Dennis:

Okay, I've been through this before in earlier meetings, but I'll just do it very, very quickly. Raphael is a native of New Jersey, went to Harvard University, got his PhD in economics at Stanford, joined the Federal Reserve, the Board of Governors of the Federal Reserve, worked in the Treasury Department, became a professor at USC, served in the Obama administration and the housing authority. And I know this for sure, in 2017, he succeeded me as president of the Atlanta Fed. Now, before we get started, Raphael, before your service, I want to give you a gift that I have been cherishing for a long time. This is a $50 trillion bill that has been issued by the Reserve Bank of Zimbabwe. And when I had your job, somebody gave me one, but it was $10 billion, so you get $50 trillion. Obviously there has been some inflation along the way, so don't spend it all in one place, please. All right, let's get started with the question of inflation. Inflation is on everyone's mind. What's the current rate of inflation? What are we actually experiencing now as opposed to looking back 12 months?

Raphael Bostic:

So this worked. Oh, very good. Well, first of all, good afternoon everyone. It's really good to see all of you. Happy New Year and it's really such a pleasure to always be here for this program. This is going in and out, isn't it?

We're just going to have to do a handoff today. So to answer... Your question is actually fairly complicated because there are lots of different ways to measure inflation. On our website, we actually have something we call an inflation dashboard, which shows nine different ways that you can measure inflation and they actually can give you wildly different answers. I guess what I would say in terms inflation, where we are now, it's too high and we need to do all we can to get it back down under control. Our target inflation is we have a 2% target by our preferred measure of inflation. Right now, depending on who you talk to, it's somewhere between five and six, which is two and a half to three times more than our target. But that's a lot by any way you can measure it. Now, there's been a lot of discussion recently about are we past the peak and is it coming down, and how are people living that?

And there's a lot of debate. What I would say is if you look at our dashboard, of the nine measures, seven of them are either in decline or have plateaued. So seven out of nine, that's significant. But that has only really started in the last three or four months. And one thing I've learned during the pandemic is to never expect anything because as soon as you expect that something else happens, and this pandemic has given surprises regularly, and so I'm not going to declare victory. I'm going to be very hesitant in how I think about it, but we're going to keep watching and hope that that trend continues and that'll be good. One other thing I would just say on inflation, my goal for inflation is to get us to a place where people are not thinking about it and people are not feeling it because that's when people will make the best decisions for how to invest their money in their business or in themselves or for their families.

And so it is critically important that we do this. You just heard Governor Diehl and folks talk about investments, investments in teachers, investments in children, and we have a role to play in that by making just the basic foundation of the economy, not something that people fear or feel pain from, but rather that they feel like it facilitates that. So we're going to try to do that. I hope that you all as part of the rotary here do that in terms of helping support this initiative. Because you've heard me talk about this before, we need to make sure that our economy is maximally resilient that people have an opportunity or see in their opportunities a chance to actually get much better because then we maximize our productive potential, which then comes back and makes it easier for me to achieve the fed's goal of maximum employment. So this is really an important thing and the inflation fight is going to be critical to help establish a foundation for a success.

Dennis:

Let me probe a little bit more on inflation. Let me probe a little bit more on inflation. Chair Powell has presented in his press conferences a three bucket approach to inflation. One is goods inflation, the second is housing inflation or housing services inflation, and the third is services inflation x housing. Can you just give us your sentence how we're doing in each of those buckets in terms of inflationary pressures?

Raphael Bostic:

Yeah, so it's actually very interesting. The very beginning of the pandemic, almost all of the increase in price pressure was happening in goods. So we were all sitting at home, we were buying things to put into our homes and that sort of stuff. We were not spending money on services, we weren't going to restaurants, we weren't doing trips or any of those sorts of things. And so there was price pressure there. And so we saw the price of lumber go up, all of these issues. More recently once things started opening up, once people started getting vaccinated and feeling safe and comfortable going out, then we started to see significant pressure in services. And so that has been an area where right now services inflation has actually passed goods inflation as a problem. Goods inflation has come down pretty significantly and it will continue to. If you've filled up your gas tank recently, prices are back down to where they were before the invasion of Ukraine.

Then housing and housing is another one where housing prices spiked pretty significantly up through probably the summertime of last year. But what we are starting to see, and I would just say Atlanta has been ground zero for this, the price escalation in housing in Atlanta has been significant. But I'm glad that we're starting to see that level off. When I talk to people in the field and in the industry, they tell me price pressure and price power has really come down quite a bit. People are at the limit of what they can pay. All right, so those are the three. The challenge that we have as a policymaking body is that services inflation, which is now the highest one, has historically been the one that is stickiest. So it doesn't move as fast, it doesn't respond to policy as quickly as other types of inflation do. And so there's a likelihood that this is going to be more persistent than certainly I would like.

But on the other hand, one of the things that's been very interesting with this pandemic is the economy has responded much faster to pretty much everything than it has historically. So right when the pandemic happened, you saw 15, 20 million jobs gone in a month and a half. Never seen anything like that really. Then we saw GDP rebound really quickly such that we were back at trend in a very short amount of time. And even now, if you look at the number of jobs in the economy, we're back on trend now when it's been three years, it took us nearly nine years coming out of the great financial crisis for that. So there is a narrative which would say there's a good chance the economy might respond more rapidly to the challenges that we're facing in terms of inflation, we'll just have to see.

Dennis:

And what's driving services inflation?

Raphael Bostic:

We are.

Dennis:

But what's the underlying force? Does it have something to do with labor supply and labor market tightness?

Raphael Bostic:

So when I think about inflation, I really think about it as the interaction between aggregate demand and aggregate supply. So if you think about your econ 101, those of you who didn't run out of the room in the first class of semester, price is just the revelation of where supply and demand intersect. And when you see elevated pressure on prices, that means demand is higher than the supply. And so you get into auction situation and that's going to drive prices up. So when you think about the inflation that we have today, it's because we have an imbalance between aggregate demand and aggregate supply. Aggregate demand is super high because a bunch of people have a lot of cash. They didn't spend in the way that they usually did during the pandemic, but many people were still getting the same income and there was a lot of fiscal stimulus.

That means that we've got a lot of pressure and energy in the demand side. And then we also know about the supply chain bottlenecks, the inability to produce and also the labor shortage. So we've known for the last two years the number of jobs that businesses are trying to hire for is not being met by the number of people in the labor force. And that's a challenge. It's a challenge for two reasons. One, it means that businesses are not able to produce as much, their supply is not going to raise as rapidly to the demand as possible. But two, it means you're going to also get an auction for workers. And so wages are going to be forced up, then that's a feedback loop back into inflation that is potential. Fortunately right now we're not seeing that wages are driving final goods' product prices, but that's something we've got to watch.

Dennis:

And speaking of the labor force, there are various few [inaudible 00:11:00]. One is that we may have something close to a structural shortage of workers for the coming years. So how are you thinking about the balance of supply and demand for labor in our account?

Raphael Bostic:

This is a hard question and we could do probably three rotary sessions on the labor market because there have been so many changes that have emerged out of the pandemic experience. So right off the bat, early on in the pandemic, we saw a bunch of people who had been working but were retirement eligible to decide on retirement. That's about one and a half, two million unexpected retirements that's coming out of the workforce. I have some researchers who are doing some work on the opioid situation. We know we saw a spike in opioid deaths during the pandemic, which probably translates to a spike in usage. You have a bunch of people who are on fentanyl and the like. Those sorts of addictions are not conducive to having a job. So now we have all those extra people out. We know the child care industry collapsed. So women with young children, they haven't come back as much as they might have.

And then we also have the changes in competition. So if you look at entry level workers, the notion of the minimum wage and what that is going to mean has changed considerably. Some of it's been through policy, but some of it has just been by institutional decisions. So Walmart, Bank of America, Amazon, Target, all saying that they're going to pay $20 an hour, that's going to be the starting and now every worker knows that. And so if you've got a business, you're now competing for those people at a new basis, which puts challenge into the space. And then we've also heard from a number of folks that the pandemic got them all to think about, "Am I happy with how I'm working? Do I like my work environment and just the nature and the space that I'm in and who I'm engaging with and how we're doing that?"

And many have really started to step back and say, "Maybe not. Maybe I'll take less pay for a different type of environment. Maybe flexibility is of more importance than it might be otherwise. Maybe I want to take my dog to the office and I need a job that allows me to do that. Maybe I can now find a job that's based in Seattle but they let me stay here in Atlanta." So all of this is happening. And the reason why it's complicated is that this is a shuffle that's happening now, and the broad market hasn't settled what the new equilibrium is going to look like. And so this is an area where we actually have to do a lot of monitoring in real time to try to get a sense of where people are starting out.

Are retirees coming back? Are parents finding ways to have their children taken care of so they can go back to work? Or have they just decided they're going to be at that most part-time and maybe not go back at all? These will all have huge implications for what the baseline labor market is going to look like and for what the productive capacity of businesses is going to be moving forward. So it's a rich field now. And I was just at an economist conference over the weekend and there are careers that are going to emerge from getting clarity on what all of this has meant for how America evolves in its economy moving forward.

Dennis:

The Fed is trying to engineer a slowdown in order to get inflation down from the four to 5% range that you cited to, around 2%. And yet the economy seems to remain very strong. What's your sense of the current strength of the economy and the momentum as we go into this year?

Raphael Bostic:

I like the word momentum because an economy has its own energy and businesses see and they can project a flow of demand for their goods, which then triggers them to want to set their set of actions in motion. And so what we're trying to do from a policy perspective is take our high demand and our lower supply and balance them out. There are only three ways to do that. Either the demand's going to come all the way down, the supply's going to go all the way up, or you're going to meet somewhere in the middle. And our policies most directly hit on the demand side. So we're trying to engineer really something of a reduction of the froth in the marketplace. It's a different kind of froth, that's probably not the right word, because the way our demand is elevated now is different than how it usually is when we get to these sort of situations.

But there's excess demand, we just call it that, and we need to squeeze that out and try to get to balance. So today we actually have a fair amount of momentum. We're still creating over 200,000 jobs a month. If you think about just population growth, break-even is about somewhere 75 to 100,000 jobs a month. So the economy is still robust in its performance moving forward. And my hope is that that momentum will mean that as we tighten our policy, as we put restrictions, it will just reduce the excess rather than necessarily driving significant job loss and dislocation. That's always a risk and we're going to have to just see how that plays out. But right now, because there's so much momentum, I think the economy can absorb our repositioning of policies in ways that can get us much closer to that balance than what you would've historically expected in going through a tightening phase.

So it's actually a very interesting time and we'll have to see what happens. Just one other thing on this, which is one measure that I'm looking at is the amount of excess cash that families have. The one thing that I do, I talk to bankers all the time and I ask them, "Relative to what your customer's average balances are, where are they today?" And through most of the pandemic, the answer has been higher. And it's been all their customers, regardless of how much income you have or your baseline savings level was.

And what's happened over the last several months, probably starting in August, maybe a little sooner or earlier, for families that had lower levels of wealth, we've started to hear, "Oh, they're back to normal. They're back at their regular level." And so when you're back at your regular level, your spending is going to change the things that seem discretionary are going to change, and that will start to take your aggregate demand down. And we are starting to hear more and more from the bankers that more and more of their customers are getting back close to that pre-covid level and that's going to be an important measure for us.

Dennis:

Okay. The bottom line question then, how do you think the economy will look in 2023. What's your base case outlook?

Raphael Bostic:

So base case for me, over the weekend I called myself an optimistic warrior and so-

Dennis:

So not a cautious pessimist.

Raphael Bostic:

Right. What's the flip side of that coin, right? So my projection for 2023 is for aggregate growth of GDP, gross domestic product, to be about 1%. That's slower than what I think our baseline, we could probably grow about 2%. But it is not negative and my baseline projection or outlook is not for a recession. I think there's a good story to tell that because of the momentum, because there is demand, if we can resolve the supply side, the supply side can do a lot of the help for us. And I'm hopeful that we can start to see that as well.

I do have unemployment in my projection increasing a little bit, but right now unemployment is 3.5%. And when I started in this job, people thought that that was an impossible number to hit. So moving up a little from 3.5 still means you've got a very, very healthy and strong economy that is producing lots of goods and that'll be important. I talked about inflation as 2%. My projection does not have us getting to 2% before the end of the year. I think we can get to about three, but there's a lot of just mechanical math that's going to put constraints on how fast inflation can fall. And that'll be something that we just have to make sure we talk to the American people about so that they understand that we're making really good progress, assuming that we do, and that it would just take some time for all of this to play out.

Dennis:

So no recession, does that mean a soft landing, as they say? You're bringing demand down, you think unemployment will go up a little bit. Does that constitute a soft landing?

Raphael Bostic:

I don't use those words. Look, I think that we can get through this and back to a more normalized space with less pain than you typically see in trying to deal with these sorts of imbalances. Historically, we've had high inflation, the required response was significant. I'll just say we responded significantly in this instance. When I sat here a year ago, our policy rate was basically zero. And we are on the roads by most... The markets are telling us they think we're on the road to five and that's going to be in a little more than one year. That's a tremendously aggressive movement.

But it was appropriate given what's happened in the economy and we're going to move five percentage points in policy. And I think the worst case scenario based on what our models are telling us is if you have to go to contraction, it's going to be shallow and it's going to be short. The momentum is really going to help us through this in ways that are pretty significant. I don't want that to be the outcome, that's not my goal. But if things turn in ways that are unexpected on the negative side, that's kind of what I would expect we'll see.

Dennis:

Let's talk then about policy. I'm sure there are people in the room who have their finger on a bond trading button at the moment, so be careful here what you say. But the last committee wide projections, which are individual projections that came out in December, showed another 75 basis points of rate increases probably early in the year. Do you still hold to that or do you see that as likely?

Raphael Bostic:

The one word answer is yes. The more complete answer is... I'm going to answer it two ways. So one, right now my model is for us to get to somewhere between five and five and a quarter and let that restrictive stance that is what stops up the momentum. In September, four months ago, I was at four and a half, four and a quarter to four and a half. But then inflation didn't come down as fast as I had to projected, the job market was much more robustly strong, and it seemed like that momentum was much more and it was going to require more from a policy stance. So I think this extra is appropriate given what data has shown us and then we'll just have to see what plays out. What I will say, we were doing 75 basis point moves going through from zero to get to something close to neutral.

Now I think there's broad consensus. We are in a clearly restrictive place. So our policy is more than neutral, is actually putting brakes on the economy. And so for me at this point, given the amount of uncertainty that's out there, I think it's really appropriate for us to be much more cautious and prudent in terms of our calibration of movements now than a restrictive space. So we've gone from 75 to 50, the next contemplation should be from 50 to 25. And when that plays out, I think the data will guide us and we'll just have to see what that is.

But I do think getting us back into a more normal cadence of policy movements will be appropriate and important. It's so funny. A year ago, this is so crazy, it's like 12 months, nobody would've ever expected that the Fed would do any move other than 25 basis points. That was the only thing in people's heads. Now we went from 75 to 50 and people are now, "If they go to 25, they've lost their heads, they've lost their commitment on their policy space." And it's like, no, we're actually going back to where you thought we lived a year ago. So it's important, I think. I know we've had a lot that happened this year, but I hope that people don't lose sight of that broader, longer arc context because that does help guide and inform how we approach our policy.

Dennis:

So my next question on policy then is how long do you think you will have to keep it at whatever level you top out? And I'll remind the audience that it's a conventional wisdom that monetary policy has its effect with a lag, sometimes very long lags. So you kind of have to sit there and wait for the effect to come through. And here we're talking about two to 3% inflation points coming down. So how long do you think realistically you will have to keep your policy rate above 5%, for example?

Raphael Bostic:

All right, three words: a long time. My projection is we'll get to somewhere five, five and a quarter, if not at the end of Q1 of this year, early Q2. And then I in my model, have us holding through the rest of 2023 and well into 2024. And that's my model. I think it's going to just take time. The services inflation is more resistant and sticky, and so we're just going to have to hold our resolve as the economy adjusts to where our policy is. The reason why I think it's important for us to get to a point and hold is that we've done the opposite before where we've gotten to a point, unemployment got a little weak, so we dropped, then inflation came back, so we jumped up. Then unemployment got a little weak and we dropped and it caused inflation.

Remember I talked earlier about the goal is to have inflation not be in people's heads. When inflation is bouncing around so much every five, six months, then it's hyper in people's heads, because they're like, "Okay, when's the next shoe going to drop on this?" And so as my goal, and I think it's important that we pursue policy such that we get inflation down and it doesn't come back. And that means hold, have some resolve. If there is some weakness that emerges in labor markets, that'll be a short term thing. And if we can just weather that short term, then it never becomes a long term thing. Then we can go back to the environment we were in where people didn't think about it. We had nine years of growth in a continuous in that low inflationary environment. I think that's where we want to get back to.

Dennis:

This is not an exacting thing that you're trying to accomplish here, it's not something you can sort of just nail. So if you are to overshoot or undershoot, I take it from your remarks that you are sort of willing to overshoot a little bit. Is that fair?

Raphael Bostic:

Yeah, that's fair. Inflation hurts everybody and in particular I think it hurts those with the least the most. So one of the critiques that we get, I hear in the media is by putting the brakes in the economy, you are squeezing out jobs. Usually the last in are the first out and the last in are typically those that don't have as much wealth, they don't have as much income, they don't have as much education, all those sorts of things.

But the reality is if inflation stays at 6%, the choices that those families are going to have to face are going to be much harder, much more painful, and much more persistent. So if we can deal with that, it gives us the hope that we can return to where I started, which is we can help those folks invest in themselves so they can take advantage of the economy and opportunities and ultimately get to a place of self-sufficiency to where they never have to worry about this again. That's ultimately where I think we need to get to and that we will get to that faster if we deal with inflation right away.

Dennis:

Stephanie, do we have time for questions?

Stephanie:

Yes. We don't have handheld mics, so I will repeat your questions in case someone doesn't speak loud enough, but yes.

RK:

I think you said that seven of your nine [inaudible 00:29:16]. What are the two that have not?

Stephanie:

So what are the two measures that have not come down?

Raphael Bostic:

That's a good question. I can't tell you the answer to that. I wish I thought about this. We could have put the inflation dashboard up. I'll remember that for next time, but I will make sure that we get that answer and we'll email everybody. One was a trimmed mean measure. Anyway, that doesn't mean much to people.

Stephanie:

We'll do David and Clark and then...

David:

That's me. You made everything sound... Everything's going to be hunky dory. You've got models ready for everything. But in the last three years we've had covid, we've had Russia invade Ukraine. I doubt you had models ready for those things. What scares you looking forward for an unpredictable event?

Raphael Bostic:

Everything. I'm not saying that to be funny, that's a real answer because if you had asked me to put that list a year ago, I would never have said a war in Europe. And if you had asked me that three years ago, I would never have said a global pandemic. So the things that we are experiencing are not things that I would've had. And so I'm now in a place where I just got to... Whatever comes, just got to be ready for it.

Dennis:

Can you predict who's going to win tonight?

Raphael Bostic:

The last time we were here, I think it was Georgia and Alabama were playing. And I did not answer that question because Georgia and Alabama are both in my district and word gets around. So the next time I went to Birmingham I had to hear about it. Now it's easy. Go Dogs.

Stephanie:

Clark?

Clark:

Thanks again, Raphael. So a question, a lot of the boom again and onshore manufacturing, silicon ship manufacturing, large scale auto manufacturing, et cetera. What impact do you see that have on the broader economy and what kind of opportunities do you see for some of that domesticated production?

Raphael Bostic:

[inaudible 00:31:36] is the question. Clark asked given sort of what's happened more recently where a lot of manufacturing and moving back onshore, what's the implication of that for how the economy's going to evolve? Just a little background. Right before covid, most producers, most businesses had one supplier for each of their inputs. It was the lowest cost provider, so they were minimizing costs. It turned out that many of those places were in China and when China went to lockdown, they couldn't get their inputs so they couldn't produce. It's freaked everybody out and they said, "We're never going to have this happen again. So now we got to find alternative places, so we got multiple sources or locations to get our inputs." That has a couple of implications. So one is I told you their initial strategy was to minimize costs. We're now going to have a strategy that's not minimized costs, but it will be more resilient in terms of maintaining a level of output, and that lower variance is a good thing. There's a value or a price that we should be willing to pay for that.

A second is really the question of where those places tend to be or are likely to be and how that generates and drives economic development in those places. I've heard from businesses, they're looking at Mexico, they're looking at Alabama and Georgia, the Southeast, they're looking at other countries in Southeast Asia. And how that plays out can be important. It can be an opportunity for many places and I know that in Georgia folks are lining up to be very competitive in those things. That'll be important.

The one area where there's been a lot debate is about whether this change in supply will affect inflation rates. Because you could imagine you go to a higher cost basis, then the pressure start to go up, you price it and then you wind up with something of a spiral in terms of pricing. Others think though, that it is just going to be a one time step change. So your basis was X, now it's Y, so your price changes, but the pace of change of that price will not change. We'll have to see how that plays out. I think that's going to be an interesting question.

Stephanie:

So the next question is Milford and then RK.

Milford:

Hey, hey. I got the court seat [inaudible 00:34:02].

Raphael Bostic:

I still see you.

Milford:

My question is on, there's a big debate about pause versus pivot, pivot versus pause on the policy side. The other thing I'd like you to share with the audience maybe is the delayed impacts from the rate increases [inaudible 00:34:18], and can you talk about this notion of letting the impact come through versus continuing to move on the upside?

Raphael Bostic:

Sure. So pause versus pivot, once we get to a level, do we just stay there or do we come back down? The second is, and Dennis talked about this, our policies work with the lag. The transmission of policy happens by setting interest rates and those interest rates then show up through the economy. And it really only bites when people are buying the goods that have been hit by those interest rates and people don't buy those goods all the time. And so it takes a while for all of it to flow through and have it be meaningfully impactful. On the pause versus pivot, I'm not a pivot guy, so I think we should pause and hold it and just stay there and just let the policy work. In terms of the first question, it's an interesting question because you really have to embed in your mind what you think the economy's response was looking like when you moved from zero to the three and a half, three and a quarter, that's neutral.

So zero is the equivalent of having your foot 100% on the gas and just trying to push the economy as hard as you possibly can. And as you go from zero to three and a half, you're just taking your foot off the gas. You're not putting the brakes on. And so the question is how much or how sharply will the economy respond in an environment where you've gone from maximum push to pulling your foot off the gas and just having it not on any pedals? And you can imagine that that response is going to be lighter than it would be that if we actually put the brake on. And we've really put the brake on only I think in the last five months. And so the notion that a lot of our policy movement has already revealed itself, there's a case to be made that that's true for that portion of our policy movement.

And now in the next several months is where you're going to really start to see slowdown that really starts to significantly address the imbalances that we're trying to work with. But there's uncertainty here and we haven't had an environment where we've seen our policy move from so intensely an accommodative stance to neutral that fast. And I think it's another area where there's some research that's going to be done to try to give us more understanding of what we should expect. I was going to say the next time we do this, and I hope we never have to do this again, but if there's a comparable environment moving forward.

Stephanie:

RK?

RK:

If I understand correctly, there are 12 districts of Federal Reserve. They're all private, and the board in Washington is government. My question number one is how do you speak with [inaudible 00:37:10] on the Federal Reserve Board 12 and different areas and Washington? And that's number one. And the other one is what role FMC play in establishing your policies?

Raphael Bostic:

I'll answer the second. So the FOMC, I'm part of the FOMC, and so we all contribute and inform each other's thinking about where the appropriate rate for policy is. As a practical matter, I can have whatever view of policy I think is appropriate and I bring that to the committee and then it operates like a committee. And sometimes you win the vote, sometimes you lose the vote and then you move on to the next committee meeting, and that's kind of the reality. In terms of the first question, which it's a real technical question, the reserve banks are not 100% governmental, but they're quasi-governmental in that they've been chartered and authorized to do the things that they do by an act of the Congress. And so the way the structure is, we're a funny hybrid organization, so I'll just say for our bank, we do pay attention and we inform a lot of the things that we do by what the federal government is doing.

So you think about the holidays that we have and those sorts of things and wage increases on a year-over-year basis. Because we don't want to get so out of touch and out of step with the rest of the apparatus that we engage with so intensely that it raises scrutiny that maybe we don't think we're accountable in ways that are actually not true. We are hyper accountable and I have conversations every day about what's our relationship and how do we advance the collective mission? Because regardless of whether we're chartered, governmental, or in some other way, we all have the same mandate, which is to get [inaudible 00:39:10] to promote price stability and to make sure that the financial system continues to live moving forward.

Stephanie:

So we've got time for two more questions. I'm going to go to Sam and... Well, three. Sam, Steve, and Jeff, and then we'll close it out.

Sam:

[inaudible 00:39:30] two years that have come between Congress and the White House, even with Congress. And major issues coming up like debt limit, immigration policies, trade policies, and I realized the Fed has a much bigger role to play in the economy. With these unknowns, how are you role playing or strategizing [inaudible 00:39:54]?

Raphael Bostic:

Okay, so I'll say two things on this. It's going to be more than two. So I'm just going to say that right now. So one, we don't tell other policymakers what to do. We take those as inputs in making projections about what we think our appropriate policy should be. And we do run different scenarios, but I've really encouraged our team to be patient before they jump too deeply into any one scenario. Because as you've seen over the last several years, the locus of where we think policy is going to land can move pretty significantly. And we have constrained resources, so I want to make sure our team uses their time to the greatest effect. And in this case is, let's wait till there's a lot of ink down and we're clear there's going to be movement before we start incorporating those into models.

Stephanie:

Steve and then Jeff.

Steve:

Thanks. Raphael, back after '08, '09 with the leadership and push of Senator Warren, we created the Consumer Financial Protection Bureau. And something that's very unique about that is it's the only entity of government that is not funded by Congress. It was actually funded by about 10% of the earnings of the Federal Reserve Bank. With the Federal Reserve Bank, this year and maybe future years looking at substantial losses because of raised interest rates, are we possibly at risk of shutting down the first government agency since World War II when they lose their funding?

Raphael Bostic:

You got me. The Congress will have to decide what to do and I'm not going to tell Congress what to do. There's going to be an accounting that needs to take place and we'll see what they decide.

Dennis:

Jeff?

Jeff:

I'd like each of you to overcome your humility and talk about... The Atlanta Feds come a long way since I have worked there for [inaudible 00:42:12] our member of chiefs really got some things going. But Dennis, you're on CNBC a lot, did new things, the Atlanta Fed GDP now, et cetera. Raphael is 12 presidents. You were the one who was the keynote speaker of the American Economic Association who were just doing new things at the Atlanta Fed. Could each of you talk about one or two things you're proud of hat has put us on the map?

Dennis:

Well, one of the things I'm very proud of, and I think Raphael actually will back this up, is that we systematized our anecdotal economic intelligence gathering system across the southeast and made it very, very regular and systematic between meetings. So it became quasi-data, if you will. And we did that through interviews with business people and community leaders as well as a bunch of very interestingly constructed surveys. So in the six to eight weeks between meetings, Raphael's bank is probably the most progressive in the whole system, in engaging the public on how people are experiencing the current economy and feeding that back into the process at the table in Washington. I was very proud of our team doing that. And Jay Powell, the chair, respects this anecdotal feedback and takes it into consideration.

Raphael Bostic:

Before I give mine, I'll just say, I give thanks to Dennis every day. He was an excellent president, he hired great people and he facilitated a lot of innovation that made my life a lot easier and made my job easier. And so I thank you always for that. It's really wonderful. In terms of the thing that I'm most proud of, for me, one of the things I wanted to do was to see the great talent in our bank deploy itself in all of its ways. So we have a great team that does payments work, we have great folks in banking, and so we're doing a lot to try to facilitate the strengthening of community banks and smaller banks that play such a vital role for important niches of our economy. We're doing a ton on economic mobility and resilience, and we are continuing to create new tools and research.

So you think about the inflation dashboard, that's a new tool that we did before anybody thought inflation was going to be a thing and it's turned out to be very useful. And so for me, it's really looking at our whole institution and just seeing all of its excellence fully imposing itself in the world to try to help it be better. And for me, the metric for how I know we're succeeding, we get more calls today from folks, "I heard you're doing something great, we want to come talk to you. We want to know what you're doing so that we can learn from it and position ourselves better." And for me, it's just been such a rich opportunity to work with such great people.

Stephanie:

So before we thank our speakers so that Shannon and Randall are not harassing you, please take your form with you. And also I want to remind everyone-

Speaker 8:

Taking the forms as you exit, please sign them before you leave. We'll pick them up at the exit.

Stephanie:

And also, we do not have rotary next Monday for Martin Luther King's holiday. The next Monday, the 23rd, we will have another Raphael. Senator Raphael Warnock will be our speaker that day. So please join me in thanking Raphael Bostic and Dennis Lockhart.