FEDERAL RESERVE BANK of CHICAGO

Atlanta Fed's Financial Markets Conference

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[CHATTER]

JENNA SMIALEK: Oh, Austin. All right if you could take your seats. We're about to get started.

[CHATTER]

JENNA SMIALEK: All right. Hello, everybody. I, for those of you who don't me, I'm Jenna Smialek. I'm the head reporter at The New York Times, moderator of tonight's panel. I almost feel like this panel needs no introduction given that one of the panelists is our host this weekend, but I feel like I'll go ahead and do it anyway. Raphael Bostic, President of the Atlanta Fed, has been since 2017 and Austan Goolsbee, who is newly the president of the Chicago Fed starting this year, which means that you came after the inflation started, so.

AUSTAN GOOLSBEE: It wasn't my fault.

JENNA SMIALEK: Yeah, yeah. Chair Powell likes to say that none of us get to choose our challenges, but you don't-

AUSTAN GOOLSBEE: Something right there.

JENNA SMIALEK: So run a show for this evening, we are going to do 45 minutes of questions roughly. We're going to wrap it at 7:45 on the dot because I've come to a lot of econ conferences over the years, and I've learned a lot of really valuable lessons at all of those economics conferences. But the number one thing I've learned is that if you are the final keynote before dinner on the last evening of a conference, the easiest route to popularity in economics is finishing on time. So we will cut it off promptly at 7:45.

JENNA SMIALEK: I'm going to ask about 20 minutes of my own questions, and then we're going to switch over to audience questions. So please send them in on the app, and I will scroll through and ask them. So just to kick it off, I figure we'll ask we'll ask something easy to get started. What is going to happen with inflation?

[LAUGHTER]

JENNA SMIALEK: All right, Raphael I'll start with you.

RAPHAEL BOSTIC: I'm in big trouble tonight. Look like this is going to be a little bit of a ride. So look, I think that everyone knows inflation is too high. We've got to get it under control. We've come a long way, but we've still got quite a ways to go. If you look at the measures that are out there, they're still twice what our target is. And I think there's a lot of hard time that you're going to have to go through just to get that down.

In terms of the actual inflation dynamics and the timing, I think it's going to take a while. I don't think that it's going to come down and us be in range by the end of the year. I think we'll make some good progress. But I'm expecting it's going to be a little bumpy. And I also think that there's a lot to learn because we've been in restrictive territory for only a short amount of time relative to how long lags last. And so we'll just have to watch and see how it goes.

AUSTAN GOOLSBEE: That, I think that feels right. If we definitely been making progress, part of our job is look through the waggles, which you know are going to come. And maybe it's because I came from outside the Fed system. It has always seemed like the central bankers have a kind of central banker centric view of the world that inflation is ours to stop or to start.

And there were a lot of things about this inflation that we're still trying to fully understand the like fact that it was worldwide and the fact that inflation surged when the unemployment rate was over 6% and kind of the Phillips curve mentality that's not supposed to happen. So we know there was some supply side component. And if so, then the unraveling of that negative supply side component gives us some potential to have a soft landing of a form that would definitely be unusual.

But I think the mocking the immaculate disinflation is a mistake because there was a large component that was immaculate inflation that was much more inflation than what would have been predicted.

JENNA SMIALEK: Interesting. And waggles is a very technical term. I feel like we could incorporate that into more Fed communications. But I guess on the point of this idea that we could potentially have an immaculate disinflation, I wonder if each of you could kind of walk us through how you think about the job market in this context. We're at a historically low unemployment rate. How much does that have to rise? How much does the job market have to slow to bring inflation under control? Or does it have to slow?

AUSTAN GOOLSBEE: You saw at the same time some prominent folks started saying, look the Beveridge curve has shifted out, and we're going to have to have a dramatic increase in the unemployment rate to see any progress basically within weeks. We've had job openings coming down in a straight line and kind of in that space getting back on the curve. So that's that part's, at least encouraging. I think, and the Atlanta Fed's Chicago Fed has done some research.

Atlanta Fed independently did some research. And they both tapped into an older literature that it's worth remembering historically, prices are more flexible, and wages stickier than prices are. So that means when a shock hits, prices move first, and then wages move. And that means that the observed in this observation of the world that wages are not a leading indicator for price inflation, that prices move first.

It puts the puzzle to the overheated labor market worldview is why did the real wage go down? There's never been a time in US history when the unemployment rate was 4% or less, and real wages weren't booming. And so the fact that real wages were going down is at least a bit of a weird puzzle to just characterizing it as an overheated labor market as the center of what's happening. And I think of this dynamics point as being you had a shock hit.

And not unlike lightning and thunder, it's the same event. It's just when you detect it is different from when you see the lightning and when you hear the thunder. Prices went up, wages did not. That's the real wage going down. Business margin increased. And now, the expectation would be the wages will catch back up. And the business margin would kind of shrink.

So I think whether you take vacancies to unemployment rates ratios coming down still high, but clearly going the right direction, I think there is at least the chance that you can try to get rid of inflation without creating a recession. And that's the lodestar, whatever you want to think of it.

RAPHAEL BOSTIC: So I'll say it a different way, but I come to much the same conclusion. When we talk to businesses, we ask a lot of questions, but two questions we ask. One is are you looking to lay anybody off? And by and large, throughout the entire pandemic, nobody's been looking to do that. The demand has been so robust that the business leaders have seen opportunities to meet that demand by increasing their capacity, and workers want to do that, a way to do that.

And then the second is, what are you going to do with your wages? Compared to how much you increase wages last year, what are you going to do this year? And one of the things that we hear, actually almost universally is that last year was a catch year. Inflation popped up very fast. It rose quickly. Their employees knew it, they saw it. They felt they're falling behind.

And if there was going to be discontent that could possibly occur because they weren't being responsive to a reality that was going to be hard for them to retain so that everybody wanted to catch up get there, make sure that their employees are feeling whole. Now, they didn't fully catch up in 2022. So this year, they, also, and I should say in the catch up, the catch up happened incrementally so they did a raise early in the year.

Most of the businesses we talked to did a second raise at some point through the year because they were just really kind of calibrating discovering how much inflation was going up. This year, they're doing another raise that higher than the historical but less than what they did last year because they feel like that catch up is starting to happen. And over the course of this year, because inflation is falling, a lot of those wage increases will wind up being higher than the rate of inflation.

And so you'll start to see that catch up happen and play out in a pretty significant way. All the business leaders we talked to also say we're on the pathway back to our usual wage increments, that there's confidence that our policies are going to work. And they understand that it's going to take some time, and they're good with that. I actually think, you mentioned the waggle and all that kind of stuff. I think that we should just all remember that in many ways, this is still a pandemic economy.

And the things that we're dealing with are a byproduct of policy decisions, of business decisions, of the experiences we had through the pandemic where a lot of people were home working but still getting paid. And the dynamic that we have today is really idiosyncratic. And it means that we have strength in parts of the economy that you don't usually have when we're at this part of a policy cycle.

And that that's for me, one of the reasons why I have some confidence that the immaculate reception, if you will, actually take place and that we can see inflation get back to our target without having sort of the typically large level of disruption and pain.

AUSTAN GOOLSBEE: Jenna's is from Pittsburgh. So they had at immaculate for their immaculate reception.

[LAUGHTER]

JENNA SMIALEK: Now, I'm going to ruin my reputation by following up on that pessimistically and asking what if what if you're wrong? What if we don't get this immaculate disinflation? And we do see a situation where we get to the end of the year, and inflation is still a little sticky, and unemployment's rising pretty sharply. What do you do from a policy standpoint?

AUSTAN GOOLSBEE: I mean, what you do. If they come in at the beginning of this year, we had a couple of months in the fall of last year, things seem to be on a path that it was there was cooling, prices are coming down. And then we had a period where the jobs numbers were surprisingly big, and the growth numbers looked bigger than what we anticipated, and prices started to come back up. And we meet every six weeks.

And if the data come in, and over the course of this year, it's clear that the job is not done, then it feels like the policy response is obvious. And likewise, if there's some overshooting, and we start going into recession, or there is financial crisis, there are known playbooks as well. So I don't think it's the Fed's ability to operate and adjust according to the data is far more nimble than is fiscal policy than our almost anybody else's actions. So that part doesn't make me as nervous as though.

RAPHAEL BOSTIC: So I'm a little more nervous than you are, not because I think your answer is wrong, but the time when that question is called is going to be an uncomfortable one.

AUSTAN GOOLSBEE: Oh sure.

RAPHAEL BOSTIC: And there's going to be tension and pressure and stress from coming from a lot of different circles. And we are collectively going to have to remember your answer and be willing to be resolute and just hold the course, trust in our strategy and not lose sight of what our priorities are. And the world moves in funny ways, and they try to pull you places.

AUSTAN GOOLSBEE: This has been like my I don't what movie, but it was rough. We were friends before. And so he's been my oracle. What am I? Am I allowed to say can I say that if he likes you, you don't want to say that what.

[LAUGHTER]

JENNA SMIALEK: What don't you want to say?

[LAUGHTER]

AUSTAN GOOLSBEE: Look, I think that's true. But I said before, and I believe it. And with no offense to the US Senate, I think now this, the FOMC is the world's greatest deliberative body. It is not to say something went wrong for the Senate, but I kind of think the Senate's time is that has passed. People take very seriously at the FOMC, it's a committee. There are a lot of different views. And I think that maybe I'm naive. I've only been to three of them.

But I think we can do that. I think there will be disagreements, but.

RAPHAEL BOSTIC: We can do it. But the pressure will be enormous.

AUSTAN GOOLSBEE: Yeah.

RAPHAEL BOSTIC: And I think that I've tried to tell folks in my building, we haven't gotten to the hard part yet.

AUSTAN GOOLSBEE: I see.

RAPHAEL BOSTIC: There are going to be these days and these months where you're going to see headlines on The New York Times and The Washington Post. You're going to hear people on Bloomberg and CNBC saying what is the Fed doing there? The world is ending. And we're going to have to be super strong and detached and not get caught up in the emotion. I think it's going to be hard. So I remember when I started in this job, and I used to be flying places on Delta. And they all have the TV that you have. And I started putting on CNBC for my flights. And I'd have to stop.

Because they're like the Fed is a bunch of idiots. They what they're doing. And I'm on the plane, and I want to start yelling like what's wrong with you? I was like, I better turn this off right now. And it will be worse than that when we get to that potential turning point, people are going to want this just to be over. And we have to be sure that when we get to that point, that inflation is really down, and there's not a question in that anymore.

AUSTAN GOOLSBEE: My great mentor and dear friend was Paul Volcker. And I worked with him through the financial crisis. And I would ask him a lot about the Volcker era. And after he passed away, his widow gave me the original two by four that he kept, and it's written on that, too. I have it in my office at the Fed. It says please lower these outrageous interest rates. And they would send him keys from cars and say you you've ruined the economy.

So the pressure will be high. It's also worth remembering even in that episode, core inflation I think, was over 4% when they stopped. So it wasn't-- they got on a trajectory, but you don't land the plane nose down. When you come in for the landing, you've got to soften the blow a little.

JENNA SMIALEK: Yeah, that actually raises an interesting point, which is you said that there's an established playbook for how you do this stuff but. I think that one thing I've never really understood about the playbook is in an instance like this where you have high inflation, is high inflation the sort of be all end all thing you have to focus on? If unemployment is shooting up, is there some amount of trying to balance that against the high inflation? Or is inflation really the goal until inflation is coming down?

RAPHAEL BOSTIC: So let's be clear. We have a dual mandate.

AUSTAN GOOLSBEE: That was like two. I was going to say we have two things.

RAPHAEL BOSTIC: No one should misunderstand that. But when I started in this job, if people asked sort of what would be your success in the two parts of the mandate, it was 2% inflation. And then for unemployment, it was 4.4%. That was what people thought the natural rate was four or five years ago. We're at 3.4%. So no matter where you think it is, by most objective measures, we are going so far beyond success in terms of the maximum employment mandate that pulling off of that will probably, can make an argument that brings us closer to what most people think are actual target should be.

So a little bit of pulling back in terms of unemployment in the purpose or to the purpose of getting inflation back to the target, I think is totally justifiable and an appropriate thing to do.

AUSTAN GOOLSBEE: And the only thought and not to be Darth Vader to Obi Wan Kenobi or something, but the only thing that I will add to that is the fine tuning is not always easy on the labor market side, of course, that when historically when the unemployment rate goes up it doesn't go up a little bit. Ah, let's get from 3.4 to 4.2. The fear would be recession, things spiral, and the unemployment rate goes way up.

You said, the balance, and I think it's that. It's try to get the balance. And as President Bostic has emphasized, we're doing very well on the job market side, and we're making progress on the inflation side. But it's still well above where we want to be. So everything has moved the-- emphasized that side of the mandate. And 500 basis points in one year is a great deal. And you've seen that through the other panels. That plays its way out in a lot of parts.

And I still think maybe the majority of the tightening impact of what the Fed already did is still to come. And then you add the main stresses on top of it. And that's kind of like fiscal financial condition tightening that we got to take into account.

JENNA SMIALEK: How are you thinking about the bank stresses as you set policy?

AUSTAN GOOLSBEE: I think of it, there's two ways. One view is I call financial dominance, which says if there's a chance of a financial crisis, you should kind of subordinate the monetary policy goals. I'm not a fan of that. And I and I fear that it's drifts a little closer to the Fed should only do whatever the financial markets expect or want them to do. And I'm not a fan of that as the Fed strategy.

But I think if you look at past credit stresses, they reduce GDP in a pretty significant way. And if something's going to land on GDP, we should take that into account when we're doing the monetary policy. So in a way, it's doing some of the work of monetary policy for us. And unlike other conditions of financial stress, this one's happening where the financial stability goals and the monetary policy goals are not fighting each other.

We're trying to cool off the prices. And if banks raise their lending standards and conserve capital, and that slows the overheating in some sectors in a way that helps us.

RAPHAEL BOSTIC: Yeah, I talk about this a little differently in the sense that I don't that we have a crisis right now in financial markets. We have a small number of institutions that had risk management strategies that work less well than you would like. And the markets have made a judgment. And what has happened, though, is that that judgment hasn't led to a similar judgment for a large number of other institutions.

And so we've not seen this contagion take place. And what we've seen instead is every leader of a bank has basically said, OK, there is this potential liquidity risk problem. So let me conserve a little of my capital and not lend as much. That is the realization or the revelation of credit tightening. That's what monetary policy tightening is supposed to generate. And so the question that we all need to ask, and there's a lot of conversation on this is has the tightening been outsized relative to what we would have expected for the amount of tightening that policy happened?

AUSTAN GOOLSBEE: Yes.

RAPHAEL BOSTIC: And I don't the answer to that question. And I think what we're going to find out over the next several months is how much further the tightening goes, and how much does that tightening then bind economic activity, which will then flow through to the inflation performance over the next several months? I've been honestly, I expected that the turbulence from Silicon Valley Bank and Signature and First Republic was going to cause a lot more panic by bankers as well as depositors.

And in the sixth district, that just hasn't happened. It's been quite remarkable how people have just taken it on board and said, OK, that's one case. I don't think that's my case. So I'm just going to keep doing what I do. And so we're getting sort of a more orderly tightening of financial conditions than I might have expected, given how this all started.

AUSTAN GOOLSBEE: I agree with that. Seventh district, you saw the same thing. And going into the last FOMC meeting, I expected to see more of them. And I talked to people that they would be like, oh, we're pulling all our money out of regional banks, or we're doing whatever. And the thing that we heard over and over was basically the interest rate is way up you. And there is a tightening that comes from the interest rate. But we have yet to really see that shoe drop, I think.

JENNA SMIALEK: Speaking of shoes dropping, . I wonder what you each expect to be the sort of economic fallout if we don't come to some sort of debt limit agreement.

AUSTAN GOOLSBEE: Oh my God.

JENNA SMIALEK: It seems like.

AUSTAN GOOLSBEE: Oh, God.

RAPHAEL BOSTIC: Yeah so.

JENNA SMIALEK: An operative big, big news story today.

RAPHAEL BOSTIC: Yeah, on a very basic level, it is I can't believe we're actually having to have this conversation. Because the consequences are just substantial. When I think about the United States' position in the world as a financial leader, part of it is about confidence, and the notion that when we commit to do something, we actually do it. And if you start to undermine that, then you stop getting the benefit of the doubt. And then you wind up having to pay more to do pretty much anything you want to do.

And that winds up being a tax on everybody. And everything that we're trying to do, and I think it also has the potential to threaten our position with the fiat currency. We have our currency be the currency of the world. If the US has gotten crazy, then maybe we need to diversify strategies in ways that could also hurt us. I'd rather just not have any of these ideas even be contemplated by the business sector. And so I'm hopeful that this gets handled pretty quickly.

AUSTAN GOOLSBEE: I mean, it couldn't come at a worse time in the sense that we already have this financial stresses and the arguments about what securities they have and the collateral. And treasuries is the safest thing there is. And now, we're going to go blow that up. That would just be a mess. At the end of the day, I kind of still can't believe that, or we're not going to pay the military, or they're not going to pay Social Security, or. It just doesn't make sense to me.

And I'm hoping that this is more like when you watch the NBA, there are people who don't like to watch the NBA. Because they're like, oh, what's the point of watching the first three quarters of the game. It's all going to come down to the last three minutes, and then they're going to start fouling and shoot free throws. So I'm just not going to pay attention until the last second. And you kind of get a sense that it's like that. But it would be very problematic.

RAPHAEL BOSTIC: Have we started shooting free throws yet?

AUSTAN GOOLSBEE: [LAUGH] Let's hope, let's take some free throws. You what I mean? This one, they can sort it out. As I say, let's do the mature thing and just have a fight over shutting down the government in a way. That's the mature, let's not threaten default.

JENNA SMIALEK: In the event that we do threaten default, that we don't take the Medicare fight that you're suggesting, does the Fed have effective tools to mitigate the fallout?

AUSTAN GOOLSBEE: Compared to what? I mean, that's always the question. This is not a, the reserve banks would not be sorting that out. That's, Washington would have to decide what those tools are.

RAPHAEL BOSTIC: Yeah, I don't I don't think it's obvious what we would do. I think we would wind up being in a reactive mode. It would effectively cause us to have to adjust what our outlook would be for the foreseeable future. Because all relationships would change. Financial markets functioning would change. It would just be totally different and much more difficult. And maybe embedded in your question is, do we think the Fed is going to be a white knight to come in and save the day?

I don't think so. But I haven't been in those conversations. So maybe there is some switch you can flip, but.

AUSTAN GOOLSBEE: I'm the new guy. I don't. I have no idea.

JENNA SMIALEK: Nobody's pointed you towards the switch.

AUSTAN GOOLSBEE: My thing was I was there in the administration the last time we got into this fight about the debt ceiling. And we got downgraded, but that was actually two hours after I left the government. That was the day I left. So we can't tell. Either it was the debt ceiling fight, or it was me leaving the government. But what would the rating agencies reaction be? I would fear besides the first order craziness, there's second order craziness, too.

If you get two of the three major rating agencies downgrade something then there a bunch of financial institutions that can't hold those securities, so then it's like what would that be Treasury? Everyone would be forced, and would the rating agencies peg other ratings to those ratings? I don't know. I think that we're going to sort it out. However they negotiate, or whatever they do, as Chair Powell said, there really isn't any alternative. They're going to have to raise the debt ceiling.

The only question is, how much pain are we going to have before that happens?

JENNA SMIALEK: I like that you just set up if you resign, we should all watch it as a bearish.

AUSTAN GOOLSBEE: If I resign? Oh geez,

RAPHAEL BOSTIC: You're not going anywhere. You are going nowhere.

JENNA SMIALEK: Switching to audience questions, our most upvoted question is markets are pricing nearly a 75 basis point reversal in rates. There's a disconnect between Fed rhetoric and markets. How do you reconcile this?

AUSTAN GOOLSBEE: Look, I'd just give you one caution. Go read the Bar report on Silicon Valley Bank, and you will see that there was a moment where Silicon Valley Bank had interest rate hedges in place. And they removed the interest rate hedges, and just took naked bets. And the reason they did that was they looked, and they said but the Fed said it's going to keep the rates high. And the market says, no, they won't keep the rates high. And it did not end well for the people that were betting against the Fed. I'll just leave it at that.

RAPHAEL BOSTIC: I really I must add on that.

[LAUGHTER]

RAPHAEL BOSTIC: I mean, what-- I am now, of course. Look, I think part of this is a different projection about how fast inflation can come down. And I just don't think it's going to come down that fast. And in order to reduce rates by that much, it'd have to come down a lot a lot. I just don't see it. I'd be happy to be wrong on this. Because then it means we're to the other side. But I don't, it's not.

AUSTAN GOOLSBEE: I mean, it kind of feels like there's two components. One could be if the market is more pessimistic about how the economy is going to do, and there have been points like that where if you looked at their implied GDP growth, they were saying it was going to be a bigger recession than what the SEP thought or what the FOMC participants thought. That, I kind of understand how they would have those differences.

And then the other component is the, well, they don't think perhaps that the Fed will commit to getting rid of inflation or stick to it. And that's the part. Just go look at the Bar report. That's a dangerous way to bet.

JENNA SMIALEK: Another easy one, given concern about bank deposits declining and pressuring bank balance sheets, would it be worth revisiting the pace of balance sheet run off given part of the decline in deposits already underway was likely due to the stoma shrinking?

RAPHAEL BOSTIC: Go ahead.

JENNA SMIALEK: [LAUGH]

RAPHAEL BOSTIC: So I've been kind of surprised and pleasantly so how the reduction of the balance sheet has not led to widespread disruption in financial markets and money markets. And I actually think that what we're seeing in the reverse repo market suggests that there's still a fair amount of excess in the space that should allow us to cancel excess reserves, right, to allow us to continue. The balance sheet is an important, I guess, in the background, but it is a real thing.

And our presence in these markets is real. And until we get to a more rationalized space, I think I'm always going to be wondering, are we creating too large a distortion so that capital is not flowing to the places that it should in an appropriate way. I think we always have to be taking that question seriously. And we have to be really committed to returning our presence to a small level as it possibly can.

Now, it will not be what it was before. There are a lot of dynamics in the marketplace that suggests that our balance sheets should be larger, demand for cash is a lot higher. There's a lot of other stuff, GDP is larger. The US economy is larger. But it's larger now than it needs to be. And the one thing I say a lot is that you do emergency things in emergency times. But when the emergency is passed, you should stop doing the emergency things.

And so we need to be thinking hard about given where things have evolved sort of what is the non stopping emergency thing look like? What is that threshold level of balance sheet that is the equivalent of that? And we should try to get there as intensively or attentively as possible.

AUSTAN GOOLSBEE: It seems like President Logan at Dallas has done a lot of deep thinking about this, has a ton of experience. And I like the thinking of the ONRP as a type of reserves, and we've got a lot of reserves. Our view of what the target should be, it does limit, not limit, but it does influence our action.

And I guess the only thing I would add to the philosophical spirit that Raphael had there is I do think the bar, we want the bar to be a little high on changing the strategy on QT or QE that we don't want the world to think that every time there is an FOMC meeting, we're going to go in and decide this plus the Fed funds rate that outlining a strategy in a way it's kind of a rule based thing. And if there's a major disruption we could change the speed at which we're doing that.

But barring a major disruption, there's something to be said of everybody understands the speed at which we're going to be doing quantitative tightening. And so it means something if we change that.

RAPHAEL BOSTIC: The second thing on this is just like you talking about a financial weakness working in the same direction, the reduction of the balance sheet is also working in the same direction, right? So we don't have policy incongruence. And if it can be in the background, it's very passive. We're not actually actively trying to manage this I think it allows us to have some success without causing people to wonder like you got six different moving parts, how do I add all this up to something to be able to build my own strategy as a business.

JENNA SMIALEK: Interesting. So we've got two more questions that I want to ask, so brief answers.

RAPHAEL BOSTIC: I've got to be quick.

JENNA SMIALEK: I want to make sure we get to--

RAPHAEL BOSTIC: Talking so long.

AUSTAN GOOLSBEE: I told you she was giving us the body language. It was like beat, but we weren't accepting it. So now she just told us be shorter, fine fine. We can do that.

JENNA SMIALEK: Mervyn King criticized central bankers for relying on models, which characterized as saying that inflation will return to 2% because everyone expects 2% because central bankers are targeting 2%. How do you think about forecasting inflation?

AUSTAN GOOLSBEE: I wasn't there. That was a critique of President Bostic, and--

[LAUGHTER]

RAPHAEL BOSTIC: So I actually think it was a mischaracterization of what we do. . The model is an approximation of reality but then, you have to let reality inform where you take that approximation. And we do a lot in our bank to get input from real people in real time. And that allows us to have a narrative that guides where I take the model of prediction and how I adjust it to get an outlook. So I think pre-Great Financial Crisis, that was a much more legitimate critique.

But the Fed missed that one pretty bad. And in our bank and others, we decided we need to get a whole new set of places to collect information from. So we have a regional economic information network. We built up a whole survey shop. We put up a lot of tools on the web for people to see all the different ways you can look at this. And I think it's really helped.

AUSTAN GOOLSBEE: One of the first pieces of advice Raphael gave me was get out and go talk to people. Go in your district. You want to meet the businesses, meet the bankers, get here some things that are not just coming from the Ferbis model. And in a way, if you're too believing of the model, the Ferbis model is heavily driven by expectations. So if expectations don't move that much, it's going to predict inflation will come back down quickly.

It is poor, and I'll never say the word transitory out loud. But that can give play into that problem.

RAPHAEL BOSTIC: I should have had my jar here.

AUSTAN GOOLSBEE: Yeah. [LAUGH] So I think in spirit, the King critique.

RAPHAEL BOSTIC: It's time my language.

AUSTAN GOOLSBEE: 50 Seconds. The King critique, I think he's right. But . I think it was unfair to say that we just look at models in that way

JENNA SMIALEK: OK, final question, if you don't raise rates in June, would you characterize it as a pause or a skip?

[LAUGHTER]

RAPHAEL BOSTIC: Wow.

AUSTAN GOOLSBEE: Is it a pause or a skip? I mean, doesn't it depend on what the data? I mean, it totally depends on the data.

RAPHAEL BOSTIC: So yeah, I'll--

JENNA SMIALEK: That's Always the right answer, right?

AUSTAN GOOLSBEE: But it's like.

RAPHAEL BOSTIC: I'll play the game, though. Yeah,

[LAUGHTER]

I'll say pause. But a pause could be a skip.

[LAUGHTER]

Or it could be a hold. And so--

AUSTAN GOOLSBEE: Or it could be a hold.

RAPHAEL BOSTIC: So to me, I think we don't know. There's a lot of uncertainty in the world. And so we'll just have to see how things play out and get a sense of what's true signal versus what's noise. And that's going to be a week to week thing. And so.

JENNA SMIALEK: So we can look forward to that hopscotch for the next one.

AUSTAN GOOLSBEE: Scotch.

[LAUGHTER]

JENNA SMIALEK: All right, and look at that, 30 seconds to spare. We kept it right on time. Thank you both so much. It's been a great talk. Thanks to the organizers.