

Susan M. Collins

Good morning. I am absolutely delighted to be here in Montpelier and to be here with all of you for what looks like a just phenomenal conference. So, so happy to be here.

I wanted to start by thanking Chris D’Elia, June Hibbs, and the **Vermont Bankers Association**, not only for the invitation to be here and join you this morning, but also for leading what is clearly such an engaged organization. And also we at the Boston Fed so much appreciate the very constructive ongoing dialogue that we have with the Vermont Bankers Association and so many thanks for that.

I know you have a packed program and our time is short, and so I’m just going to briefly touch on three different topics. First, I do want to give a few thoughts about the economy and monetary policy. Second, I’m going to give a brief introduction to me and also to the Boston Fed. And then third, I just want to weave in some thoughts of my own about leadership opportunities, challenges, especially for women. But I think that that’s important not only in the context of this forum, but for all of us, for at the Fed, for bankers, for business people, for civic leaders, as we think about really trying to foster the kind of environment that we care about, and that makes lives better for all of us.

But before, given my talks about my points about the economy, I do want to make my standard disclosure. I’m only speaking for myself. I’m not speaking for any of the other policy leaders at the Federal Reserve. So as you all know, inflation really just remains too high. Recent data, that includes higher than expected consumer and producer price inflation, as well as continued strong labor market indicators, all of those do reinforce my view that we have more work to do to bring inflation back down to the Federal Reserve’s 2% target. The FOMC, which is the Federal Open Market Committee, or the Monetary Policy Committee for the United States, remains resolute to accomplish this goal, and fulfill our congressional mandate of price stability and maximum employment.

And I know you’re all gathered here today to talk about leadership. And in my view, one of the greatest both opportunities and also I would say obligations of leaders, is to think about all of the people who are impacted when you make a decision. And the Fed’s overarching mission is fostering a vibrant inclusive economy. And so monetary policy decisions clearly impact all of us and are therefore extremely important.

And so in that context, I’m really keenly aware of the fact that inflation takes a toll on all of us, and in particular those who are most vulnerable. I think of it as a particularly regressive tax. And that means it’s especially challenging for those of more modest means, making it challenging to make ends meet. Inflation also complicates investment and planning decisions for firms. And price stability is kind of foundational for a well-functioning economy. In fact that those two dimensions of the Fed’s dual mandate that I mentioned are actually intertwined, especially in the medium and longer run. Low, predictable inflation is an important pre-condition for maximum employment that’s sustainable over time, and fostering the kinds of conditions that really promote stable economy and an economy that can benefit all. And I like to say, our mission is really an economy that benefits all of us, not just an economy that benefits some people.

So given the current data, I anticipate that reducing inflation back to target will require additional federal funds rate increases to bring interest rates to a sufficiently restrictive level, and then holding there for some perhaps extended time. Of course, my policy decisions will continue to be based on a holistic assessment of the range of available data as we work to realign demand with supply and alleviate the pressures on wages and prices.

I’ll note that there have been some modest improvements in inflation, mostly due to easing of global supply chain constraints that reduce price pressures on goods. And as lower market rents pass through

into overall costs for shelter over time, that part of inflation should also ease. But services inflation excluding shelter remains quite elevated and that likely is going to require cooling of a labor market that's still clearly very tight. And while wage pressures have softened a bit, labor costs continue to grow faster than is consistent with inflation of 2%.

And I do want to note here that workers just don't benefit when nominal wages are increasing but eroded by too high inflation. What matters for workers are increases in their real wages. And again, that goes back to the intertwining of sustainable maximum employment and price stability.

So I'll end my remarks about monetary policy by noting that I'm what I continue to call a realistic optimist. I'm well aware that there are many risks, lots of uncertainties that continue to face our economy, and that includes the risk of a loss of consumer and business confidence that could be self-fulfilling.

But there are also reasons to be optimistic that the economy could prove more resilient to tight financial conditions than it has in the past. Household fundamentals remain healthy overall despite the fact that there's been an erosion in purchasing power from high inflation. And here the strong labor market is helping sustain incomes. And many households still have some of the savings that were accumulated early in the pandemic. And on the business side, many companies continue to spend and to hire given their strong balance sheets. So I remain optimistic that there is a path to bringing inflation down without a significant economic downturn.

In thinking about leadership in that context, I'd like to suggest that realistic pragmatic optimism might be a useful stance. It certainly is in the way that I think about leadership, not just in macroeconomics, but in a wide range of contexts. Being aware of and intentional about exploring the many dimensions of a current situation and being realistic about the uncertainties is a mindset that can help achieve challenging goals.

For me, a critical dimension of decision making is really assessing available information holistically. And that includes in the macro context, statistical data, and economic analysis, but also learning from experiences on the ground and talking to people throughout the economy, which is one of the reasons that I've really looked forward to this visit, to coming to Vermont and spending time with many people here during the visit. And it means listening to a range of perspectives and viewpoints in making one's decisions.

I'd like to turn next to saying a bit about me and the organization that I just have the honor of leading. I've served as president of the Boston Fed since July 1st, as Chris mentioned. And since I arrived, one of my priorities has been reaching out to and interacting with that wide range of stakeholders. And in fact, because of the breadth of things that the Fed does, we have lots of stakeholders. And that's really a part of what made this job just so tremendously appealing to me, the breadth of ways that we work to foster a vibrant and inclusive economy.

And everything that we do at the Fed is really in the interests of that mission. This includes economic research, it includes financial stability efforts, community and economic development activities, and a wide range of initiatives related to payments, technology, and finance. And I'm sure that in your leadership roles, the breadth of activities is also complex but exciting. And that given the vast responsibilities that many of you juggle, both in your work and outside of work, that can be daunting at times. I've found that connecting with other leaders, often with other women leaders has been an empowering experience, helping share ideas and enhancing skills. And so it's really great to see conferences like this one.

Throughout my career, I've cared deeply about making a difference in impacting people, and I was drawn to the field of economics in large part because of the tools that offered for shedding light on real

world challenges and improving people's lives. As an international economist, much of my research has been driven by the question of how to raise living standards in countries at all levels of development. And so I study topics like the determinants of economic growth.

I've also had a lifelong commitment to promoting diversity, equity, and inclusion. And I'm sure that all of you as leaders are working on these important issues within your own organizations, your industry, and Vermont's economy. I see this as really an essential part of state-of-the-art leadership, expanding opportunities and ensuring that we have access to all of the talent in our society. That's what will enable us to thrive, working together.

I want to mention two pieces of the Boston Fed's work that demonstrate our breadth, and are in keeping with the themes of today's gathering, reflecting some important leadership principles. As you may know, the Fed first is building a new real-time payments rail that will launch later this year and really change the future of payments. It's called the Fed Now Service. And Ted Montgomery, the Boston Fed COO, and many others at the Boston Fed are leading the execution of this work.

Fed Now will provide a new clearing and settlements infrastructure enabling participating financial institutions to provide instant payment services in real time, 24/7, 365. And the Fed's connections with more than 10,000 financial institutions across the country mean that this instant payments infrastructure really will be nationwide. Immediate access to funds could be especially important for households on fixed income or who live paycheck to paycheck, because having to wait days for funds to be available, for example to pay a bill, that can mean paying late fees. And similarly, getting instant access to the proceeds from a sale can be a game changer for a small business that needs to buy supplies, potentially avoiding the need for costly short-term financing. Fed Now is therefore an example of the Fed's work to support a healthy economy and a financial system. And I think of it as evidence of our commitment to being forward-looking and transformational in supporting the banking system and consumers.

And the Fed Now effort has essentially been like a startup. It's a tech environment within the Fed, and that's challenged us in some new ways. We've used that in part to encourage our employees to think and learn differently, activating an entrepreneurial spirit that'll result in an earlier launch that was initially anticipated. And there's a lot for us to learn from that kind of an endeavor.

Second, I'd like to mention the Boston Fed's work to support community economic development, expanding opportunities for everyone to participate in the economy. We're making a unique impact in economies of smaller cities, regions, and rural areas through our working places program. And this work which is underway with eight teams across Vermont and in four other New England states, we've actually had 30 different sites across New England, builds on the lessons from those formerly industrial areas that adapted better to the loss of manufacturing jobs some decades ago.

Research showed that for resurgence, the secret sauce is the way I like to think about it, seems to be collaboration across sectors, and bringing leaders together to work towards a common long-term vision. Working places has helped foster increases in that collaboration among state government, the private sector, philanthropy, local organizations, civic leaders, residents. Communities who are participating in working places solve problems and make changes that create opportunities and jobs, enlist new voices, and partners to help shape that progress. Many of the Vermont teams are tackling broad issues to help promote economic prosperity, things like workforce development, childcare to support labor force participation by parents, and addressing the state's aging and shrinking labor force.

It's difficult work, but despite those difficulties, the teams are really equipped to be able to implement real economic change because they're so well connected to the region and to their partners. And I think

there's really an essential lesson there as well for all of us about the importance of collaboration in terms of addressing challenges and really making a difference.

So I'll close by simply reiterating my appreciation to the Vermont Bankers Association for hosting the seventh annual Women in Leadership Conference and for inviting me to share some of my views. I really do appreciate more broadly the opportunity to connect with people, and I'm just delighted to be here with you and here in Montpelier. And with that, I look forward to answering some questions. Thank you very much.

Speaker 2:

Any questions for Susan? Don't be shy. You've got a great resource [inaudible 00:13:51].

Susan, I'll ask you one. Most of my days are spent over at the statehouse working on public policy. We're having a lot of discussions about housing these days, workplace development issues, lots of discussions about equity, the BIPOC community, Native Americans, etc. In your experience traveling around New England now, are seeing any models if you will, or good examples of how the banking community can do more to support home ownership etc for the BIPOC community.

Susan M. Collins:

So what I see is opportunities, and many who are moving into those spaces to be able to work collaboratively and work together. And so I do think that there are examples, I think that forums that bring people together, I think that initiatives that involve outreach can really expand the voices that are heard and the people who engage.

I think historically there are many parts of our communities that haven't necessarily seen financial institutions and banks as partners in ways that we clearly are. And so I do think that a variety of gatherings, and I think that we've learned a lot in the past few years about the importance of outreach, and the value of hearing perspectives, and offering services and support from collectively across our communities. And so we do try to through some of our research to talk about some of those examples.

And I'll also note that the Working Places Initiative that I mentioned is explicitly trying to identify communities that haven't always been thriving in the ways that we hope to see them thriving in the future, and finding collaborative leadership to help engage with them. And that's also an example of a way to expand out who is involved in our economy and find ways to address the challenges that they're facing.

Speaker 2:

Thank you. Any questions for Susan?

Susan M. Collins:

I think we...

Speaker 3:

Susan, thank you for being here for this today. The Fed now's [inaudible 00:16:18] exciting time and we're all excited to learn more, but I bet there's nobody more excited than the fraudsters out there because it's yet one more rail for them to steal money from our customers and [inaudible 00:16:31]. So can speak to us about, we're risk managers, we're like, what about fraud? So can you speak to us about the research maybe that the Fed has done around fraud, the opportunities for fraud within Fed Now,

and what we could learn from you to as we go back to our bank and get ready for what it would make this safe avenue for our customers.

Susan M. Collins:

So that's a really important issue and I appreciate you raising it. It's one that there is a lot of attention to throughout the system. And we will be over time partnering with and rolling out information and working together to try to do all that we can to address the reality that there are folks out there unfortunately and that we need to be mindful of that. And so a part of the rollout plan will certainly be focused on addressing that. And there is, as you mentioned, considerable work underway to explore what some of the options are to try to address it. So thank you for raising that important issue.

Speaker 2:

Any other questions, comments? Yes, sir.

Speaker 5:

Thanks for being here Susan. I was wondering if you could share what your first job was and when you started to think about incorporating leadership into your career.

Susan M. Collins:

So my first first job, I was an avid babysitter and did a whole lot of those kinds of things. My first professional job was as assistant professor once I had my PhD. And early on I was very focused on the immediate task at hand, which was daunting to go from being a student to being on the other side of the classroom, and all of these people are sitting there looking up at you. And it took a while for me to really embrace the fact that to be a strong teacher, you are serving as a leader and a role model.

And so I would say that over time, really learning to be comfortable in a setting, I was someone who started with considerable stage fright,. And if you had asked me early when I was much, much younger, whether I would ever feel comfortable getting up and talking with big groups, I would've said probably not.

And so part of embracing the role of being a teacher and educator, and also working with others to try to accomplish the things that I cared about, made me realize that leadership was actually core to the other work that I was doing. And so I would say that I came to that realization gradually over time. It's not something that I saw immediately, but I think that most kinds of jobs and careers have opportunities to be leaders and to make a difference. And those are things that we can all work on and grow from and learn from one another about. So I thank you very much for that question.

Speaker 2:

Anyone else? Seeing none.

Susan, thank you again very, very much for joining us today. Great comments.

Susan M. Collins:

Thank you.

Speaker 2:

We really appreciate the partnership we have with the Federal Reserve down in Boston, working closely with your team. We just had Ken Montgomery up at a meeting a month ago, and he just did an outstanding job. So all your folks are great. Thank you very, very much.

Susan M. Collins:

Thank you, an absolute pleasure to be here. I know you'll have a wonderful day at this conference, which is on such an important topic. And again, it's just great to be here in Vermont. Take care. Thank you.