THE ECONOMIC CLUB

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Signature Event

The Honorable Jerome H. Powell

Speaker

The Honorable Jerome H. Powell
Chair of the Board of Governors
Federal Reserve System

Moderator

David M. Rubenstein
Chairman
The Economic Club of Washington, D.C.

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DAVID M. RUBENSTEIN: So, we're very honored today to have the Chairman of the Federal Reserve Board Jay Powell as our special guest. Jay, thank you very much for making the time.

JEROME H. POWELL: Great to be here. [Applause.]

MR. RUBENSTEIN: So, over the weekend, there was tragic events in Pennsylvania. Some people wondered whether that would affect the markets today. Can you give us any insight as to whether you think it's had any impact on the markets?

MR. POWELL: David, I think I'll leave the markets out of it for a second, if I can, and just say that it was really a very sad day for our country. Political violence has no place in our society, and I condemn it in the strongest terms. I know we all do. A man died at a political rally. Two other people were critically injured. It's just a sad day. And I'll say that I'm grateful that the injuries to the former president were not more serious. I'd rather not comment on the markets. It's too –

MR. RUBENSTEIN: OK. So, let's get another answer that you don't want to give. [Laughter.]

MR. POWELL: No foreplay, huh? [Laughter.]

MR. RUBENSTEIN: So, there are a few billion people in the world who are waiting to see what interest rates are going to be doing. You have any insights on where interest rates might be going? [Laughter, applause.]

MR. POWELL: So, I'm going to take that as a great opportunity to talk a little bit about the economy, and then talk about where that leaves us with policy. So, I would just start by saying that the U.S. economy has performed really remarkably well over the last couple of years - 2023, last year, was a year in which the economy grew well above 3 percent. The labor market remained very strong. Unemployment remained very low. And inflation came down at quite a sharp pace, particularly in the second half of the year by a very large amount. And that forecast was almost unheard of. It was unheard of, before 2023. So big upside surprise that year.

This year we had expected the economy to slow a bit gradually, the labor market to continue to gradually cool off after being overheated a couple of years ago, and inflation to continue to make progress. And something like that is basically what has happened. The economy is growing now at about one and a half percent in the first half of the year. Most forecasters have about a 2 percent growth rate for the full year.

The labor market, again, has moved into better and better balance, to the point where I think you can now say it's essentially no tighter than it was in 2019 before the pandemic. Remember that the labor market of 2019 was a very strong labor market. So, we're back to that place, no longer overheated. On inflation, we – in the first quarter, we didn't – we didn't make any more progress. The second quarter, actually, we did make some more progress. We've had now three better readings. And if you average them, that's a pretty good pace.

So, turning to policy, your question, what we've said is that we didn't think it would be appropriate to begin to loosen policy until we were more – we had greater confidence that inflation was moving sustainably down to 2 percent. We've been waiting on that. And I would say we didn't gain any additional confidence in the first quarter, but the three readings in the second quarter, including the one from last week, do add somewhat to confidence.

We've also said that, you know, we're a dual mandate bank. For a long time, since inflation arrived, it's been appropriate to focus mainly on inflation. But now that inflation has come down and the labor market has indeed cooled off, we're going to be looking at both mandates. They're much in better – in much better balance. And that means that if we were to see an unexpected weakening in the labor market, then that might also be a reason for reaction by us.

MR. RUBENSTEIN: OK. I think I understand. [Laughter.] So, to put it in terms I can for sure understand, the markets are suggesting – the futures markets – that there's a 90 percent chance that the Fed will lower its discount rate in September. Do you think the markets know what they're talking about? [Laughter.]

MR. POWELL: So, I'm – so today I'm not going to be sending any signals one way or the other on any particular meeting. So just to ruin the fun right at the beginning. [Laughter.]

MR. RUBENSTEIN: Oh.

MR. POWELL: I simply – you know, we're going to make these decisions meeting by meeting, and we're going to make them on the basis of the data as they come in, the evolving data, the evolving outlook, and also the balance of risks, now that the two mandates are basically close to being in balance.

MR. RUBENSTEIN: All right. There are some people who say that the Fed would not like to lower interest rates in a presidential campaign period because you could be criticized for helping one party or another. Do you have any comment on whether that's an accurate view?

MR. POWELL: I do. So, our undertaking at all times is that we'll make our decisions based on the incoming data, the evolving outlook, balance of risks – and only on that. We don't take political considerations into account. We don't put a political filter on our decisions. That would be not – it's hard enough to make these decisions based on the appropriate factors. If you're going to add a whole different filter in an area where we're not experts, it's not going to improve the quality of our decisions.

And it's also not the orders we have from Congress. Our orders from Congress are to use our tools to foster maximum employment and price stability. And to do so without political considerations. That's what we're always going to do. If you look at the modern record, that is what we do. And we don't – we don't think about election cycles, or anything that's political.

MR. RUBENSTEIN: OK. So, the Fed has set a target for inflation of 2 percent. Now, can you clarify, does that mean that the inflation rate has to be at 2 percent before you're ready to move, if you are ready to move? Or does it have to be within sight? And what does it mean to be within sight?

MR. POWELL: So, when we change interest rates, that tightens financial conditions, and that in turn affects economic outcomes. You know, growth, labor markets, and ultimately inflation. But with lags that can be long and variable, as Milton Friedman famously said. And the implication of that is that if you wait until inflation gets all the way down to 2 percent you've probably waited too long, because, you know, the tightening that you're doing, or the level of tightness that you have, is still having effects which will probably drive inflation below 2 percent.

So, we've been very clear that you wouldn't wait for inflation to get all the way down to 2 percent. Our test has been, for the past quite some time, that we wanted to be – to have greater confidence that inflation was moving sustainably down toward our 2 percent target. And what increases that confidence in that is more good inflation data. And lately here we have been getting some of that.

MR. RUBENSTEIN: OK. So, when you say "we," let's talk about who "we" is. The FOMC, for those who don't follow Washington acronyms, stands for what? What is the FOMC?

MR. POWELL: It's the Federal Open Market Committee.

MR. RUBENSTEIN: OK. And who is on that committee?

MR. POWELL: It's a little bit complicated, our structure is. We have seven governors here in Washington, all nominated by the president and confirmed to staggered 14-year terms. And we have 12 Reserve Bank presidents at Reserve Banks around the country. All 19, seven plus 12, are participants on the FOMC. In any given year, all of the seven governors vote and five of the 12 Reserve Bank presidents vote. But one of the voters is always the New York Fed.

MR. RUBENSTEIN: OK. And so, when you have an FOMC meeting, how many do you have a year?

MR. POWELL: We have eight a year.

MR. RUBENSTEIN: OK. So, you have eight a year. And when you get together, you get together for two days or so?

MR. POWELL: We do. So, it generally starts at noon or in the morning of a Tuesday, and we go all day. We generally talk about the economy, the financial stability issues, whatever special topics there may be. And at the end of the day – each person speaks on those things. And I speak at the – at the end of that day. Then there's a brief presentation on monetary policy. And then we go to dinner upstairs in the Martin Building. And we come back – the next morning, we come in at 9:00 and we talk about monetary policy until we're satisfied with the outcome on monetary policy. And that usually takes most of the morning.

MR. RUBENSTEIN: OK. So, when you go into an FOMC meeting the first day, do you pretty much know where you want to come out at the end of the second day? Or you want to listen to everybody and you haven't made up your mind yet?

MR. POWELL: You know, the way it works is that, you know, I talk to the other 18 participants regularly. And I talk to all of them at least once in the 10 days before the meeting. And I'm thinking about this three or four weeks before the meeting. You know, what should we want to achieve? What data do we need to see? How do we want to change our communications? All those things. And so, I talk to people, listen to them. And I try to – I try to put together an answer that has broad support on the committee.

And so, when we go into the committee on Tuesday morning, you know, I'm confident, usually, that I know where this is going to go. But, you know, things happen. We get data during the meeting sometimes, events happen. But largely, you go in kind of knowing what the likely outcome is. And that's the design of it.

MR. RUBENSTEIN: So normally, you know, if somebody calls somebody – you call all the other board members, FOMC members, from time to time. When you call them, do you have trouble getting your call returned? Or you get – [laughter] – because you get a – do you get a call right back? Or do they take your call right away?

MR. POWELL: These calls are scheduled, generally. [Laughter.] And they go all day long. I have – like, the Friday before the meeting, I think I have 11 half-hour calls. And it's pretty – you know, we talk about the economy. We talk about very specific aspects of the economy, about our mandate. And then we talk about policy. So, there's a lot to talk about and I take pretty careful notes. And people think – but, by this point, they've read all of the preparatory materials, probably twice. They've talked about it with their staffs. And so, you know, you get a really good sense of what people's thinking is. It's a very – it's a very good process.

MR. RUBENSTEIN: But you don't feel you have to have unanimity when you make a decision, right?

MR. POWELL: No, you know, I always try to listen carefully to everybody. And I find that if you – if you do listen and understand people's points and try very hard to incorporate them into what we're doing, for most people most of the time that's going to be enough. People do dissent. That's completely fine. We actually have – given that we have 12 Reserve Banks with their own economic staff, and people with different backgrounds on the board and among the Reserve Banks – we have a disparity of views at every meeting on every question. But people do – I mean, I think there's a – there's a -- you want to dissent on important things. And so, people are perfectly able to dissent. And when they – when they think that's appropriate, they do.

MR. RUBENSTEIN: So, a lot of people in Washington, at government agencies, are very good at leaking things. You're not that good at that. [Laughter.] Why doesn't the Fed – why doesn't the Fed leak more? Why don't you kind of leak a lot more about what you're going to do? You just don't leak that much.

MR. POWELL: I am – I'm kind of proud of that, actually. We do take our obligations to confidentiality very, very seriously. And because we know, you know, how consequential it would be for someone at the Fed to be leaking. You know, we just – our whole success depends on having the public's confidence that we're ethical and that we're working on behalf of all Americans, and not on behalf of ourselves, and we're not leaking, and that kind of thing. So, we do have a culture – when we're working on a – for example, a regulatory matter or some matter involving one of the banks, it never leaks out of the Fed. So, I am proud of that record.

MR. RUBENSTEIN: OK, so if you go back in history, when inflation began to arise after COVID, at some point people said, included you, that it was transitory. In hindsight, what do you think people missed about the nature of the inflation? Why was it more enduring than people initially thought?

MR. POWELL: So, these are – this is a question that people will be writing papers about and debating long after all of us are gone. And it's early to say. It's actually kind of kind of soon to be answering it. But I think it's – so here's my answer to that question: When inflation arrived in March of 2023, it was really coming out of the goods sector, and it was connected to really high demand for goods. And it was – and, you know, the supply chains, global supply chains, which account for most manufactured goods, collapsed because of too much demand and because of COVID. And, you know, so – and to us, that looked like a temporary, fleeting situation.

We also lost several million people out of the labor force. So, wages went way up as the economy really boomed when we reopened the economy. And we thought, you know, there we were getting – vaccines were coming in, and we thought that that would fix itself. Two, kids would go back to school. We essentially overestimated how quickly the economy would return to normal. It finally – these things finally did happen in 2023. But it didn't happen in 2021 or '2. And what we meant by transitory was that it would go away fairly quickly without the need for our intervention.

You don't want to intervene with interest rates if something's going to go away quickly without us intervening, because, you know, monetary policy, as I mentioned, works with long and variable lags. So, the lore is you look through things like contemporary oil shock. So that was the mistake, was that it actually – it actually didn't reverse itself. The problems with the supply side didn't reverse themselves until 2023, when they really did, when we got – we got a big burst of employment and also the supply chains were fixed.

MR. RUBENSTEIN: So, in hindsight, now knowing everything you now know, would you have done anything differently? Would you have had less quantitative easing? Would you have changed interest rates differently? What would you have done differently now, knowing everything we now know?

MR. POWELL: You know, it's almost unfair of me. Hindsight's always 2020, right? You know, we – remember what we were doing in real time. We went from a really nice economy in December of 2019 to a global partial shutdown of the economy. And we were contemplating – there was no thought that vaccines were around the corner. The economy is closing down. We were looking at severe and perhaps prolonged downside risks, literally people thinking and doing work on are we going to have another depression? Is it going to be the 1930s?

So, governments around the world, and particularly the United States government, really went to work to provide a lot of support to the economy. We did everything we could, including many things that were right. You know that we, red lines that we'd never crossed, we crossed them to support the economy and support the financial system. And it was all done because we were managing severe downside risks, which did not materialize. We did not have a depression. And part of that is because of what we did.

Then the economy reopens, and demand is very, very strong. And we saw – basically, we saw a big burst of inflation everywhere, including in the United States. It was different in different places, but, you know, so that's what happened. And, you know, it's not – that's how I would answer that.

MR. RUBENSTEIN: OK, but so what you did – you're happy with what you did, in hindsight, you would say?

MR. POWELL: In foresight. I think that the work that we did in in 2020 in response to the pandemic will stand up very well in history. I think people will look at the things that we did, and essentially the financial system was grinding to a halt all around the world. We acted. We were the first central bank, and we were the most, you know, supportive. And, you know, I think that work will hold together when historians are looking back on it a long time. I think when you get to the inflation era, that becomes a different question. And, you know, people are going to be arguing about that for a long time.

MR. RUBENSTEIN: As a result of the actions we took, and the economy was thought to slow down a fair bit, and many people used the phrase "hard landing" to describe – hard landing as a euphemism for a recession, I guess. People thought in 2023 we might have a hard landing. People thought in 2024 we might have a hard landing. And many of these people were economists, professionally trained economists. But they seemed to be wrong. So, do you rely on these economists very much in the future when you're projecting whether you should listen to their views on where the economy is going? Or how do you – how do you react to the fact that we haven't had a hard landing, and disappointed all those economists? [Laughter.]

MR. POWELL: So, I'll just say that, you know, as someone famously said, predictions are very difficult, especially about the future. [Laughter.] And also, I know a lot of economic forecasters. And forecasters are a humble lot, with much to be humble about. [Laughter.] It is extremely difficult. Every good forecaster will tell you that it's very, very hard to know what the economy is going to do.

I'll give you – to give you a good example, in in our Teal Book – every FOMC cycle there's a book that goes out. And there's a baseline forecast in that. And we have – our forecasters are really – they're really the top people in the field. And they give you that baseline. They also give you a section in that book which shows seven or eight – six, seven, or eight alternative scenarios which they also regard as plausible. So, it's like, it's always a probability thing like that. It's not like we have this – we've identified this one thing.

So as to – last year was a big surprise, and it was a big upside surprise. So, of course, we welcome those. We'd be happy to have more of those. But it just was one of those things, where, you know, where things turned out much better for a whole variety of reasons. I will say that on the hard landing question, I have always felt like there was a pathway to getting inflation back down to our 2 percent goal on a sustainable basis, without the kind of pain in the labor market, the kind of high unemployment that has been typical of tightening cycles and getting inflation down.

And the reason why my colleagues and I thought that was that the labor market was so overheated that it could cool down quite a bit without having to – there still is, apparently, no slack in the labor market. The labor market does not have slack. Essentially, you're at equilibrium now. But look where inflation is. Inflation is at 2 ½ percent. So, this was – this was in defiance of a lot of conventional wisdom. But we thought that was right. And that says that, you know, you have to be – one thing you learn is humility in forecasting. So, I wouldn't rule it out, but I would say that the kind of hard landing scenario is not the like – certainly not the most likely or a likely scenario.

MR. RUBENSTEIN: So, you have said you have a target of 2 percent inflation. You want to get it in sight of 2 percent. Do you have a similar target for unemployment? If unemployment went to 4 percent, are you saying, well, that's OK. We don't need to do anything, because 4 percent is tolerable. Or do you have a similar kind of target as you do with inflation?

MR. POWELL: You can't reduce unemployment to a single number, because – for a couple reasons. First of all, the natural rate of unemployment probably moves through the cycle, and over time. Maximum employment is a function of many, many different variables. It doesn't reduce itself to a specific number that would be durable over time. So, inflation has – 2 percent inflation some years ago became the global standard that everyone aims for in one way or another.

MR. RUBENSTEIN: Some people have suggested that the Fed's independence is not as good as people talk about it being, and that maybe we'd better have more White House coordination with the Fed. I'm sure you've heard about this. [Laughter.]

MR. POWELL: [Laughs.] I think that –

MR. RUBENSTEIN: Any comments on that?

MR. POWELL: I'd be happy to comment on what independence – on the point of central bank independence. So, I think a long time ago people that learned that a central bank that's independent of political consideration does a better job getting inflation under control. And that has now – that is accepted wisdom in all advanced economies around the world. It's also a principle that has very, very strong and broad support where it really matters, which is in Congress. You know, you talk to senior leaders in both chambers, in both political parties, and they all understand that you want an independent central bank that doesn't run monetary policy to support or oppose any particular politician or political party.

MR. RUBENSTEIN: Independence is one thing, but you still have some information sharing. So how do you coordinate or share information with the administration? Do you regularly meet with the secretary of Treasury, or White House staff people? Or how do you communicate with them?

MR. POWELL: So, there's a very standard set of relationships, which doesn't change at all administration to administration. And I'll start anywhere, but Council of Economic Advisors is in the White House. We have lunch with them every month or so, although they get canceled sometimes because we're all busy. That's one thing. I have breakfast with the secretary of the Treasury every week, unless she's traveling or I'm traveling. I have since there was a National Economic Council, there's been a regular/sometimes irregular breakfast with the head of the NEC. And I do that too.

MR. RUBENSTEIN: Do you ever get a call from the president of the United States saying interest rates are too high, or something like that? [Laughter.]

MR. POWELL: So, ever? No. I would say that, you know, meetings with the president are rare, and appropriately so.

MR. RUBENSTEIN: OK. So, you are – you've been – you were originally appointed to the board of the Fed by President Obama, and you were appointed chair by President Trump, and reappointed by President Biden. And your term as chair goes through, I think, May of 2026. So, any thought about staying through – all the way through May 2026. You going to do that?

MR. POWELL: Yes.

MR. RUBENSTEIN: OK. [Laughter.] And if some president came along and said, well, you did a great job. I'd like to reappoint you; would you consider that?

MR. POWELL: I have nothing for you on that today. [Laughter, applause.]

MR. RUBENSTEIN: OK. And is being chair of the Fed an enjoyable job, or not so much? [Laughter.]

MR. POWELL: It is, actually. I think I enjoy it – I enjoy it quite a bit. I do. First of all, it's a great honor. It's incredibly interesting. I love the people we work with. I love the institution. At this time in my life, it's just been a great thing. I'm in my 13th year there now, and it's just been – it's been, you know, really challenging and all that, but what else would you want? You know, I'm very happy doing the job.

MR. RUBENSTEIN: So, you're obviously in pretty good shape. How do you stay in shape? Do you walk a lot? Or you ride bikes? Or what do you do?

MR. POWELL: Yes, I do. I do those things. I swim. I ride my bike. I go to the gym a lot. I try to stay fit, as you will remember from our days together.

MR. RUBENSTEIN: Right. So, are you – but when you are, let's say, riding a bike, do people, you know, get out of the way? [Laughter.] Or do you have –

MR. POWELL: Nobody knows you with a bike helmet and goggles on. You're just another person on the – on the road.

MR. RUBENSTEIN: OK. So, I think you have said somewhere that when the Fed does lower interest rates – not saying that you're saying it's going to do that – but that if the Fed does lower interest rates at some point, you didn't think it was ever going to go back to kind of the free money practically of years ago, when interest rates were almost zero. Is that a fair statement that you don't think it's a good idea to go back to interest rates as low as they once were?

MR. POWELL: The period between the global financial crisis and the pandemic was historically unusual, from the standpoint that we had ever lower interest rates through that era, including part of the era when, for example, sovereign debt of major European sovereigns was trading at a significantly negative rate. And so that was – that was quite unusual. And still, even with rates that low, inflation was very low, below target. And so, the question, you know, is what caused that? And are the forces that caused that gone for now?

And I think most people attribute the low inflation era to slow moving forces like demographics, globalization, technological evolution, things like that. And those may or may not have changed. But nonetheless, I look at where we are now. Our funds rate is 5.3 percent roughly, give or take. And it seems – it feels like it's restrictive, but not, you know, severely restrictive. So, it tells me that rates, at least for now, are – the neutral rate must have risen – probably has risen from where it was during the inter-crisis period. And I think instinctively – I can't prove this. We're going to – we're going to, we're going to learn about this empirically. But it seems to me that the neutral rate is probably higher than it was during the inter-crisis period. And so, rates will be higher.

MR. RUBENSTEIN: So, the Federal Reserve, without saying you're going to lower interest rates at this point, if you did lower interest rates at some time, I thought you had said you didn't want to lower interest rates and then maybe say, well, maybe we made a mistake and we're going to increase them again. You want to have a policy that's fairly consistent for a while. In other words, lower interest rates but not bounce back and forth every FOMC meeting. Is that a fair summary?

MR. POWELL: That wouldn't be a great outcome, but we don't want to be too risk averse. I think we want to – you know, we know that the economy is unpredictable. And, you know, we're – the test we've set is we want to be – we want to have greater confidence that inflation is moving sustainably down to 2 percent. Or, alternatively, if we see unexpected weakening in the labor market, or some combination of those two. And when we see that, and the data really show that, and our confidence – and that's reflected in our confidence, in our understanding, then it'll be time for us to move. And we won't worry – of course, it wouldn't be great if you were moving up and down quite a bit. That wouldn't be ideal.

MR. RUBENSTEIN: Some of your predecessors used to speak in what I call Fed speak, which is to say incomprehensible to the average person. [Laughter.] You try to actually explain things. Is that because you're not an economist, or you just like to explain things better, because you actually sort of explain what you're likely to do at the Fed, and then you actually explain it afterwards. Does that upset a lot of people at the Fed, that you actually try to put it in English?

MR. POWELL: [Laughs.] No, I don't think so. No, I – as you know, I enjoy communicating with people. And I don't – I didn't have a career as an academic economist. I'm not a trained economist. So, I don't – you know, I don't speak like one. And that seems to – I do hear a lot from, for example, people on Capitol Hill that they really appreciate that they can understand what I'm saying.

MR. RUBENSTEIN: So today – the ECB[1] lowered their interest rates recently. So why do you think the ECB lowered interest rates before the Federal Reserve? Their economy is weaker than ours, or what?

MR. POWELL: Yeah. So, they're different – there are differences if you look around the world. And the big difference between the United States and many other nations is just that our economy has been so much stronger. Europe went through – the European Union went through significant – the eurozone – a significant period of very, very low growth, while we were growing, you know, 3 percent-plus last year. So, we're in a different place. And I mean, actually, what's more remarkable about the current situation is how much – how much there is in common between what happened. Inflation bloke broke out everywhere. Central banks did kind of very similar things. There's little differences in timing in terms of starting to loosen policy, but really the era, I think, will be known much more for its commonalities than it is for its differences like this.

MR. RUBENSTEIN: So, when the FOMC makes a decision, let's say to increase rates or lower rates, they finish their final meeting, you are authorized then to go out and explain what it is. How long before – after the meeting ends before you go out and publicly explain it. Is it 20 minutes or so?

MR. POWELL: It's three or four hours, usually.

MR. RUBENSTEIN: Three or four hours?

MR. POWELL: Yes, because the meeting might end at – you know, I'm out at 2:30 p.m. That's when the press conference starts, at 2:30. So usually the meeting's over by 11:00.

MR. RUBENSTEIN: And you don't worry that things will leak out in that interim period of time, I assume?

[1] European Central Bank

MR. POWELL: No. No, I don't.

MR. RUBENSTEIN: OK.

MR. POWELL: You know, people know better than that, I think.

MR. RUBENSTEIN: And so, in some parts of the – of the society these days people are making decisions based on something called artificial intelligence, AI. Have you thought about, you know, calling up ChatGPT and saying, you know, here's the all the data we have. What do you think would be a good idea? Have you ever thought about that? Or are they not likely to do that?

MR. POWELL: We haven't done that. [Laughter.] I mean, we have – we have done little things. Like, we've asked ChatGPT to generate questions for the press conference. And I'm happy to report, for any journalists who are here, that the questions were not as good as the ones we get from real journalists. [Laughter.] So.

MR. RUBENSTEIN: What about my questions? How do they compare to my questions? [Laughter.]

MR. POWELL: [Laughs.] No comment.

MR. RUBENSTEIN: OK. So they weren't that great. OK. So today at the Federal Reserve Board you are not involved in picking anybody who's on the Federal Reserve Board. The president makes those decisions. Do they ever call you for advice on who you might pick, or they might pick?

MR. POWELL: It has happened, but it's, I would say, not the norm now. The Reserve Bank presidents are different. You know, we play a role with the search committees from the Reserve Banks on that.

MR. RUBENSTEIN: So, every summer there's a meeting of the Federal Reserve people out in Jackson Hole. What do you all do out there? [Laughter.] I mean, I always wonder. Do you wear cowboy boots? You go and ride horses? What do you all do? Why do you need to go to Jackson Hole? Why not go to, you know, someplace closer than to Washington, D.C. – Baltimore, like. [Laughter.]

MR. POWELL: Cowboy boots are worn by some, but not all. I don't wear them myself. So, what it is, it's an academic conference. So, the Kansas City Fed, which puts this on, they'll pick a topic. And then they'll find, you know, really top economists to write papers about that topic, or more than one topic. You come to Jackson Hole. They present their paper. People critique it, they praise it, and that kind of thing. And that's the mornings. And in the afternoon, people go take a hike. And let me be clear, this is not a rate hike. It's an actual physical hike. [Laughter.]

MR. RUBENSTEIN: You usually make a speech out there, I think, every year.

MR. POWELL: Yes. That, you know, traditionally – I've done this every year, but not every Fed chair has done it every year. But I give the opening speech. And it doesn't have to have anything to do with the topic of the conference. I just give a speech.

MR. RUBENSTEIN: And is it carefully worked on by the staff? You make sure you say something that sounds interesting, but you don't make any news?

MR. POWELL: No, actually, so I try to do – you know, typically what I do is I talk about the – you know, it's really focused on the – on the economic outlook and that kind of thing, at any given point in time. At Jackson Hole, I've tried to take a step back or move to a higher level and try to say things that have a little more generality to them, and see what can we learn, for example.

MR. RUBENSTEIN: Now, the Federal Reserve is over 100 years old. It was created under Woodrow Wilson. If you were around then, what would you have suggested they do better than they did in creating the system? Or do you think the system works pretty well after 100 years, and you wouldn't change it very much?

MR. POWELL: So, I'm giving myself perfect hindsight here. I would do – I would do what Congress did in 1933. So, the original Fed didn't have an FOMC. And it was – it really didn't function very well during the early parts of the depression, or during other – so in 1933 the current structure was put in place. And that's with the FOMC, with the number of governors, and the voting arrangements. And I think that arrangement is fine. It works really well. In the '70s, the dual mandate was added. But ultimately, we're not – we're not looking for any law change. We think we have the authorities that we need. We think that the law is in just a fine place.

MR. RUBENSTEIN: OK, so basically you think the system works reasonably well as it is today.

MR. POWELL: I do.

MR. RUBENSTEIN: And today, what is the biggest economic challenge you think facing the country? Is it growth? Is it inflation? A hard landing, potentially? What are you most worried about? What keeps you up at night, if anything, in the economy?

MR. POWELL: So, I'll say, in the short term that's what keeps me up at night. Literally, you know, the thing I'm thinking about in the middle of the night is always this balance we have between not wanting to – if we ease too early, you know, we can undermine the progress on inflation, and if we wait too late, we can undermine economic activity. We can undermine the expansion. And, you know, so we want to get this right. And getting it right is incredibly important for the people we serve. So that is really – that's what I spend a lot of my, you know, thinking time on. You know, longer term there are lots of things to worry about. But that's really what keeps me up.

MR. RUBENSTEIN: So, most people, they have dinner with friends sometimes. How can you have dinner with friends without hinting at what you're thinking about? And do you ever get suggestions from your friends at dinner, this is what you should do, or? And how do you respond when they kind of say, maybe you should lower interest rates? You just keep eating, or what? [Laughter.]

MR. POWELL: [Laughs.] You might define the word friend to mean doesn't ask you about interest rates, so. [Laughter.] No, people don't do that generally. You know, people I don't know will always say, hey, cut rates. Somebody said that in the elevator this morning. [Laughter.]

MR. RUBENSTEIN: Did that influence you, or no? [Laughter.]

MR. POWELL: I said, thank you, sir. You know, and no. But, I mean, you know, we – people say things, but, you know, it's fine.

MR. RUBENSTEIN: OK, so today for somebody that would like to be the chairman of the Federal Reserve Board in the future, is that a job you would recommend to your best friend or your best enemy?

MR. POWELL: I think it's a great job. I think – again, what I – the last thing Chairman Bernanke said to me as he was – that day. I went to see him that day, his last day at the Fed. He said, you learn so much at the Fed. Remember, Ben Bernanke was a top-five monetary economist in the world when he arrived at the Fed. So, he learned a lot at the Fed. So, can you imagine how much I've learned, you know, starting? So, it's just – it's never felt like work. It's so interesting all the time. And also, you know, the dedication of the people who work there, 90 – you know, the staff, they – these are people who have chosen a life of not being in the public spotlight. They just want to do their work and serve the public. And they're very dedicated. It's a wonderful place. And I would recommend the job.

MR. RUBENSTEIN: So, the Fed is also responsible for – the way the Fed is set up, you're worried about a stable currency, I assume.

MR. POWELL: No.

MR. RUBENSTEIN: Well, not currency. You're worried about –

MR. POWELL: Stable prices.

MR. RUBENSTEIN: I guess inflation.

MR. POWELL: Yeah.

MR. RUBENSTEIN: And you're worried about unemployment. But you have no – you don't make any decisions about what the impact is going to be on the currency or the dollar. In other words, the impact of what you decide to do on the dollar is not something you're mandated to worry about, is that right?

MR. POWELL: That's right. The administration has that portfolio, the management of the dollar, for what that is. It used to be something different than what it is now. But we, for us, the effects of the things that we do or don't do on the dollar are just another financial variable, like equity prices, or things like that.

MR. RUBENSTEIN: But do you worry – if you worry about inflation, as you obviously are, what about the debt the United States has? We have $35 trillion of outstanding government indebtedness, and we're adding about $1.6 to $2 trillion, more or less, every year. Aren't you worried about that, on the impact of the economy, on inflation?

MR. POWELL: It's – so I am very worried over time about the deficits that we're running. It's not the Fed's job. We don't give Congress advice. But let me just say that we're on an unsustainable path. That doesn't mean that the level of debt we have is unsustainable. It's not. But the path we're on, where we're running, you know, large deficits at a time of full employment and healthy growth, is not a sustainable one over time. And we really need to get to work on that. I would hope this is a top-line issue for elected people, whose job it is. It's not our job. And I believe that if you – you know, I do talk to quite a few elected officials in Congress. And I think there is a rising sense that it's time to do something about that. And it will take – it will take bipartisan action to address.

MR. RUBENSTEIN: Let me ask you, in dealing with Congress, you testify, I think, at least twice a year before members of Congress. And you do the House side and the Senate side. Have you ever suggested to them having a joint committee, so you don't have to say the same thing twice? Or they don't like that?

MR. POWELL: [Laughs.] This is in the law. It's twice in February and twice in July. So, it's four times a year. This is the – Humphrey Hawkins put that in. And, you know, it's a really – it's a tradition. And so, the Senate went first last week. The House went first this March. So, they alternate. I think it would take – I don't know what it would take to change that.

MR. RUBENSTEIN: Do you get a lot of questions from members that you think are really adding a lot of good advice to you, or?

MR. POWELL: I think the members ask excellent questions, yes. [Laughter.] Thank you for asking. They do. I'm generally very much pleased –

MR. RUBENSTEIN: Well, you spend a fair amount of time with members of Congress, compared to some of your predecessors. Is that because you think that they add a lot of value, or you just think it's a good courtesy to do that?

MR. POWELL: I think it's part of our job. You know, in our system of government it is the legislature that has oversight over the Fed. It's not the executive branch. In a parliamentary system, they're sort of one and the same. So, it's the two committees. And so, I spend a great deal of time up on the Hill talking to people of both political parties, House and Senate, just finding out what's on their mind, and really trying to take on board their thoughts on the economy and on what we're doing. And I think they appreciate that. And I think that, to me, is really a big part of this job.

MR. RUBENSTEIN: The Fed depends on data. But how good is the Fed data collection efforts? In other words, are you using the same data collection methods you used 20-30 years ago? Or do you – because of technology, you have better data collection methods than before? And are you convinced you have data that's as good as the private sector has?

MR. POWELL: Most of the data that we get is the same that everybody else gets. The unemployment data, the inflation data, not collected by the Fed. We do some data collection. And we've actually been, you know, dabbling in big data efforts for more than a decade. So, I think we're – you know, we're very focused on the quality of data and collecting different kinds of economic data. During the pandemic, of course, it became necessary to do all kinds of – find all sorts of, you know, different sorts of data to reflect what was going on in the economy. We did a lot of that too.

MR. RUBENSTEIN: So, when you became the chair of the Fed, what was the best advice somebody gave you who was a previous chair of the Fed?

MR. POWELL: I – what comes to mind – I can't think of one thing. I thought to what Chairman Greenspan said, was get a set of earmuffs. [Laughter.]

MR. RUBENSTEIN: And what – if you – when you eventually are not the chair of the Fed, and if somebody succeeds you, what would be the advice you would give them about how to be a good chair of the Fed?

MR. POWELL: You know, to me the – I think it's a very special American institution, and it's one that works to serve all Americans. And absolutely critical to that is staying in our lane, sticking to our knitting, not, you know, running to reach out to the big, hot political issues of the day. And I think that's critical, because once you do that – if that's going to be what you do, what's the case for your independence? You know, Congress has given us these powers. They've left us alone to do it. And really, we need to do those things and resist the temptation to expand that mandate. That's what I probably will say to my successor.

MR. RUBENSTEIN: When you want to go out to let's have a dinner in a restaurant, do you worry that people are listening to what you're saying, they're eavesdropping? Or you don't have to – you don't say anything that anybody has to worry about – make you worry about?

MR. POWELL: So that is exactly what I worry about. I have found that I get recognized now, and people at the next table are always listening. So, we don't – we don't really go to restaurants.

MR. RUBENSTEIN: So, what do you do? You just go in a private room, or you don't go to restaurants?

MR. POWELL: If you're at a restaurant, you need to be in a private room because, of course, the people three tables – and, by the way, if someone at your table were to be well served and start to speak loudly, everyone's hearing that too. [Laughter.] So, you got to be – we just don't do that for now. We go to – you know, we eat at home a lot, or we eat at friends' houses.

MR. RUBENSTEIN: OK. Well, your wife is here. Where is she? Right there. [Applause.] How long have you been married?

MR. POWELL: Thirty-nine years.

MR. RUBENSTEIN: You had to add up?

MR. POWELL: I had to do the arithmetic, yeah. [Laughter.]

MR. RUBENSTEIN: Thirty-nine years. OK, and you have how many children?

MR. POWELL: Three children.

MR. RUBENSTEIN: And any grandchildren?

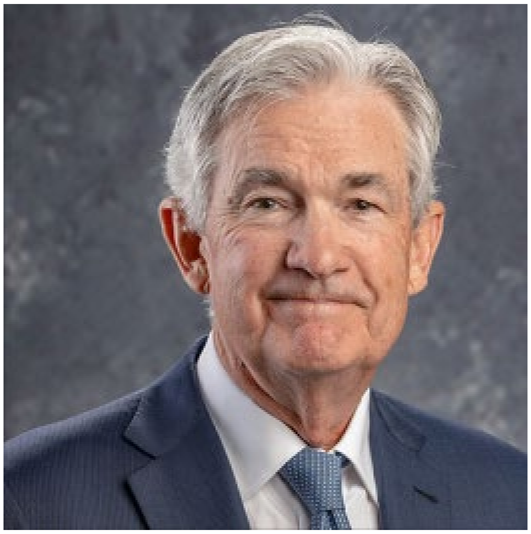
MR. POWELL: We have three grandchildren – three little boys, the oldest of whom is three, and all in the same family. So, this is a – this is going to be quite a little place to visit. [Laughter.]

MR. RUBENSTEIN: OK. Well, look, we've known each other a long time. I congratulate you on doing a great job at the Fed and avoiding the hard landing. And thanks for earlier telling me when you're going to lower interest rates – [laughter] – in our private meeting. I now know when interest rates are going to go down. No, actually, that's not true.

MR. POWELL: You said you wouldn't tell anyone.

MR. RUBENSTEIN: Right? OK. Of course. Jay, thanks for a great job you're doing for the country. Thank you.

MR. POWELL: Thank you, David. [Applause.]



The Honorable Jerome H. Powell
Chair of the Board of Governors
Federal Reserve System

Jerome H. Powell took office as Chair of the Board of Governors of the Federal Reserve System on February 5, 2018, for a four-year term. Mr. Powell also serves as Chairman of the Federal Open Market Committee, the System's principal monetary policymaking body. Mr. Powell has served as a member of the Board of Governors since taking office on May 25, 2012, to fill an unexpired term. He was reappointed to the Board and sworn in on June 16, 2014, for a term ending January 31, 2028.

Prior to his appointment to the Board, Mr. Powell was a visiting scholar at the Bipartisan Policy Center in Washington, D.C., where he focused on federal and state fiscal issues. From 1997 through 2005, Mr. Powell was a partner at The Carlyle Group.

Mr. Powell served as an Assistant Secretary and as Under Secretary of the U.S. Department of the Treasury under President George H.W. Bush, with responsibility for policy on financial institutions, the Treasury debt market, and related areas. Prior to joining the Bush administration, Mr. Powell worked as a lawyer and investment banker in New York City.

In addition to service on corporate boards, he has served on the boards of charitable and educational institutions, including the Bendheim Center for Finance at Princeton University and the Nature Conservancy of Washington, D.C., and Maryland.

Mr. Powell was born in February 1953 in Washington, D.C. He received an AB in politics from Princeton University in 1975 and earned a law degree from Georgetown University in 1979. While at Georgetown, he was editor-in-chief of the Georgetown Law Journal.

Mr. Powell is married with three children.

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