Steve:

Joining us now, Austan Goolsbee, the new Chicago Fed President.

Austan, thanks for joining us-

Austan Goolsbee:

Steve, good to see you again.

Steve:

Coming back as an official.

I think the most important question to ask you right now is, how are your jokes going over at the FOMC? Are they laughing at you? What's going on there? Laughing with you? At you? How is it going?

Austan Goolsbee:

They're laughing at me. Yes, that's correct.

Steve:

What's that?

Austan Goolsbee:

Yeah, they're laughing at me. That's definitely true.

Steve:

Which is not what we've been doing here. So welcome back to the table here as an official.

You recently gave a speech the other day, Austan, that talks about the Fed not raising too aggressively. And I'm trying to understand more about what you meant about that. Does that mean not doing additional rate hikes from here? Or does that mean not doing a lot more from here? Could you maybe put some detail around that comment?

Austan Goolsbee:

Yeah. Steve, look, the detail around the comment is, at a moment where you've got financial stress and you're getting financial tightening from banks trying to conserve capital or trying to strengthen their own side of the ledger, that does the work that normally you're doing in monetary policy.

So Fed's got a job to maximize employment and stabilize prices, and Fed's going to do that job. If the credit conditions are doing that job for it, you want to be mindful of it and not be too aggressive.

We still got several weeks before the FOMC meeting, so I don't want to specify to the basis point exactly what is that going to mean for... What I would be for at the FOMC meeting, because I still want to see the data. But let's just be mindful that we've raised a lot. It takes time for that to work its way through the system, and with this retail sales number, you may be seeing a little bit of that lag. And if you add financial stress on top of that, let's not be too aggressive.

Steve:

Give me your impression, Austan, of the... I guess it should be President Goolsbee now, right?

Speaker 3:

No, it's Mr. President.

Steve:

Mr. President, that's exactly right.

Austan Goolsbee:

And for Joe, that's Heir Doctor President Plenipotentiary. All right.

Speaker 3:

He's made it very clear that I need a lot of respect now.

Austan Goolsbee:

A lot of respect now.

Speaker 3:

He did.

Steve:

[inaudible 00:02:20].

With respect.

Austan Goolsbee:

Joe, we're going to get to it a second. The money you still owe me. Yeah.

Speaker 3:

Yeah, okay. All right. Hold on. I don't think you can accept it now. Accept that. Can't accept that. I waited.

Steve:

I was trying keep this interview from going off the rails quite so quickly.

Speaker 3:

Okay.

Steve:

But let's just keep it focused for a second. President Goolsbee.

Speaker 3:

Mr. President.

Steve:

Mr. President, give me your impression of the two inflation reports this week and your outlook for inflation over the next several months. Please.

Austan Goolsbee:

Look, I think inflation is coming down. We've still got this... Is it a cloud? It's probably not a cloud anymore, but this issue of "How much is coming from demand and how much from supply?" You've seen the supply chain constraints easing across a lot of sectors, so that's been helping bring inflation down, but you've still got clear stickiness on some parts of the prices. I think when you see the producer prices coming in as big negative numbers and you see these negatives on retail sales, you don't want to overreact to short run news, but it feels like that's moving in the right direction.

The one thing of a highlight, what I'm looking at quite clearly for coming into the next FOMC meeting is what's happening on credit. I'm talking a lot of bankers, businesses, community development organizations, how tight is credit and how much of a credit crunch is there? The one thing that I think we are spending too much time looking at is wage growth as an indicator of prices. There's research out by Chicago Fed researchers reflecting a longer tradition of research that shows wages do not serve as a leading indicator for price inflation. They are a lagging indicator, so when people are looking at what's happening to wages now that's more reflective of what happened at prices six months ago. I think we want to keep our eye on the price series, not on the wage series.