Tom Barkin's comments have been transcribed in full, while the interviewer questions have been abbreviated.

Interviewer:
Will the Fed ease a lot sooner than expected?

Tom Barkin:
Well, the numbers I'm watching closely of course start with inflation, and also the labor market. We got a very healthy labor market report a week ago. A 3.5 percent unemployment is a 53-year low, so on a broad scale the demand side is still seems to be healthy. And, while last week's CPI did come down, and that's welcomed, the median is still much higher than what I'd want to see.

Interviewer:
Has inflation peaked from where you sit?

Tom Barkin:
I hope so. We've seen very encouraging news over the last three months. The elements like used cars, which had escalated aggressively early during the pandemic, had to revert at some point. And it's finally started to happen that they have reverted and that's of course taken a big chunk out of the reported inflation readings. I think shelter has peaked as well, it seems to. In the next several months we ought to see that come off its highs as well. And so, my hope is we have seen peak inflation behind us, absent some extraordinary, exogenous event.

Interviewer:
Is there a chance the Fed will stop hiking rates after this January meeting?

Tom Barkin:
Well, my focus starts with inflation. You mentioned employment. It starts with inflation. I think hard about median inflation or trimmed mean. Whatever version that shows the breath of inflation. And that's still far too high. And, to me, employment is a useful indicator of demand, but the inflation readings are the things I'm focused on. And for me to want to pause, I'd want to see inflation convincingly back to our target.

Interviewer:
If the date continues to cool, would you agree that we're going to see only a mild recession.

Tom Barkin:
Well, somebody said in something I read this is the most predicted potential recession in history. And there's a lot of predictions on it. But yet the timeline keeps getting pushed out, and it keeps getting pushed out, in part, because the date remains pretty healthy. Demand, employment, spending, investment – they all remain relatively healthy.

The way I think about it is this – most of the businesses I talk to have a recession playbook. They've taken it out of the drawer, they've updated it. They may have even started working on page one of the playbook. Talking about a hiring freeze or reductions, talking about discretionary spend. But they're not turning to the back half of the playbook yet. And the reason they are not is that first of all and maybe foremost, their own demand remains relatively solid.

If you look at our CFO survey, you'll see people's expectations for their own businesses are actually still pretty healthy. And I'd also say, having worked really hard for the last 18-months to try and find workers, they're just really reluctant to cut back and go back into the same old spiral before. So, it just keeps getting pushed out.

Interviewer:
What do you say should be the terminal rate?

Tom Barkin:
Well, I've certainly taken a lot of time and tried to dig into the 60's, 70's and 80's and try to figure out what I can learn from them. And the thing I learned is, you just can't declare victory too soon. If you back off while inflation is still elevated, it'll come back ever higher the next time. Meaning you've gotta do even more damage to take control of it. I'm not in favor of backing off too soon. I want to see inflation and median and trimmed mean, compellingly headed back to our two percent target. I think that's the lesson of the 70's and that's what you want us to do.

Interviewer:
The terminal rate though, what's your call right now?

Tom Barkin:
"It depends on inflation. I think as long as inflation stays elevated, We need to continue to move the needle, to tighten if you will, ever more. And, the terminal rate will depend on what happens to inflation.