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Federal Reserve Chair Powell on Global Economic Policy

Federal Reserve Chair Jerome Powell discussed economic policy with global financial leaders in a virtual event hosted by the International Monetary Fund. Chair Powell. IMF Managing Director Kristalina Georgieva. Eurogroup

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WHAT WE HAVE SAID ABOUT OUR ASSET PURCHASES IS THAT THEY WOULD CONTINUE AT THE CURRENT PACE UNTIL WE SEE SUBSTANTIAL FURTHER PROGRESS TOWARDS OUR GOALS. THAT WILL MEAN ACTUAL PROGRESS, WE ARE NOT LOOKING UP FORECASTS FOR THIS PURPOSE. WE ARE LOOKING AT ACTUAL PROGRESS. THAT IS INFLATION, IT IS ALSO INDICATORS OF MAXIMUM EMPLOYMENT. I WOULD LOOK AT GLOBAL VACCINATION AS A RISK, SOMETHING TO WEIGH IN ON THE PROGRESS WE'RE MAKING. SOMETHING THAT WE TRACKED TRACK VERY CAREFULLY, COURSE. THERE IS A RISK HERE IN THE U.S. CASES ARE MOVING BACK UP. I WOULD URGE PEOPLE GET VACCINATED AND CONTINUE SOCIAL DISTANCING. WE DO NOT WANT ANOTHER OUTBREAK, EVEN IF IT HAS LESS ECONOMIC DAMAGES AND KILLS FEWER PEOPLE, IT WILL SLOW DOWN THE RECOVERY.

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CHAIR POWELL, YOU HAVE SAID INFLATION COMING ISN'T -- IS IT TRANSITORY. EVEN THE ECB PRESIDENT LE GUARD REFERRED TO IT AS TRANSITORY. WHAT DOES TRANSITORY MEAN? HOW HIGH WOULD BE TOO HIGH DECO -- TOO HIGH?

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LET ME BE VERY CLEAR BY WHAT WE MEAN BY TRANSITORY. THERE'S A DIFFERENCE BETWEEN A ONE-TIME INCREASE IN PRICES AND PERSISTENT INFLATION. WHEN WE SAY INFLATION, THAT'S WHAT WE MEAN. PERSISTENT INFLATION THAT GOES UP BY 2% OR WHATEVER IT IS YEAR AFTER YEAR AFTER YEAR. THAT LEVEL OF INFLATION TENDS TO BE DICTATED BY UNDERLYING INFLATION DYNAMICS IN THE ECONOMY, AS OPPOSED TO THINGS LIKE BOTTLENECKS. THE NATURE OF A BOTTLENECK IS THAT IT WILL BE RESOLVED. THAT THE SUPPLY SIDE WILL ADAPT. THAT, THEREFORE, WHATEVER COSTS PEOPLE HAVE TO BEAR IN PRICES BECAUSE SUPPLIES ARE TEMPORARILY TIGHT AS THE ECONOMY REOPENS WILL BE REPEATED NEXT YEAR. WE THINK SUPPLY CHAINS WILL ADAPT AND BECOME MORE EFFICIENT. IT MIGHT TAKE A YEAR. BUT IT WILL HAPPEN. THAT IS WHAT WE ARE SEEING. REMEMBER, SARAH, WE HAVE HAD 25 YEARS OF INFLATION DYNAMICS, ROUGHLY 25 YEARS WHERE INFLATION HAS BEEN LOW. IN MANY ADVANCED ECONOMIES AROUND THE WORLD THEY HAVE BEEN UNABLE TO REACH 2% INFLATION. SOME ARE FIGHTING OFF DISINFLATION. DOES BENDED DOMINANT SET -- THAT IS BEEN THE DOMINANT SET OF INFLATION FOR THE PAST TWO DECADES. NOW WE HAVE SITUATIONS WITH ECONOMIES REOPENING, A SURGEON DEMAND PERHAPS, BOTTLENECKS, PERHAPS. IT SEEMS UNLIKELY THAT WILL CHANGE THE UNLOCK -- THE UNDERLYING PSYCHOLOGY THAT HAS TAKEN DEEP ROOTS OVER THE COURSE

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WHAT WAS SO UNUSUAL ABOUT THIS EVENT, THIS PANDEMIC, WAS IT HIT COMPANIES THAT WERE IN THE SERVICE INDUSTRIES THAT FACED THE PUBLIC WITH A LOT OF PUBLIC INTERACTION. THE PEOPLE WHO LOST THEIR JOBS TO THE BIGGEST EXTENT WERE RELATIVELY LOW PAID SERVICE WORKERS AND TRAVEL LEISURE HOTELS, RESTAURANTS, THINGS LIKE THAT. THAT TENDS TO SKEW TOWARDS MINORITIES AND WOMEN. THEY TEND TO BE LOWER PAID AND HAVE LEFT DESK LESSEN THE WAY -- HAVE LESSEN THE WAY OF WEALTH TO FALL BACK ON. THEY WERE -- THEY VERY LARGE PORTION OF THE BURDEN. THE UNEMPLOYMENT RATE OF THE BOTTOM QUARTILE OF EARNERS IS STILL 20%. THE HIGHER END OF THE LABOR MARKET HAS VIRTUALLY RECOVERED. BUT NOT FOR PEOPLE IN THE BOTTOM 20%. WE HAVE BEEN CONCERNED ABOUT THIS FROM THE BEGINNING. IT AMOUNTS TO NINE OR 10 MILLION PEOPLE, DEPENDING ON HOW YOU COUNT IT, WHO WERE WORKING IN FEBRUARY OF 2020 WHO ARE NOW UNEMPLOYED. THEY WERE IN THE WORKFORCE. THEY WANT TO WORK. BUT THEY ARE NOT WORKING. WE WILL NOT FORGET THEM. WE WILL PROVIDE THE ECONOMY THE SUPPORT IT NEEDS UNTIL THE JOB IS DONE. THE REAL CONCERN IS THE LONGER-TERM UNEMPLOYMENT CAN ALLOW PEOPLE SKILLS TO ATROPHY, THEIR CONNECTIONS TO THE LABOR MARKET TO JOINT ALL. THEY HAVE A HARD TIME GETTING TO WORK. IT IS IMPORTANT TO REMEMBER WE ARE NOT GOING BACK TO