



Remarks as Prepared for Delivery

EMBARGOED UNTIL 9:00 AM U.S. Eastern Time,
Friday, November 21, 2025 – OR UPON DELIVERY

Observations on the U.S. Economy in a Changing Global Landscape

Opening Remarks at the Federal Reserve Bank of Boston's 69th Economic Conference

Susan M. Collins

President & Chief Executive Officer
Federal Reserve Bank of Boston

November 21, 2025
Boston, Massachusetts

*The views expressed today are my own, not necessarily those of my colleagues on
the Federal Reserve Board of Governors or the Federal Open Market Committee*

Remarks as Prepared for Delivery

EMBARGOED UNTIL 9:00 AM U.S. Eastern Time,
Wednesday, November 21, 2025 – OR UPON DELIVERY

Good morning. It is a pleasure to welcome everyone to the Federal Reserve Bank of Boston. And to offer a warm welcome to those viewing the conference livestream, as well.

This is the Boston Fed's 69th Economic Conference; and following our tradition, it features expert analysis and engaged discussion around an important topic that has both near- and longer-run economic implications for households, businesses, communities, and of course policymakers.¹

I would like to thank Egon Zakrajšek, the Boston Reserve Bank's Director of Research, and his team for organizing another special conference. My thanks also to those who will be presenting research today and tomorrow, as well as to the discussants and moderators.

As always, I want to offer my standard disclaimer: The views I express are my own; I'm not speaking for any of my colleagues at the other Reserve Banks, or the Board of Governors.

The goals for this conference are to examine key factors that are reshaping the global economic landscape, consider how the U.S. economy may adapt to these changes, and assess their implications for economic policy. In that spirit, and as something of a "preview," I'll highlight two important, intertwined factors – heightened global risks, and economic fragmentation. And since this is a Federal Reserve conference, I'll briefly outline some implications of these issues for the conduct of monetary policy, over the medium term.

First, recent experience shows that the global economy faces increasing risks and uncertainties, such as those from pandemics, geopolitical flare-ups, extreme weather events, and cybersecurity threats.² At the same time, these risks are also inducing significant reconfiguration in trade, capital, labor, and technology flows, possibly leading to a more fragmented global economy.

When such risks materialize, they can disrupt global supply chains and, in the process, induce complex dynamics for domestic supply and demand – as demonstrated by the COVID-19 pandemic, Russia's invasion of Ukraine, and recent trade tensions.

Furthermore, we should recognize that the mere *perception* of heightened risk or uncertainty can affect economic behavior. A large body of research shows that a more uncertain economic environment can weigh on aggregate demand by deterring investment and reducing spending.³ In this way, the impact of these risks can extend beyond their actual occurrence.

Elevated uncertainty can also lead to increased volatility in financial markets, potentially affecting firms' access to capital and their investment strategies – which could have important implications for

¹ See the conference website at <https://www.bostonfed.org/news-and-events/events/economic-research-conference-series/the-us-economy-in-a-changing-global-landscape.aspx>

² There are many usages and definitions of the terms "risks" and "uncertainty" in policy discussions and in the economics literature. I will use the term "higher risks," "higher uncertainty," or "higher volatility" interchangeably to mean greater dispersion of possible future economic outcomes.

³ Numerous studies have analyzed how uncertainty affects economic outcomes. Recent examples include Bloom (2009) who analyzes and assesses the impact of uncertainty shocks on economic activity, Baker et al. (2016) who focus on policy uncertainty, and Caldara and Iacoviello (2022) who investigate the effects of geopolitical risks.

economic activity and financial stability. Periods of heightened uncertainty can also influence firms' pricing strategies and employment decisions, as businesses may hesitate to adjust prices or commit to hiring. Prolonged uncertainty may also discourage innovation and, as a result, hamper longer-term productivity growth.

Turning to the second of these intertwined topics, the world economy may also become more fragmented, partly in response to heightened global risks. For example, elevated risks are prompting U.S. firms, especially multinational corporations, to explore re-shoring or near-shoring strategies – to reduce dependence on distant and potentially unstable supply chains. Such strategies may also be reinforced by trade policies, aimed at reducing the dependence on foreign suppliers. Although designed to enhance domestic economic resilience, such “insulation” strategies could come at a cost of less efficient supply chains.

And while greater fragmentation can insulate firms from some global risks, it can end up *amplifying* economic volatility by reducing the diversification both of firms' suppliers and of their customer markets. This, in turn, can make economies less resilient to both external and internal shocks. A fragmented global economy can also impede long-term productivity growth by hindering the diffusion of new technologies and ideas across borders.

Overall, these two intertwined factors – increasing global risks and fragmentation – tend to depress short-term economic activity, while reducing longer-term growth. However, it is important to note that these challenging conditions may also catalyze some *beneficial* outcomes. Difficult environments can prompt firms to reassess their business models and production processes, triggering a wide-spread implementation of cost-cutting and efficiency-boosting strategies. In addition to investments in new, more efficient technologies and equipment, these challenges often foster a “search for efficiency gains,” a mindset that is ubiquitous in my conversations with business leaders across New England.

This dynamic, in my view, seems to align quite well with the post-pandemic U.S. experience, where labor productivity has surged notably.⁴ It is also interesting to note that the recent period of prolonged heightened uncertainty coincides with increased investment in automation and AI technologies.

New risks can also drive innovation in risk management, potentially generating fresh business opportunities. For example, domestic firms may begin to leverage new technologies – such as advanced capabilities in AI, blockchain, cloud computing, and quantum computing – to weather certain types of global risks.

These factors may yield favorable effects on economic growth, which could offset the previously mentioned negative ones to some extent. Of course, the benefits and costs of these changes will not be evenly distributed. While beyond the scope of the Fed's dual mandate, understanding which

⁴ This is particularly evident in the U.S. nonfinancial corporate sector, where productivity gains have been running well-above their pre-pandemic average pace. For instance, see my recent discussion of this topic: [Assessing the Balance of Risks in the Economy](#).

Remarks as Prepared for Delivery

EMBARGOED UNTIL 9:00 AM U.S. Eastern Time,
Wednesday, November 21, 2025 – OR UPON DELIVERY

U.S. industries and regions will potentially gain from this evolving global economic environment remains crucial.

In any event, the increase in global risks and the movement toward greater economic fragmentation will likely be major, transformative, and intertwined forces shaping our economic landscape in the coming years. These are complex issues, and so it's wonderful to have the opportunity to delve deeply into them over the next day and a half.

I'll close with a few brief thoughts on how this landscape of increased global risks and fragmentation could affect monetary policymaking. But let me emphasize that these considerations do not affect my near-term policy outlook, which I am not commenting on in these remarks.

First, a more volatile and fragmented global environment could result in more volatile business cycles and inflation. This could complicate the Fed's efforts to maintain price stability and maximum employment, especially if economic shocks in this new environment have a more substantial supply-side component. At the same time, greater fragmentation could insulate the U.S. economy from certain global shocks, potentially enhancing monetary policy effectiveness at stabilizing domestic economic conditions.

Second, research has shown that the integration of economies through international trade was one contributing factor to the low inflation environment that prevailed for the three decades or so before the pandemic.⁵ The shift toward economic fragmentation could do the opposite and usher in a transitional period of inflationary pressures. However, these pressures could be mitigated by continued robust productivity gains, which I discussed earlier.

Third and finally, a more fragmented global economy could lead to less financial integration. This, in turn, could raise domestic borrowing costs, as well as affect financial conditions more broadly.

In all, the topics I have outlined are complex and evolving rapidly – and there is much to learn from the emerging research and to discuss. I am excited that we have brought together experts across various disciplines, to share insights and perspectives, and to enhance healthy debate and collaboration. And I look forward to what promises to be an informative and lively day and a half. Thank you again for your contributions and for your engagement.

Now it is my pleasure to turn things over to my colleague Jenny Tang from the Boston Fed's Research department, who will moderate the conference's first session.

⁵ By increasing competition, lowering production costs, and integrating large, low-cost labor forces into the global economy, globalization and trade integration have contributed to low inflation environments that prevailed in advanced economies in the decades before the COVID-19 pandemic (see Rogoff, 2003, and Auer, Borio, and Filardo, 2017).

References

Auer, Raphael A., Claudio Borio, and Andrew Filardo, 2017. “[The Globalisation of Inflation: The Growing Importance of Global Value Chains](#),” Bank for International Settlements Working Paper No. 602.

Baker, Scott R., Nicholas Bloom, and Steven J. Davis, 2016. “Measuring Economic Policy Uncertainty,” in *The Quarterly Journal of Economics*, vol. 131(4), pages 1593-1636.

[Bloom](#), Nicholas, 2009. “The Impact of Uncertainty Shocks,” in *Econometrica*, vol. 77(3), pages 623-685.

Caldara, Dario and Matteo Iacoviello, 2022. “Measuring Geopolitical Risk,” in *American Economic Review*, vol. 112(4), pages 1194-1225.

Rogoff, Kenneth S., 2003. “[Globalization and Global Disinflation](#),” in *Economic Review*, Federal Reserve Bank of Kansas City, vol. 88 (Q IV), pages 45-78.