

*The following is a transcript of an interview with Austan Goolsbee, Federal Reserve Bank of Chicago president and CEO, that aired on "Face the Nation" on May 28, 2023.*

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MARGARET BRENNAN: We go now to Austan Goolsbee, who is the current president of the Federal Reserve Bank of Chicago and a former White House economic advisor in the Obama administration. It's good to talk to you. I know you were chairman of President Obama's Council of Economic Advisors when we came to the bank back in, in 2011. Markets are closed tomorrow, but we are still very close to that default deadline. How dangerous is the territory we are in, even with this tentative deal?

FEDERAL RESERVE BANK OF CHICAGO PRESIDENT AUSTAN GOOLSBEE: Well, it's definitely a little dangerous, you know, as, as chair Powell has stated from the beginning, we must raise the debt ceiling. Now the fiscal decisions of course are between Congress and the president. And however, they sort it out is- is good by us. But if you, if you did not do that, the consequences for the financial system and for the broader economy would be extremely negative.

MARGARET BRENNAN: How important is it that this vote succeeds on the first try?

GOOLSBEE: Like I say, this is a fiscal decision left to Congress and the president. So I- I it's, it wouldn't be the place—

MARGARET BRENNAN: Right.

GOOLSBEE: --for anybody from the Fed to be saying what- what they should pass or, or how they should vote.

MARGARET BRENNAN: Yeah.

GOOLSBEE: But, you know, I- I liken it too- there's a legitimate argument if you're trying to lose weight, you know, what, what can you eat and how much exercise everybody should be able to agree that the first strategy should not be cutting off your toe. Right? Because that doesn't save much weight and it's really painful. And that's, that's kind of where the debt ceiling is.

MARGARET BRENNAN: Well, Treasury Secretary Yellen said, it's, it's already kind of painful, um, because she's already seeing borrowing costs and- and- that- go up and that there is a cost to being in this place of brinksmanship. What is- can you, in any way, quantify what the impact is to the economy being in the place we are?

GOOLSBEE: Yeah. Look, Margaret, you raise a great point that even the anticipation of these problems does have consequences on the economy and does have consequences on financial markets. In a way this couldn't be happening at a worse time. So I- I'm, I'm definitely heartened that you saw both parties there on the program expressing confidence that they're going to be able to raise the debt ceiling. And, and- because if you, if you just look at what's happening to the rates, you already see that- that there's fear and uncertainty, but there are multiple steps that can get worse. So if you have banks already on edge, because of the financial and, and banking stresses that we've seen over the last couple of months, taking the safest asset on anyone's balance sheet, which is US Treasuries, and kind of calling it into question is not good for the banking system, is not good for lending, is not good for the real economy. And you'll start to get into other problems like if the rating agencies downgrade--

MARGARET BRENNAN: Yeah.

GOOLSBEE: --US Treasuries again, then that could raise the interest rates we have to pay even more and you get into secondary problems. Like there are insurance companies that aren't allowed to hold things that who- whose rating isn't high enough. So let's just avoid it.

MARGARET BRENNAN: Right.

GOOLSBEE: Let's just raise the debt ceiling and, and get onto the next thing.

MARGARET BRENNAN: Right. Um, and, and I understand that you're in a very different role now at, at the Fed than you were back then, but this is a complicated economic environment we are in. Can you say, at this point, I know you haven't seen the text, no one has, what this will do to the fight against inflation and some of the choices you will have to make at the Fed.

GOOLSBEE: Well, look, as I say, raising the debt ceiling and decisions about the budget have- that- that's none of the Fed's business. The law gives the Fed two jobs, maximize employment, stabilize prices. We've done very well on the employment side. We're improving on the inflation side, but we have not succeeded. Inflation's still well higher than where we want it to be. So it- at a moment of banking crisis, it will be a great relief if we raise the debt ceiling, we go back to dealing with the, with the matters at hand, which are the real economy side of, of employment and inflation.

MARGARET BRENNAN: Do you have a sense yet of whether you personally want to raise interest rates again at this next June meeting?

GOOLSBEE: Well, you know, as a voting member of the FOMC, I tried not to make it a point not to prejudge and make decisions when you're still weeks out from the meeting. And we are going to get a lot of important data between now. I think the part that makes this job difficult is you got two simple goals, but the actions that the Fed takes take months, or even years to work their way through the system. So the Fed has raised the interest rate by five full percentage points over the last year. That's the fastest increase in decades, rivaling ever. And some part of that still has to work its way through the system.

MARGARET BRENNAN: Yeah.

GOOLSBEE: So there's no doubt. Inflation is too high still. It has come down and we're just trying to manage, can we get inflation down--

MARGARET BRENNAN: Okay.

GOOLSBEE: --without starting a recession? There are people who say we cannot, but I think we, that, that we can, and that's for sure the goal.

MARGARET BRENNAN: All right. President Goolsbee thank you for your time. And we'll be right back with a lot more FACE THE NATION. Stay with us.