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Dr. Raphael Bostic
President and Chief Executive Officer
Federal Reserve Bank of Atlanta

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Webinar

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Introduction

President Barbara Van Allen: Welcome everyone, good...I guess it's still morning...to our meeting. And we'll get started in actually less than a minute. Thank you.

Chairman John C. Williams

Well, I think it's just past noon, so I will say good afternoon to everyone, and welcome to the 591st meeting of The Economic Club of New York. This is our 114th year. I'm John Williams. I'm Chair of the Club and President and CEO of the Federal Reserve Bank of New York. As many of you know, The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues, and our mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation.

This past summer, the Club kicked off its Focus on Racial Equity where we've been leveraging our platform to bring together prominent thought leaders to help us explore and better understand the various dimensions of racial inequity and highlight strategies, best practices and resources that the business community can use to be a force for change. We've catalogued, published and shared last year's insights and are continuing the program with the addition of today's event.

Now, we're not doing this work alone and we'd like to give special thanks to our corporate partners – Mastercard, Bloomberg, PayPal, Taconic Capital, S&P Global and BlackRock as well as the many members, speakers and subject matter experts that are now and will be engaged in this work. If your organization is interested in collaborating with us as a partner and thought leader on this year's racial equity programming, please reach out to Barbara following this event for more information.

A special welcome to members of The Economic Club of New York's 2021 Class of Fellows, a select group of very diverse, rising next-gen business thought leaders and graduate students from Manhattan College, City University of New York Graduate Center, and the Baruch Zicklin School of Business.

Now, it's a pleasure for me to welcome our special guest today, my friend and colleague Dr. Raphael Bostic, the President and CEO of the Federal Reserve Bank of Atlanta. Raphael took office on June 5, 2017 as the 15th President and CEO of the Atlanta Fed. He's responsible for all the bank's activities including monetary policy, bank supervision and regulation, and payment services. In addition, he serves on the Federal Reserve's Open Market Committee.

Raphael was born right here in New York City and grew up in New Jersey. He graduated from Harvard University in 1987 with a combined degree in economics and psychology, and he earned his doctorate in economics from Stanford University in 1995. Raphael and I were classmates in that PhD program.

Raphael started his career at the Federal Reserve Board from 1995 to 2001, where his work on the Community Reinvestment Act earned him a special achievement award. From the Fed, Raphael went to USC, where he was the Judith and John Bedrosian Chair in Governance and the Public Enterprise at the Sol Price School of Public Policy. And during that time, he served as Assistant Secretary for Policy Development and Research at the U.S. Department of Housing and Urban Development.

Raphael previously served on many boards and advisory committees, including the California Community Reinvestment Corporation, Abode Communities, NeighborWorks, the National Community Stabilization Trust, the Urban Land Institute, the Consumer Financial Protection Bureau, the American Real Estate and Urban Economics Association and Freddie Mac.

The format today will be a conversation, in which we're very fortunate to have Club trustee, and Managing Partner and the Co-Founder of RECOGNIZE, Charles Phillips, doing the honors. Now, as a reminder, this conversation event is on the record and we will have media on the line. So I'm turning it over to Raphael to give your opening remarks. Welcome.

Remarks from Dr. Raphael Bostic

Well, thank you, John, and thank you and the Club for the invitation to come here and talk. You know, I have a rule at my bank that they're not allowed to read the whole bio and so we're going to have to get you lined up with that for the next time we do one of these things. But seriously, it's really good to be here. And I have to say, I took a look at the list of presenters that you've had before and it's quite a list. You've gotten so many luminaries here so it's a bit daunting, but I'm really flattered to be here, and I hope that I don't disappoint you with my remarks.

Now today, what I thought I would do is explore a couple of ideas that I hope you find timely. First, I'll explain why I believe that we should broaden our gauges of inflation and employment, which are the components of the Federal Reserve's dual mandate. And then I'll discuss racial equity in the economy, and I know you guys are doing stuff on this. But specifically, the message I want to say and offer today is about the essential task of convincing the public and policymakers that inclusive economic growth is not a zero-sum proposition. Greater opportunity for historically disadvantaged Americans produces not less opportunity and prosperity for everyone, but more.

Now before I get to the substance of my remarks, though, let me remind you that these thoughts are mine alone. They do not necessarily reflect the views of my colleagues on the Federal Open Market Committee, and John will vouch for that, or any of my colleagues at the Atlanta Fed.

So let's start with inflation. I know you're all familiar with the pre-pandemic narrative. Inflation was stuck stubbornly well below our 2% objective as measured by the Committee's preferred metric, the Personal Consumption Expenditures, or PCE, price index. Now that narrative is correct as far as it goes. But in my view, it reflects an overly narrow view of inflation by relying largely on a single reading as fully representing the de facto underlying inflation trend.

Now divining the real inflation signal is difficult enough in any circumstance, and it has become more so in the days since the pandemic upended consumer behavior and sent relative prices careening every which way. So, we should take note of a range of measures to gain the broadest possible understanding of underlying inflation.

Now traditionally, the core PCE price index has been used to cut through some of the noise in the headline index to clarify the underlying inflation trend. But I think one of the central flaws of the core concept is that dramatic price swings outside of food and energy, which are the items excluded from the core measure, often lead to large and sometimes lasting changes in the core PCE inflation that are unconnected to our price stability mandate.

In recent years, we've seen several relative price declines that did not provide meaningful signals regarding inflation that could be used to guide thinking about the stance of policy. Instead, these declines flowed from technicalities like changes in the methodology used to calculate inflation.

As one example, recall that many cell phone carriers offered unlimited data packages in 2017. That torpedoed year-over-year core PCE inflation, though it revealed little about where monetary policy should be. I'm a housing guy, so let me dive into that topic for a moment as a way to further illustrate why measuring broad inflation is so complicated and, particularly to laypeople, it serves up often unsatisfying conclusions.

Consider the Consumer Price Index, one of the familiar measures that I follow to help identify inflation trends. One of the most important components of the Bureau of Labor Statistics' inflation basket is owners' equivalent rent of primary residence, which is also known as OER. Now, OER accounts for nearly a quarter of the overall CPI index.

Now, if you can pull up the first slide here, what you can see is that housing prices have soared while OER has stayed pretty flat or even declined. Now, the reason for this is that the BLS treats home purchases as investments, not consumption. To measure prices of goods and services intended for consumption, OER attempts to abstract from the asset value of a house and focus instead on the value of living in a house by approximating what homeowners would pay if they were renting. That value, or service flow, of living in a house changes only gradually from year to year.

Now, further contributing to the disconnect between house price inflation and OER inflation during the pandemic are the extraordinary housing policy actions that have been taken during the pandemic. While they protect households that have disproportionately lost jobs and income, eviction moratoriums and rent freezes are weighing on prevailing rental prices. This, in turn, puts downward pressure on OER because OER is imputed from observed rental rates. And as a consequence, there is downward pressure on the CPI. Now these problems carry over to the PCE price index measure of inflation that we use as well, though I have to admit that the effect of this is less dramatic because the housing share in the consumer expenditure bundle is lower.

Now, in both of these cases, an exclusive focus on a single measure of inflation could lead one to miss important context and potentially draw inaccurate inferences. To try and drill through the muck to reveal the true inflation signal, then, we at the Atlanta Fed have increasingly turned to an underlying inflation dashboard. Now, you can see a snapshot of this in the next slide.

On this slide, you can see that our dashboard incorporates multiple measurements. And permit me here to give a shout-out to economists all across the Federal Reserve

System who built some of these alternative gauges. By helping my staff and me better identify the underlying inflation signal, the dashboard helps us determine whether monetary policy is properly calibrated to economic fundamentals.

Now, if you'll notice in the slide, the green shading indicates readings within range of the committee's 2% target – that is, within one-quarter of a percentage point either above or below. And, as you see, entering the pandemic, six of the nine measures had inflation within the target range. So maybe we were not undershooting quite as badly as conventional wisdom had suggested.

Of course, in recent weeks, the specter of troublesome inflation has garnered profuse commentary. Certainly, there are forces in play that merit watching. Some commodity prices and 10-year Treasury yields have climbed, and our surveys tell us firms' short- and longer-run inflation expectations have likewise ticked up in recent weeks. Moreover, many hold a view that a large infusion of fiscal relief could overheat an already recovering economy.

I'd like to make a couple of points on why I'm not sure we are staring down a fearsome inflation outbreak. First, it's unlikely that we'll get a clear reading on underlying inflation for a few months yet. As I noted, the pandemic-induced swings in spending, generally towards goods and away from services, have played havoc with prices. For instance, as travel nearly ceased last year, so few people leased cars that the Bureau of Labor Statistics lacked sufficient data to even publish a price index for that service for several months as part of the CPI.

Meanwhile, prices soared for goods like used cars, appliances, and home furnishings. In short, price volatility exploded in the underlying market basket from which inflation is calculated. And coming off very low measures a year ago, we are likely to see a big, but not especially meaningful spike in inflation readings over the next few months.

So, on balance, I don't think it is clear that a surge in underlying inflation is imminent. The latest official readings substantiate that. For February, only one of the nine readings in our dashboard, which you can see there, came in above the Fed's target range. Now, I watch for the trajectory of inflation and the path suggested by these signals does not, to me, give me bother at this point.

I would also note that given the shortfall in inflation during the pandemic, appropriate monetary policy will aim to achieve inflation moderately above 2% for some time, per the policy framework the Committee adopted last year. And furthermore, we must also reach maximum employment, and that goal is at least many months away. So, let me say unambiguously that I am not at the moment thinking we will need to remove policy accommodation anytime soon. Now, of course, the Committee and I are datadependent, so my view can change if conditions warrant. But I don't think that'll happen in the next few months.

Now, just as I believe the Committee is best served by a holistic view of inflation measures, I believe the same holds for employment. After several months of weak job growth on the heels of a spike in virus cases last fall, aggregate readings of the labor market have, in some respects, been better than many expected. The unemployment rate is down from nearly 15% to 6.2%. February's employment report was solid, with nearly 400,000 new jobs added even as much of the country remained under social distancing measures. But these positive aggregates do not tell the whole story. I like to say that almost nobody lives the story implied by the aggregate, and this is certainly true today.

When one looks at a broader set of employment measures, what emerges is the contour of an uneven economic recovery. I would argue that the unevenness of the Covid-19 impact is the signature characteristic of our pandemic-driven economic crisis. The disparities manifest along multiple dimensions but let me home in on four important ones: industry sector, wage levels, gender, and race and ethnicity.

It is widely recognized that people who work in restaurants, museums, theaters, hotels, and other places that depend on large gatherings have suffered the brunt of job losses.

There are at least three reasons for this. First, for the most part, people working in these sectors can't work at home. Second, many of their workplaces closed or all but closed because of restrictions. And third, many people have been understandably uncomfortable going out even when establishments have reopened.

Indeed, employment in leisure and hospitality is still 3.5 million jobs below where it was in February of 2020. Given that this represents 35% of the nation's current job shortfall relative to our pre-Covid employment level, recovery for this industry will be central to the overall economic recovery.

Now the second dimension of uneven impact is wage level. The impacts of the Covid-driven economic contraction have hit low-wage workers much harder than high-wage workers. Among the top quarter of wage earners, employment has declined about 4% since February of 2020. For the bottom quarter of earners, the decline is more than quadruple that, at 17%. This is due in part to a correlation between sector and wage level, but only in part. We also see this more broadly in sectors beyond leisure and hospitality.

Thirdly, women have absorbed a sharper labor market hit. One reason for this is that women disproportionately work in low-wage jobs. But it is also true that women have quit the labor force at much higher rates than men. And we show the effect of this in the next slide. Looking strictly at unemployment, which are the blue bars in the chart, it appears that men have fared worse in this pandemic recession. However, notice the taller orange bar on the left. That describes the disproportionate rate at which women have left the labor force.

Now sociology has undoubtedly played a role here. The crisis led to school and day care center closures and also made home healthcare services less viable given the risks of infection, meaning that a family member would need to devote time to tend to children and to elders. In many families, women have made the choice to do this, in an echo of their historical caretaking role.

The fourth and final dimension of labor market unevenness that I'd like to comment on today is race and ethnicity. And if we can pull up the next slide, you can see that unemployment among non-Hispanic Whites is down about 4.5% since the onset of the pandemic, substantially less than among African Americans and Hispanics. Now some of that disparity is because Blacks and Hispanics are overrepresented in the occupations where most jobs have disappeared.

One of our economists, Julie Hotchkiss, has published research that suggests the Covid recession will significantly dent the labor market progress Black Americans finally began enjoying late in the recovery from the Great Recession. So, the pandemic recession has been particularly painful for the African American workforce, and that's something policymakers must keep front of mind.

Now this provides a nice segue for me to talk about racial equity. Racial equity in our economy is not some nicety. Rebuilding an economy that works for everyone is critical for, yes, everyone. The status quo is simply leaving too many people behind and too much of our nation's economic potential untapped.

One way to think about it might be the difference between full employment and maximum employment. We can have full employment as defined by a low unemployment rate, and still leave millions unattached or tenuously attached to the labor force, if we assume institutions and systems are unchangeable. On the other hand, maximum employment contemplates drawing those unattached or tenuously attached back into the labor force. And I advocate for pursuing the latter. Ultimately, for all our sake, the nation must reach a place where opportunity is not so tightly linked to race, a place where kids are not consigned to a life of struggle mainly because of the color of their skin.

Clearly, this quest is daunting. But to get there, we must cement the notion that an inclusive economy is not a zero-sum proposition. If traditionally disadvantaged people get a better shot at a decent job or a small-business loan, that does not rob someone else of opportunity. An expanding body of research is building a powerful, pragmatic argument for economic inclusion.

A study funded by J.P. Morgan Chase estimates that eliminating racial inequities in income could boost the U.S. economy by $2.3 trillion a year. And in a paper prepared for the Fed System's *Racism and the Economy* webinar series, our colleagues at the San Francisco Fed found that racial and gender disparities in economic opportunity have ripped enormous chunks out of potential GDP: $2.9 trillion in 2019 alone and roughly $71 trillion over the past 30 years. Numerous other studies have reached similar conclusions.

Also, research from Harvard economist, Raj Chetty and several co-authors suggests the country is missing out on potential innovations. We could produce many more inventors if women, people of color, and children from low-income families were exposed to innovation at a young age.

Now to take a different angle, we can ponder an example in our own country of public policy organized around restricting opportunity to a large group of citizens. Historians including C. Vann Woodward have concluded that the Jim Crow system of segregation was underpinned largely by cynical machinations using the zero-sum proposition to pit working-class Whites against Blacks. No clear-eyed observer could call the Jim Crowera South a paradise for working-class and low-income White Americans. Poverty and disease were indeed rampant. So, if barring African Americans from economic opportunity was supposed to preserve more opportunity for the masses of White workers, it was woefully unsuccessful.

Now, thankfully, there are few contemporary structures designed to explicitly disadvantage certain groups. Yet those institutions and systems of the past were in place for decades, and they have not been benign. This reality means that attention and refinement is needed to prevent harmful consequences even if today they are unintended.

The time to act is now. Our current moment in history shines a bright light on these issues. The disproportionate impact of Covid-19 on the labor market outcomes of people of color and women, as well as the increasing racial diversity of the U.S. population, will only increase these costs. Therefore, eliminating disparities in access to labor market opportunities and how labor markets treat workers is essential if we are to generate stronger economic growth and maintain global competitiveness.

There are reasons for optimism. Pandemic stresses clarified inequality in our society in ways that opened conversations about historical barriers to opportunity. This has certainly been the case within the Federal Reserve System. Our *Racism and the*

Economy webinar series is exploring the roots of disparities in housing, the labor market, education, and more. And I would really encourage you to check out those sessions. They've been very interesting and quite thought-provoking.

At the Atlanta Fed, we've made boosting economic mobility and resilience an animating theme of our work. Through our Advancing Careers for Low-Income Families Initiative, we conduct research on benefits cliffs and develop tools to support community and state efforts to improve economic security for families while also meeting the talent needs of businesses. And as another example, we've also joined with the Markle Foundation to form the Rework America Alliance to help workers emerge from the Covid-19 pandemic crisis stronger and better positioned to move into well-paying jobs regardless of formal education.

Now, I could go on for a long time talking about efforts in this space, but in the interest of time, let me close by saying that pursuing economic inclusion in no way conflicts with the Federal Reserve's dual mandate. On the contrary, it enhances and enriches our conception of full employment, and in this sense parallels our similarly nuanced approach to better understanding inflation. So thanks again for inviting me, and I look forward to the discussion and your questions.

Conversation with Dr. Raphael Bostic

CHARLES PHILLIPS: Great. Thank you, Dr. Bostic. I'm Charles Phillips and thank you for those insightful remarks and for joining us here at The Economic Club of New York. I think your appearance here is timely given the impact that both fiscal and monetary policy is likely to have on the economic recovery. I think that these are things we've all been talking about. But more importantly, I think a lot of us who have been following your work for years – I certainly have – you've been a clear, consistent and early thought leader on creating an inclusive economy as your remarks reflected and the level of rigor that you bring to this has advanced the conversation. So thanks again for coming.

So, let's start off in the area that I think is on everyone's mind, just the size of the stimulus coming from Washington is just mind-boggling. We used to think millions were a big number. Then it was billions. Now we're talking trillions. So it's just unprecedented. So how does this end for inflation and does debt matter anymore in the scheme of things? And how do you think about it at the Fed?

DR. RAPHAEL BOSTIC: Well, you know, that's a very good question, and I think about it this way. We have a short-run challenge and we have a long-run challenge. The short-run challenge is to try to create a bridge for as many families and as many businesses to get through the Covid pandemic so that they're close to whole when we get to the other side and then the economy can build in a very robust way. And, you know, before the last package, the $1.9 trillion, that relief was really slated to go basically to the end of March.

And then the question is, at that point, would you have enough relief to keep enough of us whole so that we wouldn't have to dig people out of a hole while trying to start to get to that next phase of growth and development? Policymakers decided that we wanted to not take chances and I actually am supportive of that. I think that if you're going to err in this space, to err on the upside rather than to the low side.

Now, that does introduce a question about what happens and how does that money flow into and through the economy? And what I would tell you is I think there will be an impact in terms of growth. All of us are hungry to be out and engaging and doing trips and all that kind of stuff so there is going to be a spike in demand and there will be growth. I would just remind people that we're still down a lot of jobs. There's a lot of stress and pain out there and when we see this growth, we're still just going to be trying to get back to where we were pre-Covid.

Now, in terms of inflation, I think that, as I said in my remarks, we're going to have sort of a bumpy time in terms of inflation for the next several months, just because of math and because of a lot of the volatility that we've seen in prices through the pandemic. So we won't get a clear signal on this for a while. We're going to see higher measures, but for me, I'd like to wait and be patient and have us get to a period where the economy is acting in a more of steady state way to really be able to discern a clear signal about what's happening with inflation.

Then the last thing I'll say on this, because I'm a professor, I tend to do longer answers, is that, you know, pre-pandemic, inflation was getting to our target. I don't think it was way beneath it but we've not seen, over the last decade really, evidence to suggest that runaway inflation is something that is very much on the near horizon. So we're going to keep an eye out for it, but right now I don't see that as something that is going to be a major source of concern in the coming months.

CHARLES PHILLIPS: I have a question on income inequality. There was a pretty good article in the *Wall Street Journal* earlier this week that went through an analysis that if you factored in, kind of the earned income tax credit, other in-kind services, that actually income inequality has been declining, not increasing, on a post-tax basis. So that's one question. Is that true in your view? Then secondly, a lot of the stimulus is kind of going down the same path, adding more kind, in-kind services and credits and so essentially universal basic income. So is that the direction to go? Does that encourage work? Do you think that's good for the economy, and just your own world view of those two topics?

DR. RAPHAEL BOSTIC: So, you know, I took a glance at that *Wall Street Journal* article. Some people had sent it to me and asked what I thought. I actually think it asks a different question that I would ask. So the question I would ask is, you know, to what extent is the economy working for everyone? And if you need to have in-kind supports like childcare supports or housing vouchers or any of those things, I think that's a real question about whether the economy is really working for those people.

And the article says is if you add in all of those extra supports and all the compensation we're doing for the economy, then we're back where we were, you know, 30, 40 years ago. And is that the economy working? Or is it the case that we're just intervening in the natural outcomes that we have today to try to rebalance and that those rebalancings have actually been the thing that have made the difference much more than how the economy works.

So I think the way the article is posed raises a real question about, you know, how should we think about policy, its role in making sure that people have enough income to do basic things? And then that now translates into the question about universal basic income. And whether we should do this in a piecemeal way by supporting housing independent of food stamps, independent of childcare, independent of all those things, or is it more straightforward to do it just as a sort of a blanket amount? I actually think that's a really interesting policy question.

And what I'm looking forward to is the outcomes of some experiments. So there are places in this country right now that are doing that, and I think we'll learn a lot about the feasibility from a practical matter of just executing it, but also we'll get to see how people respond in terms of being active and engaging in the economy because, you know, many will argue that's a disincentive for people to work. It's going to cause them to not want to participate nearly as robustly. And I think we're going to see whether that plays out that way. So I think this is very interesting time for that.

CHARLES PHILLIPS: You have a lot of experience with housing given your time at HUD. And when I look at a city like New York where I live, it's almost impossible to build affordable housing without some city subsidy just because the costs are too high and what we're trying to build for rent or own is just, the price points are too low. Is there any role for the federal government, what should we do differently, I guess, if we're going to solve that problem?

DR. RAPHAEL BOSTIC: So, for me, I think in many places the issue is supply. We don't have enough units to match the demand for housing. So we've got to think about ways to increase supply. Now a lot of that happens at local levels. So zoning codes and those sorts of policies will govern how much you can build in a particular place. I think at the governmental level, at the federal government level, trying to provide incentives to lower the cost of production and really incentivize localities to promote the development of denser housing, I think is important.

Now, New York has got it actually extra hard because New York is super dense already. But in many cities around the country, you look at densities near things like transit stations, it's actually not that high. And so I think there are opportunities in many communities across the country to increase the density, to make sure that we build at all price points, and really start to make a dent into this. But it will require a change in mindset.

In New York, I think that there needs to be a really deep conversation about things like inclusionary zoning to say that when you build, you have to build at all price points. And I also think that real conversations around just what does an inclusive neighborhood look like and what steps is the community willing to take to make that happen? These are all things that have to happen. And I know a lot of those conversations are going on right now. I have good friends at the Furman Center at NYU and other places, but it's a robust situation and it's a very, very difficult problem.

CHARLES PHILLIPS: Also I had a question on a different topic, on minimum wage. I don't think it made it in this stimulus package but that debate is not over, getting to $15 everywhere. I mean some states have it already. And, you know, the arguments, it's going to destroy jobs in some states. And other people say we already have it in some states and it didn't. So kind of where do you come down on minimum wage and what the impact would be?

DR. RAPHAEL BOSTIC: So, you know, this is another, you're hitting all the hot button items today.

CHARLES PHILLIPS: I'm putting you in the hot seat.

DR. RAPHAEL BOSTIC: Yes, so the minimum wage is actually one of these interesting issues because, you know, if people have to work three and four jobs, then that's going to introduce a whole host of other costs that we're all going to bear. So when you do the cost-benefit, I think it's important that we really fully quantify those benefits in terms of some of the foregone costs around having children that don't have parents around all the time and there are real costs there.

On the other hand, you know, businesses, it's been a hard time for businesses already. Where I really come down on this is I want local communities to actually at least have an honest and clear conversation on this. And different communities may come down in different places as to how this plays out. But the important thing for me is that there's a real voice that everybody has so that that conversation can play out in a way that really, that I feel like gives full consideration to the various factors.

I do think, as a side measure, that indexing whatever the minimum wage is to inflation is something that we should be doing because if you don't do that, then people who work at minimum wage are actually falling behind. It's not as if they're staying where they are. And that is one component of this that I think is quite interesting and should be considered. I know that it's being considered in some of the legislation that was proposed, but that actually makes a lot of sense.

CHARLES PHILLIPS: Well, the topic that I know that's important to a lot of people on this call is the proposal to raise the personal income tax rate higher, I guess corporate taxes as well. Is this the right time to be doing that when we're trying to get the economy back on track? Is this the perfect time to do that?

DR. RAPHAEL BOSTIC: Well, it's very interesting you ask the question like that. I usually get the question the other way. We've got all this debt, how are we going to pay for it? And I think they're flip-sides of the same coin. To me, I think right now and, you know, as I said earlier, the focus needs to be on getting through the pandemic and getting us to the other side with as many businesses and as many families as close to whole as possible. Once we get there, now we're going to have to really face the question of, you know, we did all this relief, and I think the relief was appropriate, now we're going to have to figure out how to pay for it. My hope is that if we have done the relief effectively, the economy will grow fast and that growth will pay for some of it. But if there's more that's required, I think we'll have to look at that. But again, for me, this is more about post-pandemic discussions than things to do right now.

CHARLES PHILLIPS: Yes. So, one other front page news item in today's paper is the Suez Canal situation where the shipments have been blocked. There's an overturned cargo tanker there and it's supposed to represent about 10% of world trade goes through that canal. Has this gotten to the point where you are rethinking economic growth and changing models or is this temporary and you're in a wait-and-see mode?

DR. RAPHAEL BOSTIC: So I'm in a wait-and-see mode. I have to say the picture of that ship sideways in the canal is truly remarkable. I didn't think I'd ever see something like that. And, you know, how they built these canals, I think the initial conception was that that shouldn't be able to happen. But the ships have gotten so large now that it puts these things at risk. I do think that, you know, this does raise the point that there are some potential choke points in our supply chain and we're going to have to pay attention to that. I'm hopeful that they will get this righted quickly so that the delays are not that great and this becomes more of a temporary blip than something that is more enduring. But we'll have to see what the resolution of this is. It's truly unprecedented.

CHARLES PHILLIPS: Now, I have to ask a technology question because everybody asks about bitcoin. I'm sure you get asked this all the time. What's the impact on the dollar? What's the Fed going to do about it? Do you like it? Do you not like it? So, bitcoin.

DR. RAPHAEL BOSTIC: Well, there is bitcoin. So what I would say is this, you know, bitcoin is an interesting tool and right now its take-up is not so universal that it's a threat to any of our existing currencies. What I will say is it's volatile and in that regard I think we all need to take a step back and ask is that volatility something we'd be comfortable with in our base currency?

Now another aspect to this is should there be a central bank digital currency, which is sort of an extension of this notion. For me, I think that's a really complicated question and it's very interesting and it's got many, many dimensions. So, for me, I'm not in a rush to have us do that. I think that we've got to really understand the implications of potentially having every American have an account with the central bank. We've got to think about the implications of digital currency for the transmission of monetary policy, for example. And right now I don't have real clarity on how that will play out. So we have conversations internal to my bank on this and I know there are a lot of people in the system that are studying this. And as we learn things, we will bring this out and lift it up so that there can be broader conversations on it.

CHARLES PHILLIPS: Let's turn to the Fed itself, particularly about you at the Fed, so you're a bit of a unicorn, being an economist, PhD, President of a Fed. How do we create more Raphael Bostics and why aren't there more of you?

DR. RAPHAEL BOSTIC: Well, you know, it's funny. I half-joke that, you know, I'm just this close to being my own Jeopardy category. But it is, you know, it's an interesting question. I think that one of the things that's been very gratifying over the last year or so is that there's been a lot more attention to the experiences of minorities and women in economics and finance and some deeper thought about how do we create an environment that's nurturing, that's still challenging, but causes people like me to stay in and stay engaged. And, you know, I'm hopeful that we'll see more on this and more progress on this.

And, you know, I'll do sort of a commercial on this, our next *Racism and the Economy* session is on the finance and economics field. And there'll be lots of conversations and discussion about ways that we might be able to do better. I will also say that it has been very interesting in this time, there are more people out there that are like me than are known and understood. And what this period has caused is a more deep search for them to identify those because we're not all in the usual suspect places. And so you're going to have to have different strategies if you're going to get different outcomes and that's an important thing that I think more people are embracing.

CHARLES PHILLIPS: And the last question is the Fed's role really seems to have expanded over the last year, all the facilities that you stood up quickly, doing it remotely, by the way, is pretty remarkable. But certainly you're a lot more entwined in the economy than you normally are. Is this the direction of the Fed? Do you think it went too far? Or do you think we should be doing more and letting the Fed have more impact?

DR. RAPHAEL BOSTIC: So I actually think that, you know, first of all, our team was spectacular. We stood up a lot of facilities in a very short amount of time. If you compare what happened here to what happened in the Great Recession, we've moved with light speed and that's been really remarkable and I'm really proud of our team. I actually think pretty much everything we've done has been consistent with our mandate – the stability of the financial system, making sure that we maintain stable prices, and make sure that we are providing incentives to get to as strong an employment situation as possible.

Almost all the things we've done – no, not almost – all the things we've done have really been oriented with that in mind. So I actually don't think we've expanded in terms of the scope of what we've had to do. What's changed is the circumstances in which we've had to act. So, you know, global pandemic, you're going to face a bunch of things that no one would have expected us to have to face, which is then going to, in turn, induce responses that no one would have expected us to have to respond in that way. So I think it's more a form than in function that we've seen over the last 12 to 13 months.

CHARLES PHILLIPS: Dr. Bostic, always great insights, and thank you again for presenting at the Club. Next time hopefully we'll do it in person so you can get to New York and spend some money here. Help us with tourism, all that. Until then, be well.

DR. RAPHAEL BOSTIC: Thank you very much. It's been great to be here.

CHAIRMAN JOHN C. WILLIAMS: Thanks, Charles. Thanks, Raphael. This has been a really fascinating discussion on a wide range of really important issues. We appreciate both of you participating in today's discussion. So with that, I'm going to advertise a bit of future events that we've got lined up at The Economic Club of New York. We encourage you to attend and to invite guests to our events. So, on March 30th, next week, we've got Caryn Seidman-Becker, the Chair and CEO of CLEAR. Then on April 1st, we've got Bill Gates, Co-Chair of the Bill and Melinda Gates Foundation and Founder of Breakthrough Energy along with Hank Paulson, Founder and Chairman of the Paulson Institute and 74th U.S. Treasury Secretary. Looking further ahead, on April

7th, we have Tal Zaks, the Chief Medical Officer of Moderna. And then on April 8th, we have Neel Kashkari, President and CEO of the Federal Reserve Bank of Minneapolis. And on April 12th, we have John Waldron, the President and CEO of Goldman Sachs. And we have many more events planned so please check the website and watch your emails as we announce those.

And finally I'd like to take a moment to recognize those of our 332 members of the Centennial Society joining us today as their contributions continue to be the financial backbone of support for the Club and help enable us to offer our wonderful, diverse programming now and in the future. So thank you again. Please stay healthy and safe.