FEDERAL RESERVE BANK of CHICAGO

38TH ANNUAL
Economic Outlook Symposium
FRIDAY, DECEMBER 6, 2024

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Hybrid

On **Friday, December 6, 2024**, from **8:00 am to 1:30 pm CT**, the Federal Reserve Bank of Chicago hosted its 38th Annual Economic Outlook Symposium. The symposium focused on the forces shaping the U.S. economy as we looked forward to 2025.

This hybrid event featured the following:

- A fireside chat with Chicago Fed President Austan Goolsbee
- A consensus outlook for the economy from conference participants given by Chicago Fed Senior Business Economist Thomas Walstrum
- Sessions with industry and Chicago Fed experts, who will offer outlooks on key economic sectors and the labor market

Through events like this, the Federal Reserve Bank of Chicago serves the public, fostering economic opportunity and advancing a strong economy for our region and nation.

Transcripts are available for the following panels:

- Welcome Remarks: Economic Outlook Symposium
- Chicago Fed Contact Experiences in 2024
- Fireside Chat: Austan Goolsbee
- Concensus Forecast for 2025 & Recognition
- Session I: Outlook for Key Sectors
- Session II: Outlook for Key Sectors
- Session I: Lunch with Chicago Fed Experts
- Session II: Lunch with Chicago Fed Experts

FEDERAL RESERVE BANK *of* CHICAGO

38th Annual Economic Outlook Symposium Fireside Chat

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AUDIENCE: --fireside chat with our bank's president, Austan Goolsbee. And so we're going to be switching gears here. So this first session, it was really about showing you all-- many of you know, but showing those of you who don't how our information-gathering process works here at the Chicago Fed.

And it's similar at other parts of the reserve system, where we look at data a lot, but we also talk to people and get a lot of information just from talking to people. And this was, I thought, a really great window into how that process works. So now we're going to be bringing up one of the key consumers of this information.

The way we give away the information that we learn from our contacts externally is through the Beige Book. And, internally, it goes into what's called the contact call memo. Now the contact call memo-- we actually don't do calls much anymore. And if they are, they're on Zoom. But it's still called the contact call memo for some reason.

And the idea here is that we're giving Austan, before he goes to DC to vote on the interest rate, our take on what our contacts are telling us. So Austan's our a big consumer of the information that we get from the people we talk to. And so it's great to have him here and it's great to have him back. He was here last year, and we did a similar chat, and we're so glad to have him back again to talk with us and share his perspective on the economy.

And he's going to be sharing it with a second NPR celebrity, Chief Economics Correspondent Scott Horsley. And so I'm a consumer of a lot of economics reporting as part of my job. And, I have to say that Scott's work, along with the folks at Planet Money, I think that you all always do a great job. And I'm an NPR listener in the morning and I was going to say on my radio, but honestly, it's an Alexa.

And there's been more than one time where I've been listening to the radio in the morning and hearing Scott summarize the economic topic of the day, and I've thought to myself, well, that was better than I couldn't have said it. And so yeah-- it was, actually. It's great. So thanks, Scott, for acknowledging my compliment. So let's have Austan and Scott come up, and we'll get started. And you guys have about 45 minutes, I'd say. So thank you so much to both of you.

SCOTT HORSLEY: Thanks so much. I've got a whole lot of questions, but we want to take some questions from you as well. So you have your QR code there, and those will get beamed up to me, I guess, on this pad. So I'll turn to those at some point. But I'll start-

AUSTAN GOOLSBEE: You're going to filter it

SCOTT HORSLEY: I think the team back, there is going to filter it. And I guess you get to vote on who's questions you like best. So you can move things to the top of the queue. But I'll start with a few of my own. And. Hot off the presses this morning, we have the monthly jobs report for November-- 227,000 jobs added in November, 56,000 net gain in jobs for September and October. What does this say to you about the strength of the US job market?

AUSTAN GOOLSBEE: It's like old times, Scott. We're back-- it's jobs day. We go back a long way. Any one month-- I would say one month is no months because they're up, they're down, they're up, they're down. The market's yelling at the Fed. Oh, you idiots, it was higher than you thought. It was lower than you thought. You've got to take an average. If you take the average, 227 is a big number-- bigger than what we would think would be let's call it the breakeven.

Last month was a very small number, 12,000, well below break. Even before that, it was better than expected.

The month before that, it was worse than expected.

On average, it basically feels like both the payroll number and the unemployment rate and the various ways you look at the job market, it was cooling for a while from the hottest that we've ever seen to something like sustainable full employment, let's call it. And what we want it to do is stabilize there and not keep getting worse.

And the last several months feel like it's hovered around in that space. We've had hurricanes and strikes and things that make it hard to figure. But if you take these two months together, 12,000 and 227,000, you're in the 120,000 to 140,000 a month kind of range. And to me, that feels like in that is sustainable full employment kind of space.

SCOTT HORSLEY: Yeah, October was obviously noisy with the Boeing strike and the hurricanes, but it seems like, with this rebound, October was a speed bump and not the beginning of the cliff.

AUSTAN GOOLSBEE: Exactly. And now condition can change. They change all the time. But if you take this long arc that feels like a steady as she goes. And I will say in our business context, as we talked to members of our board, and we talked to people in this room, and Tom gives us a contact calls. They very much summarize in this space of it's steady.

It's not getting worse. It's not dramatically getting better. We're chugging along.

SCOTT HORSLEY: I've heard a lot of Fed officials talk about this as now a more balanced labor market. And I'm kind of curious what that means because when you think about a housing market, if every house is getting multiple offers and buyers aren't are forgoing their inspection, we know that's a hot seller's market. And if houses are sitting unsold for 12 months and they're cutting the price, that's clearly a buyer's market. But what does balance mean in the labor market?

AUSTAN GOOLSBEE: The first, to the great relief of my colleagues, I should always say the rules of the FOMC say I'm not allowed to speak for anybody else or for the committee, only for myself. The law gives the Fed a dual mandate to maximize employment and stabilize prices.

So, a lot of times, when people use the phrase balance, they're talking about the balance in the mandate that we went through a period where we were overwhelmingly focused on getting the inflation rate down, and now we've got to think about employment and inflation. So some people, when they say the labor market is in better balance, they mean in that sense.

Others, when they talk about balancing the labor market, I think they mean if you look at the ratio of vacancies to unemployed workers, that ratio is around 1 at normal boom times. And that ratio got up to 3 when things were as hot and the unemployment rate is down below 3.5%. And that feels imbalanced. And now if we're to a sustainable, full employment kind of a level that's going to be an equilibrium, that's I think-- when I talk about balance, that's kind of what I meant.

SCOTT HORSLEY: The latest FOMC minutes talked about employers having larger pools of qualified candidates not having to make as many accommodations, more modest wage.

AUSTAN GOOLSBEE: And you hear it when you talk to business people. There was a time when, for most coming out of their stories were can't find anybody. We had people running banks saying their tellers-- over in Indiana, their tellers were quitting on the spot to go work at the RV plant because they could make $40 an hour with no training. And now it's not to say it's easy. It's not just a hirers market. The unemployment rate is still historically pretty low. It's just that it's-- I do think that's it's in better balance and kind of a steadier state-type level.

Let's step back a little bit for the month and look a little bit longer term. Where do you see the labor force going? Every month, I look at the table which shows the labor force-- November of '24 compared to November of '23. Most months, the native-born labor force is shrinking because baby boomers are retiring. We've had the foreignborn workforce, most months, is growing compared to where it was a year ago. That was true again in November, but smaller growth than we've seen in some previous months. What are the demographics and the prospects for labor force growth?

AUSTAN GOOLSBEE: You've always got to be careful. Scott is like the birthday magician's nightmare, you know what I mean. He's like, wait, wait a minute, wait a minute, didn't you just put that in your sleeve? but look, never changed, Scott. You're the guy. He's down in there getting the labor force. Let's make two distinctions.

Labor force size as a whole-- that's what you're asking about. Labor force participation rate of the existing workers-- both are important. They're showing two very different things, much of which was predicted 10, 15, 20 years ago because of the demographics. Labor force participation rate of the existing people was declining, declining, declining for decades. We talked about it many times, why is labor force participation going down and down?

That completely reversed. It's important to emphasize, coming out of COVID, and we had labor shortage, if you look at the labor force participation rate of prime-age women, of prime-age overall of many different groups, they're way higher than was predicted. And in many cases, they're the highest ever. There has never been a higher labor force participation rate. Some of that is probably because the job market was as hot as it was.

Wages were as strong as they were. It was pulling people out of the woodwork.

But part of that is probably also the flexibility of the labor force. And we've had a major effort here in Chicago Fed-- you may have seen it-- about the role of childcare, childcare affordability, and how did that influence labor force participation. The fact that self-declared workers with a disability labor force participation is, like, a factor of 3, the highest that it has ever been, I think is also indicative of this labor force flexibility.

Now, all of that said-- that's kind of the exciting part. I consider that a positive supply shock, just as powerful, if not more so, than the healing of the supply chains post-COVID. This is all in the context of what you said, that the demographics, the population is aging, the number of workers retiring is rising quite dramatically, has been in the last few years, and will continue to. And so the overall labor force participation inside the labor force was supposed to moderate and even decline.

And so some of the things that I said about that participation rate being surprisingly high are it did not go down as much as everyone thought it would. And there is no question that what happens with immigration is going to have a very significant impact on what's the size of the labor force. Something like half of labor force growth in the pre-pandemic time period, more than 50%, I believe, was immigrants. And if you looked at the native-born population, it was shrinking. So what we decide we're going to do on immigration is going to play a key role on that.

SCOTT HORSLEY: So that positive supply shock in the labor force or labor force participation has been one of the factors that has helped to bring down inflation.

AUSTAN GOOLSBEE: Exactly.

We're going to get new inflation numbers next week. What are you going to be looking for? What's your expectation?

AUSTAN GOOLSBEE: Well, look, inflation even more than employment-- one month is no month. You got to take the long arc. And if you take a step back, we've had a massive drop in the inflation rate. Now it had to-- was way, way too high. We've stated, promised sacred covenant of the central bank, we will get the inflation rate down to 2%. Inflation fell as much-- last year-- almost as it has ever fallen in a single year.

And that happened without a recession, which has never happened before. There has never been a drop in inflation like that in one year without a horrible recession. And there were many prominent economists who said it's impossible. You shouldn't even try. You should drive the economy into recession. Larry Summers said the unemployment rate will have to go above 6% for five years consecutively before you will see inflation fall. We did see it fall partly because of supply chain, partly because labor force participation.

I have viewed that this is a path to 2%. This is what it looks like. Second half of last year, we were under 2%. Then we hit a bump in the first quarter of this year. Inflation went back up. Then it came back down. Now it's inched its way up a little bit more. So we've had a couple of months where the inflation rate is around 3%.

I'm absolutely not-- there is A group of people who say, let's just say 3% is a victory and go home. No, no, no. We will get to 2%. And I still think we're going to 2%. This is what it looks like. If you break out core inflation of housing, services, goods, they weren't all 2% before, and you shouldn't expect all of those to go to 2% after.

Goods were kind of minus 1%. Services were, like, 2.5%. Housing was 3.5%. . All of those went up. They have all come down. Goods are mostly back to where they were pre-COVID. Service is still a bit elevated, but clearly trending the right way. Housing has been coming down, but has been the one that's been higher than what we thought. And that's a bit of a puzzle. I'm usually very attuned to that housing part and to the services part.

Overall, I find that the progress still encouraging. If it weren't-- I mean, as you know, we come back every six weeks because conditions change all the time. If inflation stayed where it has been the last month, at 3%, that's too high. We're not done. There's no declaring victory when inflation is at 3%. But I still feel like we're on path to get it down.

SCOTT HORSLEY: From what you know now, given today's jobs report, assuming the CPI comes in next week around where it's forecast to come in, where are you going to be in December?

AUSTAN GOOLSBEE: There it is. And it's kind of tricky. I don't like precommitting what the rate is going to be, or getting into too much of a hypothetical. Everything's always on the table. You've seen the table. It's a huge table, the biggest table I've ever seen. And everybody sits around this table, and we still have several important data points that are coming through. One was the jobs number today.

But we're going to still get multiple readings. And the important consumer spending number we're going to get on the first day of the meeting. So there's a lot of information to come. And I do like getting the input of the other members of the FOMC. They come from different regions and different backgrounds. And I consider it-- and I said with no insult to the US Senate-- I think, in the 21st century, this is the world's greatest deliberative body. And I take that seriously.

You guys don't actually vote every six weeks.

AUSTAN GOOLSBEE: Every six weeks, we go there, we--

[INTERPOSING VOICES]

--and we meet every time.

SCOTT HORSLEY: Nobody filibusters on the interest rate.

AUSTAN GOOLSBEE: So I'm filibustering you on the next meeting, which is to say everything's always on the table. And the hardest bit that a central bank has to do is get the timing right. Moments of transition. And this is where we are. We're in a moment of transition. So we're going to have a series of meetings that are close calls between cutting and not cutting, between 25s and 50s and stuff like that. We're going to get yelled at-- ah, you did it wrong. No, you did it right. And we'll come back in six weeks, and we'll keep adjusting.

But if you take the long view and say, forget about just what the next meeting or the meeting after that, ask over the next year and over the last year, how is it going? Where are we headed? The inflation rate is almost to where we want it to stop. The unemployment rate is around where we think it's going to settle. The economic growth is around the trend where we think it's sustainable.

And the one outlier is that the interest rate that we set is well above where the consensus in the dot plot says it's going to settle down. And so my thing is, if the bathtub is too hot, you add cold water. But once you get to where you want it, stop adding cold water or you know what's going to happen.

And so I think, over the next year, if conditions evolve the way they have been and the way that I expect them to, rates are going to be a fair bit lower than where they are today. If you join us again next year, that would be my expectation.

SCOTT HORSLEY: Let me ask about that consumer spending piece. In earnings calls and in the Beige Book, we hear all these businesses saying they don't feel like they have the pricing power they had. Consumers are getting more pricesensitive. I guess my question is, what took so long? Because prepandemic, it was sort of a given that if you raised prices, you would lose sales. And there was just an expectation that consumers were price-sensitive. And then, for a while, they didn't seem very price-sensitive at all. There was lots of complaining, but--

AUSTAN GOOLSBEE: I mean, I think they weren't as price sensitive. And a big component of that-- this is more than just-- you know I was an academic for 30 years, so I love academic exercise. This is more than just an academic exercise.

SCOTT HORSLEY: I mean, when the toilet paper shelf is empty, you'll pay any price. I get that.

AUSTAN GOOLSBEE: And so the thing that we have to figure out is what was a blip and so weird that we don't have to think about it anymore? And what's going back to normal? And what is normal? In normal times, the vast majority of what people spend their money on is services in the United States and all the rich countries.

And a couple of things happened in COVID. The supply chain broke down. There were not services to spend money on. You see a great transformation of the nature of consumer spending to physical goods. So at the very moment that you can only spend your money on physical goods, the price of those goods goes through the roof.

And I think some component of the lack of price sensitivity or lessened price sensitivity was what are we going to do? There's no vacation. There's no-- I don't know if you would have gone to the Bears game anyway, but you can't go to the Bears game. You can't go to a restaurant. You can't go on vacation. You want to go buy a Peloton, and there's no Pelotons. And so the price of the Peloton goes up. If so, this would be a temporary-- that would be a temporary.

Now, the supply chain healing, that would say, hey, people, know that, in a grand sense, there are a lot of choices that you can spend your money on. So if the price of the Peloton is too high, you're like, yeah, you can forget it. And we have some major manufacturers and retailers that we talked to. And they said, thus far, it's actually been a pretty strong holiday season, but it has been associated with heavy price discounting.

SCOTT HORSLEY: Let me ask about productivity. 2.2% in the third quarter-- we've had five quarters in a row now of 2% or better productivity gains, much better than most of our competitor countries. In the FOMC minutes, though, some of your colleagues said they were concerned that might be-- and the word they used was "transitory."

[INTERPOSING VOICES]

SCOTT HORSLEY: I was surprised that word was [INAUDIBLE]. But what do you think accounts for the strong productivity gains? And do you think they're sustainable?

AUSTAN GOOLSBEE: OK, permit me 20 seconds backstory. The premise of what Scott's saying, the productivity growth rate is the greatest unsung series in existence. You should be paying attention to it if you are not paying attention to it. And the only reason we don't argue about it every time it comes out is it is very noisy. It's noisier than inflation. It's noisier than the jobs numbers. That said, if the productivity growth rate is higher, then we can grow faster and wages can grow more without inflation. And it has direct and important implications for monetary policy.

If you were around in the debate at the end of the 1990s, which was the last time there was a surge in productivity growth, it affected the Fed. That was the whole Greenspan thing that Greenspan was picking up before it was showing up in the data. The productivity growth is higher, so maybe they didn't need to raise the rates as much, and it would not be inflationary.

Productivity has basically stunk pre-COVID. The productivity growth rate had slowed down for almost a decade. Then, in COVID, it spiked in a bizarro way, mostly because the low-wage jobs-- everyone got laid off, so the average productivity went up just by composition. Then that came back down.

And now, in the last year and a half, it's been growing faster than trend, faster than it has, really, since the 1990s. A lot of people argued that's just getting us back to the trend, and then it's going to stop. And it still might do that. But it's worth noting we passed the previous trend, so it's up higher. Productivity growth has been higher even than where it would have been without COVID.

I don't think that it could be specifically attributed to AI. Large language models are too soon. They're not big enough. But we've talked to people who-- they kind of have made the argument that AI, before it was famous, it's already been-- that idea has already been getting incorporated.

And some of the analysis here at the Chicago Fed shows that unlike-- there are some who say the productivity growth must be coming from-- we've had a big ramp-up of new firm creation. Maybe it's from the rebalancing of the labor market that people have been able to absorb better. Some of these are just one-time level increases.

They're not like a change to the growth rate.

But our folks have shown that if you just compare product by industry productivity growth before and now after COVID, it does look like it's concentrated in high technology spaces, users of AI, if you want to call it that, and the technology. And that looks a lot like previous technology-driven productivity increases.

SCOTT HORSLEY: Which can have a long runway and not--

AUSTAN GOOLSBEE: They can have a longer runway if they become a general purpose technology, like PCs did, like the internet did. So I'm hopeful. Look, my fingers-- in the short run, people can worry, oh no, the robots are going to come and replace some jobs. Look, what made us the richest major economy in the world is exactly the productivity, growth, and innovation, like what we're talking about. And this would be a great blessing. We got to manage it in different ways, but that would be wonderful. And it would make life easier for the central bank.

SCOTT HORSLEY: One more for me, and then I'll turn to some of your questions, but starting in, I think in the January meeting, you all are going to have a discussion about your 5-year framework review to update how you do long-term monetary policy. The last time it came out in 2020-- it was mostly formulated before the pandemic but released in the summer of 2020.

And my take on that was, in 2020, the Fed said we are not going to raise interest rates preemptively in response to a tight job market. We're going to wait till we see the whites in the eyes of inflation because we had many, many years of very low inflation, and we'd come to recognize how beneficial a tight job market can be for especially people on the margins who might have trouble finding a job in a less tight market.

So now we've had a very painful reminder of how damaging inflation can be to people, both pocketbooks and politics and everything else. How are you going to be approaching that framework review and the kind of balancing act between that dual mandate that you talked about?

AUSTAN GOOLSBEE: You're right. The Fed has this-- I wasn't there--

SCOTT HORSLEY: You weren't there the last time.

AUSTAN GOOLSBEE: --last time they did a framework. I'm not going to front run the framework review. We're going to do that in the coming year. I think you're right that we have been reminded people really hate inflation. So, in a way, we need to take that into account. But I want everybody to remember 2008, 2009, 2010-- people hate a high unemployment rate, too. So the reason they hate inflation so much is the unemployment is real low. If unemployment was high, you'd probably hear a lot of people saying you need to focus on that.

So, like I said, I don't want to front run it. It's important to emphasize the other premise of your question. The frameworks were meant to try to be conveying something like reaction function of the Fed. You can't write down the hypothetical contingent basis for every possible thing.

And if you look at that framework review, that was done at a time when we had had a decade or more of inflation below the 2% target. And people were saying, well, are you going to basically just rebase the target to be 1.5% or are you going to run the economy hotter?

And then we go into a period where supply shocks are hitting. And it's really-- conditions are very different from what they were talking about when they did that last framework. So I do think it's important for us to have let's call it a resilient framework that can help us think through a lot of different conditions.

SCOTT HORSLEY: One thing that the Fed has already said they're not going to consider, won't be on that big table during the framework review, is the 2% target.

AUSTAN GOOLSBEE: Right. No, good.

SCOTT HORSLEY: And is that just because you don't want to move the goalpost in mid-game or--

AUSTAN GOOLSBEE: Yeah. Well, yes--

SCOTT HORSLEY: Or because 2% is really the right target?

AUSTAN GOOLSBEE: You got to do your job before you go start looking for a new job. That's my thing. We're going to get to 2%. But it's fundamentally a promise and, as I call it, the sacred covenant, which is to say, in other times, when the actual inflation rate went up, if you looked at people's expectations, they went up too. So if the actual inflation rate was 10% and then you ask people, what do you think the inflation rate is going to be two years from now, they would be like, I think it's going to be 10% And when expectations go up like that, it's extremely difficult for the central bank to get inflation back down.

And this time, that didn't happen. The inflation rate almost went to double digits. And if you looked in the market at expectations, they stayed almost exactly 2%, which I take to mean somebody-- the Fed was saying, hey, no matter what it is today, we are going to get it back to 2. And, fundamentally, they believed it. So if you go switch that now, that's a mess. You're going to create a mess for yourself.

SCOTT HORSLEY: All right, so some of you asked questions here. I think this is the top vote-getter. The collective crypto market is approaching 3.5 trillion-- is that dollars, I guess? So what impact does the rise in the use of crypto have on the dual Fed mandate? And what can the Fed do to maintain control?

AUSTAN GOOLSBEE: I thought that question was going to go a different way, and they got these people calling for a strategic crypto reserve for the United States and stuff like this. I think, thus far, the rise of crypto-based assets has had not a ton of macroeconomic impact in the way that normal financial system assets do.

I could see it perhaps having the-- if you think of the stock market, there is one component that the investors could have a wealth effect, that their spending of-- their stock wealth goes up, they might go out and spend. It also has let's call it the use case, which is firms are raising money, and they're using that money to go invest and build factories, et cetera.

With a more speculative asset without an obvious real economy use case, I could see the wealth effect impact. It's harder for me to see the real side impact, which is the way I usually think of the monetary policy channel working.

And my only caution to folks the speculative investments-- it's fine. I love that they're coming up with new financial technologies. It's great. That's something totally different than-- the Fed is the lender of last resort. When it all goes wrong, banks can borrow at the discount window. The idea of attaching lender of last resort to something that is extremely volatile, that gives me a little bit of indigestion.

How many people here are parents? A lot of parents. Don't ask your kid about the following if you don't want to know. There is a influencer celebrity named the Hawk Tuah girl who became famous for a not-safe-for-work meme. Don't ask about it, as I say, if you don't want to know that your kid knows this. That person parlayed this meme into a podcast that became the number three podcast in America called Talk Tuah, a clothing line or something, and then, in the last two weeks, started Hawk Tuah coin, a cryptocurrency.

And upon release, Hawk Tuah coin was literally worth $490 million. Just created a currency, and within 20 minutes, it was worth $41 million. So now the fan base says that the Hawk Tuah girl should be thrown in jail, and how could this happen? They lost 90% in 20 minutes. Are we going to invest the Social Security trust fund in things that are volatile like this? I think it's a bad idea. So we can have whatever speculative investments we want, but let's just be mindful of what is the risk level of some of these assets, too.

SCOTT HORSLEY: I saw where Jerome Powell was asked about this the other day as crypto as a challenge to the dollar. And, obviously, in the early days, there was this libertarian thinking about that. But he said, it's like gold. It's a challenge to gold. It's a speculative investment it has. It's not a good store of value. It's not used for commerce.

It's just a speculative investment.

AUSTAN GOOLSBEE: I learned before I ever got to the Fed, don't ever be critical. The Clark Center, what used to be called the IGM, has this survey. And they'll ask 30 economists from the top departments with questions of current interest. And one of them, back then, was cryptocurrencies like Bitcoin pose a threat to the dollar as a reserve currency in the world. Do you agree, yes or no? And I said no, and I put in the comments, ah-ha-ha-ha. Don't ever do that. Don't ever. Nothing that I've ever said have brought more scorn-- you jackass. You don't know anything.

But the very thing that the people that love investing in-- Bitcoin went to $100,000 for a single bitcoin. It can rise 20% in a day. That very thing makes it not a currency because everybody wants to back out. If you went and bought a car with Hawk Tuah coin, and then, 20 minutes later, you drove off-- the guy would have to call you back. Wait, bring the car back here. I don't want it.

SCOTT HORSLEY: Usually, we say the car loses half its value. In this case, the Hawk Tuah coin loses half of its value.

AUSTAN GOOLSBEE: Anything that's not a stable source of value is problematic as a currency. And stablecoins is a category where they take money, they invest it or do something with it, and they pay a return. And their thing is, well, that part could be a currency. Now the only thing is they created what economists would call a money-like deposit, which is you put your money in there, and you have the right to take it out whenever you want. That's like a bank account. That's like a money market fund. That's like the dollar.

If you have a Fiat currency that is not backed by a sovereign state with the authority to tax, you either need deposit insurance, or you have to have pretty serious rules about what they can invest the money in, or else that thing ends in a bank run. We have centuries of observation of what happens. So the thought of attaching that to lender of last resort, like I say, that gives me indigestion.

SCOTT HORSLEY: All right, let me to sneak a couple more in here. How much of a concern is consumer debt? That is, credit cards and-- come on-- we've seen some rising defaults with credit card debt, auto loans, small business loans.

AUSTAN GOOLSBEE: The thing about debt-- what matters is a debt-to-income ratio times the interest rate. What's the debt service load? So don't get to-- the level of debt is at a record. But the level of GDP is also at a record. So if you look at debt-to-income ratios, they are up. But they aren't-- the level is not actually at a record. And for a lot of consumer groups, it looks pretty healthy.

There has been a rise of delinquencies. Historically, when delinquencies rise, that is a warning sign of recession. But by many of these measures, it's not unlike the unemployment rate. The unemployment rate has risen half a point. Usually, when the unemployment rate rises half a point, it keeps rising, but the level is very low. And in these, a lot of the delinquency rates are not high by historical standards. They're just higher than they were at the peak.

SCOTT HORSLEY: All right, last one. What's your best day at work since you started at the Chicago Fed?

AUSTAN GOOLSBEE: Oh, man.

AUDIENCE: Today.

AUSTAN GOOLSBEE: Yeah, today. Yeah, I like that attitude. Today. Probably the day-- so I got here. I knew about monetary policy. I knew it was a mission-driven organization, and they've got very impressive people. And I didn't know that we have billions and billions of dollars in cash in a vault, and we run hundreds of millions a day out to our member banks. And we have multiple basements with machines that are running and pulling the counterfeit and shredding it. And I was like-- I was a kid in a candy store. I mean, it was amazing. That was a great day.

SCOTT HORSLEY: Thanks very much.

AUSTAN GOOLSBEE: Yeah, thank you.