John Williams:

And with that, I'm looking forward to the discussion and hearing your questions. Thank you.

Speaker 2:

Thank you Dr. Williams. Can y'all hear me? I'm too loud here. So we're glad to have you here at Housatonic College where it's always a great day to be Housatonic. It's a great day because we're here on Friday afternoon, full of scholars who could be anywhere else, but they're here to hear you. That's a big deal.

John Williams:

You're setting expectations pretty high.

Speaker 2:

So it's good, it's good. So you know, we talked about, this is how we're going to do it. I'm going to ask you questions and we will have an opportunity for our scholars, our students here, to ask questions. And then if we have time, we'll open up to the entire group here. And so I'm going to continue on this inflation. And so everyone feels the speeding of inflation.

So. You go to the store, eggs are $5 a gallon, not a gallon, but $5 a carton, right? 7% increase. Milk is up 15%. We suffer from, in this country, not only [inaudible 00:01:25] this country, housing insecurity, and so rents are up double digits. New York is up by 18%. Connecticut actually has the lowest increase in this, but it's still double digits. So we pay a whole lot.

And so you talked about inflation. So my question to you, Dr. Williams, you mentioned earlier some of the actions the Fed has taken to address rising prices. Speak more about your markers of success. And then secondly, what are some of the signs and indicators you are using to gauge whether your policy will have its attendance effect? A long question there.

John Williams:

Okay. And so we agreed to a three hour session to discuss [inaudible 00:02:11] absolutely great questions. Absolutely the right questions. This is the problem from the fed's point of view, the Federal Reserve's point of view, this is problem number one in terms of our maximum employment priceability goals, 5% inflation is simply too high, and we need to bring that down.

So, you asked a multi-layered question, so let me just start with a couple observations and then get what are we look for, for success? So, one observation, which is very important, is it's not just the United States experiencing the very high inflation. We've seen inflation rates up to double digits in the United Kingdom, in Europe, South America, and other parts of the world. The one area that we haven't seen high inflation is really in Asia. But even for Japan, inflation rates have gotten into 3% or more, and they've had deflation. It's relative to their history, they're experiencing pretty high inflation. So really, it's a global phenomenon, and that starts to give you a feeling for maybe one of the factors that's been driving.

And that is really, I feel like my mic's not, is it [inaudible 00:03:16].

Speaker 2:

Yes.

John Williams:

So I feel that there's a global phenomenon which suggests that there's a couple elements that are global in nature, they're behind it.

One is the pandemic. The pandemic shifted demand and supply. And so economists, so that's how I talk. We talk about supply and demand all the time. So basically we say global pullback in supply, due to covid, due to the effects of that, and the various supply chain and other bottlenecks that we saw coming out of that.

At the same time, we actually saw an increase in demand for some goods and services. For example, back in 2020 and into 2021, a lot of people, all of us were staying at home, eating, cooking our own meals instead of going out. And that causes our economy to shift from producing cheese and flour and things for pizzerias, just to selling cheese and flour for us who are cooking at home. So a lot of disruption to the US and global economy in terms of supply and demand from the pandemic.

And that's still with us to some extent. So that we're seeing this basically companies having to reconfigure what they're producing, and how they're distributing it. And obviously consumers have been shifting what they're buying. Everyone bought a lot of deck furniture, or you have a home office, and now we're going back out, hopefully going back out to restaurants and theater and travel, and things like that. So just a lot of disruption shifts in demand and supply. [inaudible 00:04:51] highlight Covid was behind part of that.

But we also saw massive actions by governments to support businesses, and support families, due to the loss of income from Covid. So we saw that here in the US where the congress administration acted forcefully to provide income to families and to businesses and others, keep them going through a very difficult period. But of course eventually, that actually starts increasing demand for business purposes.

And some of this is monetary policy. We did lower interest rates dramatically, down to very low levels, and held them low levels, to get the economy back, to strengthen the economy. All those factors came together. Increased demand more than supply has led to inflation. So what are we doing? We're trying with other central banks around the world in Europe and around the world are adjusting market policy like we are to say, Hey, we want a strong economy, we want maximum employment, but we want [inaudible 00:05:50] supply and demand more balance, so supply has come back, demand is very strong, so we need to use interest rates to do that.

So what are we looking for signs of that? Well, one is a notion that the demand for things going to come can be met with the product productive capacity? So one, I'll give you an example that we watch a lot is automobiles. So, auto makers around the world could not meet the demand, for everyone that wanted cars. And so prior to skyrocket prices of used cars, it's got higher than new cars, which is kind of upside down. And then the other thing we saw is, if you went to a lot, there were no cars in the lot, the inventories were very low.

So what we're seeing now is now somewhat higher interest rates here around the world. You're seeing the demand for cars come down a bit, inventories are starting to come back, prices, they're still going up, but not as much. And so we're watching the prices of some of these sensitive prices. I mean, the prices for certain categories where we think that the pandemic affects and affect strong.

On rents, we're looking at the latest data on what's the rent the people are paying on the new leases that are signing. And there we're seeing some positive signs, rent skyrocketed. You're absolutely right. But what we're seeing now is that it seems to be settling down a bit. We're seeing the rents on new leases like in New York City around here, it's still increasing a little bit maybe, but not increasing by the double digits before.

So those are the kinds of signs that we're looking for to see these, if you will, the gear is turning, as I said in my speech, the one that's still we haven't seen any improvement on is this kind of services, prices, and I think again, as the economy gets more in balance, as things get more in sync, I think hopefully we'll see that inflation come down. We look at a lot of data, we have a lot of economists to analyze it and try to understand all the pieces, and so those are some of the indicators of what we look at.

Now one thing that we can't control just because you asked is the price of eggs.

Speaker 2:

[inaudible 00:07:50].

John Williams:

So that again, obviously we're looking at the prices of everything in the economy, and there's millions and millions of things that people buy in different places, and different types of goods and services. And so some of them are going to go up, some down. We're looking at the broadest set of things. I don't know if I'll help you specifically on that one.

Speaker 2:

Well I think that's what makes the determination for most people the perception of things that they buy daily. But [inaudible 00:08:18]

John Williams:

Well we know from the psychology of inflation, and inflation expectations, the price of gasoline is very kind of powerful for people. So when the price of gasoline goes up, people really feel the inflation, because it affects their lives, but also it's one of the few prices we still see on the board there. A lot of prices, they just scan it and you don't see them or as clearly.

Speaker 2:

Thank you for that. And so I'm going to move to the banking crisis. So the collapse of Silicone Valley Bank rattled global markets and raised anxiety levels of most Americans. And so there are various reasons that's out there for the collapse, and depending on where you are on the political spectrum, the reasons are opposite. So in your estimation, what happened, first of all, and why is this different, or is this different, from the financial crisis of 2008?

John Williams:

First of all, it's very different from the financial crisis of 2008 in many ways, and we'll make sure I don't lose track of that point, but clearly we saw Silicon Valley Bank, I would say, a unique set of circumstances. One that they held a very high percentage of the deposits and uninsured deposits, which meant that when people got nervous about that bank, they were worried that maybe they wouldn't get their money out if the bank failed. And that created what we traditionally call a bank run, which has been around for hundreds of years. This idea that if you don't think your money will be there, get it out now before it's too late.

The second is we're in a very concentrated industry in tech, the tech sector. Silicon Valley is a giveaway about what they were doing. And I think that led to a very rapid kind of recognition that the risks or the issues that they had was in a relatively small set of set of sectors, and that those participants in the venture capital world, in the tech world, I mean they communicated instantaneously through social media, and things, about concerns about the bank, and that message we definitely heard get your money out while you can, was racing through there.

We also had issues in terms of some investments. They made, not loans that were bad loans, but actually investments they made in safe securities, that were locking themselves into very low interest rates for a long period of time.

And this is all public information by the way. This is things you can actually see in regulatory reports. So they had filed, which is another reason that this, if you will, this bank run kind of dynamic, can kick in, because people are looking and saying, well wait a minute, I see these issues, I'm hearing these rumors, I need to get out. And that bank did have real issues.

So I think when you look at that instance is definitely a pretty unique set of circumstances. We saw a similar set of circumstances with the Signature bank in New York, almost said here in New York, but caught myself. But in New York. But the message here is that overall, I mean we have thousands of banks and credit unions in the United States, and this is a very resilient, very strongly capitalized with lots of liquidity banking system. So I would really highlight that these were pretty unique sets of circumstances in these institutions that we saw. And as regulators we're very focused on making sure that the banks are safe, they're sound, that people can have confidence in that carrying out their lives, because obviously if people are worried about the money, that's not a good thing and it can create some of these dynamics we just talked about.

But we have a very sound and resilient banking system. And again, there are going to be lessons, I'm sure people will learn from this experience. The world has changed. The speed at which people pulled their money out of Silicon Valley Bank is unprecedented, and that's part of the modern world. This isn't the communications kind of world and technology world of our grandparents. And so, I think people needed to really understand that. But those are issues that we will be looked at later.

But right now I think the situation is actually stabilized quite a bit and, [inaudible 00:12:48] highlight, this is nothing like what we saw 15 years ago. It's a pretty very specific set of circumstances.

Speaker 2:

Good to know. Thank you.

So, students get prepared, I have a couple more questions so get prepared for your questions. So you visited Buffalo, New York earlier this year, right?

John Williams:

Yes, I did.

Speaker 2:

Okay. You had a surprised look, like, I didn't go to Buffalo.

John Williams:

I thought [inaudible 00:13:09] Connecticut.

Speaker 2:

Let's go back to Connecticut, right? That's a roundabout [inaudible 00:13:16]. All right, so you visited Buffalo and what's interesting about Buffalo, that, it really mirrors Bridgeport in terms of its challenges, and opportunities, it had been a former industrial and manufacturing powerhouse. So, what observations or advice can you share with our community here at Bridgeport, and what is the Federal Reserve Bank where the responsibility to Bridgeport, and other urban cities that face similar challenges and opportunities?

John Williams:

Yeah, it's a another great question. And I think what I would say are the similarities are a sense of optimism about the future. If you look backwards, can you say, especially a city like Buffalo, which, a hundred years ago, is one of the largest cities in the United States, one of the most successful, and has based on industry, based on your manufacturing, and that's changed, is really thinking about what's the future? And thinking about whether the industries that are really going to drive job growth, well paying jobs, and vibrant communities.

And so that's a switch in many cases from traditional manufacturing or production to some of the areas that, we would say health, education and services and technology that obviously the growth is for economy in the future.

So that's one theme that I think there, there's some commonality, the key role of education in all of this because we're a knowledge economy. So whether you're going onto formal college education or whether you're getting other types of training or trades or skills, this is really important to develop your skills and quite honestly, across your lifetime, to be part of the future. So those are things that come up a lot.

I also think that there's a theme of really innovation. What are the new ideas that we can take and use and think about being transforming our economy and jobs? So you hear that in Buffalo, you definitely, you hear that here, but I always go back to, if you think about what is the biggest driver, what are the two biggest drivers of, we always economists in productivity growth, but increasing standards of living over generations.

One is human capital, investing in people, education, training, all of that. And the second is really innovation, and that's technology, but it's really about thinking about how do we do things differently? How do we do new things that we didn't do before?

Speaker 2:

Right. Good, good, good, good, good.

My last question then I'm going to turn it over to the students. So, based on what you just said here, what are some of the opportunities you see ahead for Fairfield County, and also Bridgeport?

John Williams:

Well, it's interesting, we talked a lot about that this morning especially, well all day long. So one of the areas we talked a lot about was, as the president for the whole second district, I'm not sure if this is a win-win, but it's people moving from the New York City area out here, especially with hybrid work or remote work. You think about, this is in the pre pandemic world, this is a bit of a drive to get into New York City, or get to Boston. We're kind of in between here. But in the new kind of hybrid work or remote work mall, you can actually, if you're thinking you only come in here once in a while, you can spend most of your time here, it does open up some opportunities. And employers are thinking about the employment model differently. So you can have a better standard of living here, maybe somewhat lower cost of living than maybe in New York City or inside Boston, and get a little bit of the best of both worlds. So that was one topic that came up.

Another topic that came up quite a bit was really in renewable energy in the future, investments in that and the opportunities we see here more broadly in Connecticut and the northeast around that. So there's a lot of investment going on here in this region, and will be for the next decade around that. And how does the local economy, how does that play out in the local economy and how does that support jobs and incomes here?

I think, again, the other thing that you asked about was, if I didn't answer your previous part, was what are we doing here in the Federal Reserve besides listening and talking to people and learning? We do work in community development, and my colleagues here, we do have responsibilities in the Federal Reserve to really try to help us have thriving economies throughout our district. And that really means bringing the stakeholders together. So there's multiple stakeholders, there's businesses, there's government, there's a nonprofit area, nonprofits, and there's financial, where's the capital like banks and others and bringing them together and say, how do we come together and invest together in our future of our communities?

And there that's a role that we can play that we don't provide the money for this. I always say we provide the peanut butter jelly sandwiches and some diet cokes, but we can bring the convening power, because we're a neutral party, as senator said, we're not partisan, we're not part of the political process, but we can play a role and say let's, we all have common challenges or common aspirations in terms of our communities. Let's bring it the best thinking, the best work together and make progress on that.

Speaker 2:

And I think that's what we need here in Bridgeport, and that's how the Federal Reserve can assist Bridgeport.

Any questions from scholars? There's a question. So who has-? Oh, we've got a whole bunch. Wow. Ok. Right. So who has a mic here?

John Williams:

[inaudible 00:19:13]

Speaker 2:

Ok, there we go.

Speaker 3:

Hi, my name's Rafael. I'm a business student here at Housatonic. The question I had for you is, do you believe that a sort of tightening of monetary policy has a disproportionate impact on small businesses and startups? And I'm asking this as a small business or myself, should we be concerned?

Speaker 2:

Good question.

John Williams:

Well first of all, I'm really impressed by how many hands came up immediately. So that's awesome.

It's a great question. I don't think monetary policy [inaudible 00:19:50] raising interest rates, as much as, has a distinctly large effect on smaller businesses. I think for smaller businesses, it's more about how is the overall economy doing? So if the economy's doing well, customers are coming in, or you're, I don't know what type of business you have, but if the customers have income, they have jobs, then they'll buy the products, and services.

So I think that of monetary policies, if you think about the sectors that are most affected, it'd be the construction sector, housing. So we've seen housing starts starting building a new house, or house sales, they'd fallen quite a bit as we raise interest rates, because mortgage rates are higher, we see it also typically in the durable goods. So like I mentioned, cars and appliances, people often borrow for those.

So those are the most interest sensitive areas of the economy, that would feel this somewhat higher interest rates. Of course, what we're really doing, is we're not making so much tight monetary policy. We used to have very low interest rates, which was supporting the economic recovery. So far, mostly what we've done, has brought interest rates back to a more normal or slightly restrictive stance.

But I think, to answer your question, it's the question that I think is more about how is the economy doing? How are your customers and how is that evolving, rather than just interest rates?

I will say on the inflation front, we clearly see that the high inflation has different effects on different kinds of businesses, and households. Those that are better positioned to be able to pass on those costs, or to adjust to higher inflation, are affected the least. So the people who are hurt the most by high inflation, are those who are least able to either prepare for that, or adjust to that. And that tends to be lower income, or moderate income households. Yeah,

Speaker 2:

Thank you. Thank you for that question. Next. Okay, over here.

Speaker 4:

Hi, my name is Imani [inaudible 00:21:52] and I would like to ask, what advice would you give a economic [inaudible 00:21:58] business major as they prepare to enter the workforce?

John Williams:

Well, first of all, studying economics is a great start, [inaudible 00:22:04] a big deal with that.

I think it isn't necessarily directly your job that you do, but it opens up a lot of doors, because you learn analytical tools, you get more comfortable thinking about complex things like the economy, you get more experience with understanding economic data, and talking about inflation, and interest rates and whatever you you've been studying.

So my advice, honestly, is to find a role, a job, that allows you to build on those skills. And we have, here we go, my colleagues in the York Fed are going, yes, now this is the best part. So at the New York Fed, for example, we have great programs, with internship programs, and associate programs, for people who are eager, so students, in economics, [inaudible 00:23:03] do internships all over, and also for people economics.

And the whole point of this is to recognize, okay, so you say this in the classroom, now let's bring this to the real world, and start really learning a lot more in the practical side. But so, those are those kind of analyst type positions, or a research associate, or internships, are great ways to start.

Now I'll tell you, I didn't know I was going to become an economist until quite late. So this is going to be, so I studied economics as an undergraduate, but my first job coming out of college was I was running a pizzeria. I have a passionate person about pizzas, [inaudible 00:23:46] in Connecticut too.

But part of this was figuring out your way. What do you want to do? What is it that you love to do? What's the things that you don't want to be doing? And then it was a couple of my professors along the way who basically helped see my desire to be in public policy, but not politics, but public policy, working on how do we do good economics, and make society better. And studying economics, and have those two fit together. Those are the people who got me to continue to study economics over my student career. So it often is your own passion, and your own thinking about what excites you, but it's usually some teacher or somebody else along the way who maybe helps you see how you helps-

Speaker 2:

[inaudible 00:24:40].

John Williams:

... [inaudible 00:24:40] together.

Speaker 2:

Remember the internships you all. All right, another question. Let's go to this side.

Speaker 5:

So my name is Kyla Smith and my question is, the Fed needs get a lot of attention for it's [inaudible 00:24:57] policy. What are its most significant [inaudible 00:25:00] regulatory activities.

John Williams:

So, the Federal Reserve does regulate and supervise many of the banks in the United States. So, let me just explain the difference between regulation and supervision a little bit.

Regulation, so Congress writes the laws, and legislates, obviously. Regulations are the agencies like the Federal Reserve, or others like the FDIC, is turning those laws into actual practice. What are the rules? Regulations are kind of the rules. And then what we do in the New York Fed, for example, is we carry out the programs that follow those regulations.

[inaudible 00:25:42] basically that congress writes the laws, the regulatory agencies in our case, [inaudible 00:25:46] in [inaudible 00:25:46] Washington, the regulations and carry them out. And it's basically, it's really focused on a few core areas.

One is gauging the soundness of the institutions. Are they being run in a way that's consistent with the regulations, and the expectations for the regulators in terms of that? And safety and soundness basically means that you should have confidence that the bank is well run, and not taking excessive risks in what it's doing.

The other thing we do is obviously we carry out responsibilities with the Community Reinvestment Act and similar legislation, which make sure that banks are investing in their community. So [inaudible 00:26:29] Community Investment Act that's currently having some modernization under consideration right now, but really it's the core responsibility that the law requires, and the regulations require, and we supervise, and basically oversee making sure that the banks are doing this, that the banks are following the law here, and investing in their communities.

So those are the main responsibilities we have. The regulations usually are, they're written by the Board of Governors, and other agencies, are really about what are the rules? How much capital do you have to hold? That means how much reserves do you have to have, how much liquidity, meaning things like having cash on hand, or cash instruments, all those regulations. Those are really the rules of the game, and we want to make sure that everyone's following in the same set of rules.

Speaker 2:

Very good, very good. Thank you. Question.

Speaker 6:

Hi, my name is Amaya and I was wondering what does it take to work at the Fed, and if there are any qualifications to work there?

John Williams:

Okay. Well first of all there's a wide range of jobs at the Fed, and I've actually worked at three different federal reserves. I've worked at the Board of Governors in Washington, San Francisco fed, and now in New York. And it's just an amazing place for the different types of jobs. We have everything from law enforcement officers, police officers, we have people who run the currency through our machines, all that paper currency that you have, that, for everyone who's still carrying paper currency, I notice a young crowd. But we issue that, and we make sure that that's fit for use, all the way through supervising the bank, the economists, lawyers, all the different roles and things. There's a lot of analysts in the New York Fed looking at financial markets, what's happening with the stock market, the bond market, the foreign exchange markets. So there's just a wide variety of opportunities.

So what I would suggest, to you or anyone in this room, is to reach out and we have, some of my colleagues here can actually help with this, and learn more about the range of types of jobs. The qualifications really depend on the role. Very few of them require, like, if you're an economist, it tends to require a lot more training in economics. And if you're an accountant you have to be trained in accounting.

A lot of the jobs are really more just about, depending on what the role is in, and so I think it'd be great just to learn more about that and explore that. I guess I was just meeting with one of my colleagues a couple days ago that was one of my favorite [inaudible 00:29:19], she's now the head of the IT department in the San Francisco Fed. And she started as a research assistant at the Fed. So she studied, I was answering an earlier question, studied economics, didn't know what she was going to do. Did that for a couple years, ended up staying at the Fed, taking lots of different roles. And I'm not sure how long this is, maybe 20 years later, she's now running a group of, I am going to guess 300 people or something like that.

Speaker 2:

Wow. Wow.

John Williams:

So those are the kind of roles that you get. So, I should have mentioned that we have a lot of people in technology. So if you ever go by the New York Fed, downtown Manhattan, you look at a building, it kind of looks like a bank, might look a little bit like a fortress actually, I always say it's actually a technology company, because we do technology, high technology, and payments in our financial markets, and in economics, and everywhere else. So it might look real old fashioned, but that's not what it's like inside.

Speaker 2:

But I'm going to put his team on the spot. He has a diverse group of individuals who are here. So raise your hand, look in back. His team. Thank you for that question. There's time for a couple more, so this side. We have time for one more. We can continue.

Speaker 7:

My name is Matthew [inaudible 00:30:45] and I would like to know what an average day of work is like for you.

John Williams:

Oh my goodness.

So average day, what's my typical day? So this is one, okay, first of all, I seriously have the coolest job in the world. I mean, I love my job.

Speaker 2:

I have the coolest job in the world.

John Williams:

I get to work with amazing people, I get to work, and again, doing what I always want to do, working in a public service organization, focused on a public mission, with people who are dedicated, that we solve hard problems. One thing I say, the New York fed, the easy stuff we finished by 9:00 AM, we're thinking about very difficult issues and trying to understand them and make the best decisions.

So it's amazing, but it is a lot of different hats. I might have, in the morning, a management meeting with my little leadership. We've got about 3000 people work at the New York Bed. So it's a real company, with a lot of people. So you might be doing that.

And then I might be meeting, I'm just going through this last week, with an advisory group of whether bankers, business leaders, community leaders, who come to the new Fed every few months and they talk, like we've been doing here, about the issues that they're seeing, and we're learning from them.

And then you're preparing for a monetary policy meeting, sitting with the economist, with interview economists here sitting around the table. We're going through all the data and analytics and various kinds of models and analysis that helps us think through what's going on with economy, what's going to happen with the price of eggs? What [inaudible 00:32:23].

Speaker 8:

[inaudible 00:32:26]

John Williams:

... kind of decisions around interest rates, and some kind of [inaudible 00:32:31].

Speaker 8:

Thank you.

John Williams:

... 7:45 and coming up into Connecticut and [inaudible 00:32:37]

Speaker 2:

[inaudible 00:32:52].

John Williams:

[inaudible 00:33:03].

Speaker 9:

[inaudible 00:33:12] and my question is, [inaudible 00:33:15].

John Williams:

[inaudible 00:33:25] economists, and administration need to do it, it's not something that [inaudible 00:33:33].

Speaker 8:

Okay.

John Williams:

[inaudible 00:33:42].

Speaker 8:

I'm going to, I'll be right back. I'm going to run and see if we get more [inaudible 00:33:44].

John Williams:

[inaudible 00:33:47] We have Congress decide to do votes on fiscal policy, [inaudible 00:33:53] and things like that. Those are things that they can achieve. And then we have to set our policy to achieve our goals. And so there is a separation there. Obviously we're watching what's happening in financial markets. We have great expertise in that. But really, for us, it's like let's get the right decisions, get inflation down, try to achieve our goals as best we can and let Congress do their Part.

Speaker 2:

Yeah. Let's give him a round of applause. Thank you Dr. Williams, [inaudible 00:34:22]