Elliot:

Sounds like an economist.

Lisa Cook:

We can stay in our lane on our own.

Matt Elliot:

It sounds like an awesome economist answer. The one that I usually have to give. But here is a question I thought was really good, and this is given all of the currents, the cross currents that we have in the global economy, you've got a war in Ukraine, you have instability and issues related to supply chain and a zero Covid policy in China. You have our own issues related to getting rain in on monetary policy. Is this one of the most confusing economic environments that the Fed has dealt with recently?

Lisa Cook:

Let me take that in two parts. First, this is a highly uncertain time. Absolutely. I would certainly agree with that. And I think that one of the things that I mentioned to some of the reporters that are here at the height of, well actually at the very beginning of the pandemic, is that we as economists needed to be humble about what we were seeing and how to interpret the data because this was a highly uncertain environment. So that's the first part of my answer. The second part of my answer is I am used to working in highly uncertain environments. As I mentioned, I wrote my dissertation when we were talking before lunch, wrote my dissertation on the Russian banking system in the 1990s. I run towards the fire. So I'm accustomed to seeing a highly certain environment. And what have I learned from that? First of all, models and forecast should be consulted, but they have to be taken with a grain of salt.

You have no idea how underlying processes in the economy have fundamentally changed or not. So you have to be very humble. Secondly, with respect to the data, you have to keep watching the data and you have to make sure that you seek alternative data sources, high frequency data sources if you can. OpenTable has been really interesting, like OpenTable have been really interesting in telling us about the economy in real time. Wholesale auto prices for example, give us data in real time. So we have to be humble about the data as well. And we have to be creative, we have to be honest about the data. Finally, we have to make sure that we are consulting the best sources and not waiting for just one data point. We have to look at the trend. We have to look at a wide variety and not just one, and not just say mission accomplished on one particular data point.

Matt Elliot:

That's really helpful. So here's another set of questions that I think dovetail nicely to what you just said, which is more about the role of the Fed. So for example, one of the questions was you're on the Federal Open Markets Committee, the FOMC. Tell us a little bit about the role of the Fed and how you think about that, especially as it relates to the lags that you referenced during your talk.

Lisa Cook:

The Fed has a congressionally mandated dual mandate, maximum employment, and stable prices. We also have some responsibilities with respect to financial stability and with respect to financial regulation. And all of those are taken seriously in those recently, given my assignments, you're giving committee assignments at the Federal Reserve on the board, and I was just appointed to the financial stability committee. And that stems from the work that I've done on financial crises in the past. But at different times, the Fed is focused on one or the other. The labor market is strong. So our focus is quite a bit on inflation. It's not a single focus, but we are quite focused on fighting inflation because as I've said, it is unacceptably hot. So that's something that we'll focus on and continue to focus on because one thing we know is that inflation erodes standards of living, especially for those at the bottom, in the bottom quartile of the economy.

They spend a lot more of their budget on essential goods. So those are more subject like food and energy and those are more subject to inflation. So in order to have a sustainably strong labor market and economy, we've got to get inflation down first. And you don't want me to start talking as I can on [inaudible 00:37:54] about the inflation that I saw in Russia that I had to deal with every day, which meant that I had to change money every day. Change dollars to rubles every day, and it causes a type of inefficiency in the economy. And what most worried me at that time, and what would worry me the most about our own economy, is inflation expectations becoming unanchored. So what you don't want is an inflationary psychology to take hold among people so that they start standing in lines a long time to hoard goods, or they start changing money unnecessarily or inefficiently. So I've been in a high inflation environment and I certainly wouldn't want that to happen here. That could be devastating for all parts of the economy.

Matt Elliot:

There's a great question here about persistent inflation. I think you just answered it. That's really helpful. Thank you. So why don't we turn a little bit more towards a couple of the other elements of the

FOMC mandate that you talked about. One is sustainability of the financial system. And there's a great question in here about, frankly, did we learn enough from the great recession to have safeguards in place to combat that type of downturn again? Especially that question also came up in the context of crypto. Time for the blockchain.

Lisa Cook:

Okay. Let me take that question in two parts. All right. So the financial system has held up. It held up during the pandemic recession. That was because of the Fed acting extremely quickly having learned something from the GFC, from the Great Financial Crisis. So there is adequate capital in the system and I think that this is something that the Federal Reserve is satisfied with. Now, we're watching every corner, just like I said. We watch all kinds of data series. We're monitoring everything closely all the time. And because we haven't seen the crypto crisis lead so far to a financial crisis, that says that the regular banking regulations, regular examinations, examiners asking questions about this intersection, potential intersection between crypto and banking activities, those actually have stood up. So sometimes you may not need, and I'm not saying that we don't need, but may not need a lot more different types of regulation. Maybe you just need to do the job that is already within your power to do. I think that's all I'm going to say about crypto.

Matt Elliot:

Well said. So there's another question about sustainability here, and it I think goes to the comment you made around inflation, which is that it's almost like a regressive tax. It has a bigger impact on people in the lower income strata. And so how does the concept of equity work into the policy making framework that the Fed uses?

Lisa Cook:

That's a good question. As you know, the Federal Reserve went through a monetary policy review, painstaking and careful for a few years before the pandemic. And certainly one of the outcomes of the Fed listens tours, and that was a part of the monetary policy review, was that strong labor markets get people into the economy who may have been on the margins before. And this is a kind of economy we want with many more people participating. And I think that addressed an issue related to equity. So now we have this very strong labor market, very strong labor market. And I think that it is a good thing that we have done this review and that we're paying attention to both sides of the dual mandate. It may not seem like it, but we are paying attention to both sides. We never stop thinking about one or the other. Our focus right now though, is on inflation.

Matt Elliot:

Understandably. So obviously your talk was a lot about productivity and certainly the more productive we are as an economy, the better we can drive living standards forward. Here's another question that came up that I thought was really good. As labor gets more productive, what is the likelihood we revisit and change the traditional 40 hour work week and base wages on productivity rather than hours?

Lisa Cook:

I thought you were going to give me A, B, and C answer choices. Certainly increases in labor productivity, as I'm saying, gives firms the opportunity to lower input prices. So one thing the Federal Reserve can't do is tell businesses how to run their businesses, that's not what we're good at and that's not what we are congressionally charged to do. But I think the whole reason for giving this speech is to say the connection to elucidate the connection between productivity and potentially lower prices.

And we have in this state and in other manufacturing hubs a model of how that can happen. So I think that we can address wage growth and other input prices by looking at labor productivity. But I wouldn't want to say, again, how individual businesses and industries should run their businesses. But there's the opportunity to lower prices and to experience lower prices because of increases in labor productivity.

Matt Elliot:

Gotcha. That's very helpful. One more question related to sustainability of the economy. Well a couple but one, it's probably closer to home here and that's about housing and the housing market and how it's definitely slowed down given the rapid slow down in housing sales. Does that factor into the Fed's calculus on where the economy's headed?

Lisa Cook:

Certainly it's one way in which monetary policy has shown up. Not exactly instantaneously but readily. It's an interest sensitive part of the economy, and certainly we are aware of what is happening in the housing sector. Want to though stress that this is not 2008. We are in a very different place. Credit quality is different with respect to the mortgages that have been extended, for example. So I think that the housing sector is in a much better place now. The question is what will happen in the future? And that's something we're paying attention to as well. Will there be much more building of say, multi-family units? I mean, this shortage didn't start with the pandemic. So there's some long-term trends that have led to this housing shortage and hopefully other supply chains, hopefully that will be addressed. But luckily the Fed doesn't have anything to do with that.

Matt Elliot:

You mentioned that one of the things that you make sure you do is try to gather lots of different data sources. And one of the ways that you do that is through the 12 Fed member banks. There's a lot of listening that goes on locally. Can you describe for all of us a little bit more about the role of the 12 Fed member banks and how that information works its way into the data that you guys use to make decisions?

Lisa Cook:

Oh, this is the best. To me, this is one of the best parts of my job. As you know, I was briefly on the board of the Federal Reserve Bank of Chicago, and I learned so much. Of course I'd been a visiting researcher at a number of different federal reserve banks, but you don't see as much as you see when you are on the board. And simply, the members of the boards of directors know a lot about the economy that I wouldn't necessarily know about, or that we wouldn't know about on our own. And one thing that we have a lot of is aggregate data. But what we don't have is we don't have the mortar that puts the bricks together to tell a coherent story, to really understand what's going on in the economy. So in a previous visit to Detroit earlier this fall, maybe it was late summer, I visited an auto manufacturer. I went to TechTown.

I was trying to understand what was going on in the economy here on the ground because the aggregate data are not going to speak and be an oracle and tell you what's going on. You have to understand that for yourself. So actually, I even went to Zingerman's. Has lots of businesses in services, went and talked to them about how things were going. Talked about labor shortages, but also talked to an auto supply manufacturer and saw some of the things that I'm talking about in this speech, which is why I thought it was compelling to tell this story in this speech. So I think the 12 reserve banks are absolutely critical, and this is the way it was set up.

The Federal Reserve system was designed so that everything was not concentrated in Washington DC and in New York. This is a national economy and it has a lot of richness, a lot of richness. We learn a lot about oil from the Dallas Fed. We have the Center for Indian Country Development for the entire system at the Minneapolis Fed. So each one has its specialty and I'm glad we have that kind of heterogeneity because it takes everything, everybody at the table thinking about every single part of the economy for us to make our decisions, for us to be informed.

Matt Elliot:

That is very helpful feedback and sort of texture for us to have because I think a lot of people conceive of the Fed as looking at a few data points and making a decision. There's a lot more work that goes into it than that, that's for sure. Well, Steve, I know that we're headed towards the last bit here, so we're going to move on to some of the ABC questions. This is our lightning round, so just a few ones that I think here will be pretty fun. Number one, would you mind sharing with the group here something on your bucket list?

Lisa Cook:

Camping on Lake Superior. Haven't done that yet, have visited all the Great Lakes, have not been to Lake Superior or spent significant time on Lake Superior, so I look forward to doing that soon.

Matt Elliot:

All right, well we've got that one. I'm sure we can make that happen. Here's one I think a fascinating one. A person other than a family member you would like to have lunch with.

Lisa Cook:

So you all didn't say dead or alive, so I'm going to talk about a dead person, but I would like to have had lunch with. Dr. Sadie T Mozel Alexander was the first African American to receive a PhD in economics. If you know Sandra Day O'Connor's story, she wasn't able to practice as a lawyer, even though she was near the top of her class. She was number two in her class, I believe. This is Sadie T Mozel Alexander's story, and it is just now that many people, I've known her story for a long time, she inspired my seventh grade social science project. And you don't want to see a photo from that, I don't want to see the photo that exists from that. But I'm saying that her ideas inspired me starting in the sixth grade for me to do the seventh grade project and for me to become interested in economics. So I would like to have had lunch with her.

Matt Elliot:

That's an amazing story. And it just tells you that we're always standing on someone's shoulders.

Lisa Cook:

We always are.

Matt Elliot:

And that's amazing.

Lisa Cook:

That's right.

Matt Elliot:

How about, I'll switch gears a little bit here. What was your favorite team growing up? Now we know you're from Georgia, so if you say Atlanta Falcons or the Braves, that's okay. But what was your favorite team growing up?

Lisa Cook:

I would never say the Falcons. It was the Braves and I played softball and we were on a championship team within our Girl Scout region. My dad taught me how to catch, so I played catcher and my dad with his glove taught me how to catch. And my mom taught me how to hit home runs. And we used of course, Hank Aaron as the example. So yeah, I was never the fastest person, but luckily I didn't need to be.

Matt Elliot:

That is fantastic. Okay, just a couple more here because we know that the Detroit Economic Club starts on time and ends on time. So one question is, and this is a tough one, describe Detroit in one word.

Lisa Cook:

Resilient.

Matt Elliot:

Yeah, great one.

Lisa Cook:

Resilient.

Matt Elliot:

Everyone else in the audience was glad they didn't have to answer that question. And then the last one, and this is great too. What would the advice that you would give to your 25 year old self?

Lisa Cook:

You all heard part of my bio. One of the things that I was allowed to do at each juncture was for my curiosity to be entertained. And I think that writing a dissertation on the Russian banking system in the mid 1990s, who knew that would be useful to become a Fed governor? Who knew? It's already a blessing and an honor to be in this position. I had no idea where that was going, but it was entertained. So I would say to my 25 year old self, keep your imagination, keep your creativity, keep your mind open to different things because that's what's held me I think in good stead and has got me looking at different data sets, looking at different countries for their experiences. So I would say keeping an open mind and knowing that it's going to be okay no matter what that thing is that I'm pursuing or that one is pursuing.

Matt Elliot:

Well, Governor Cook, that's very insightful and we really appreciate you being here. Thank you very much.

Lisa Cook:

The pleasure is all mine. Thank you. Thank you so much. Really appreciate it.

Steve Gregorian:

So Governor Cook, you are always welcome back here anytime. You're amazing person, keep doing the tough, hard work that you're doing and we wish you the very best. Thank you so much. And Matt, what a terrific job. As presiding officer, you asked some really great questions. So ladies and gentlemen, thank you for being with us today. Tell your friends and colleagues to join the DEC, and Matt, you are right. I love saying on time, every time. This meeting of the Detroit Economic Club is now adjourned. Thank you everybody.