The Economic Club of New York

ESTABLISHED 1907

The Economic Club of New York

117th Year
761st Meeting

---

John C. Williams
President and Chief Executive Officer
Federal Reserve Bank of New York
Chair, The Economic Club of New York

---

May 30, 2024

In-Person/Hybrid Event

Moderator: Sara Eisen
Co-Anchor, Squawk on the Street
CNBC

Introduction

Vice Chairman Robert K. Steel

Good afternoon everyone, and welcome to the 761st meeting of The Economic Club of New York. My name is Bob Steel. I'm a Partner at Perella Weinberg Partners and also Vice Chairman of the Club. Today, it's great to be here with you. And thank you all for attending – both those of you who are in the room and those that are joining us virtually, and also a special welcome to the press.

The Economic Club of New York is recognized as the premier nonpartisan forum in our country – a place for discussion on economic, social, and political issues. And for more than a century, the Club has hosted over 1,000 preeminent guest speakers contributing to our long tradition of excellence. I want to especially extend today a welcome to students who are joining us virtually from Fordham, NYU Stern, and the Graduate Center, as well as the members of our class, largest class ever of fellows – a select group of diverse, rising, next-generation business thought leaders. We're really pleased that you're with us today.

So now let me turn to the matter at hand, which is really a great personal privilege, and that is to welcome our honored guest and Chair of the Club, my boss, John Williams. John is the President and Chief Executive of the Federal Reserve Bank of New York. In

that important capacity, he serves as the Vice Chair and a Permanent Member of the Federal Open Market Committee.

From 2011 to 2018, John was President and Chief Executive of the Federal Reserve Bank of San Francisco. And prior to that, he was Executive Vice President and Director of Research at the San Francisco Fed, which he had joined in 2002. A distinguished career in service to the Federal Reserve System for which we're all appreciative, John.

John began his career in 1994 as an economist at the Board of Governors and also a Senior Economist in the White House Council of Economic Advisers and a lecturer at Stanford Business School. He holds a Ph.D. in economics from Stanford and an M.S. degree from the London School of Economics, and a A.B. from the University of California, Berkeley.

His research focuses on monetary policy under uncertainty, business cycles, and innovation. He is a research associate at the Centre for Applied Macroeconomic Analysis and served as managing editor of the *International Journal of Central Banking* from 2011 to 2016. So the run of show for today is John is going to come up after me and speak to us and provide some perspective from his point of view for about ten or fifteen minutes. And then John will be interviewed by Club Member and Co-Anchor of CNBC's Squawk Box, Sara Eisen, who did this last year for us and we're really pleased

that she's back with us today. So just as a reminder to all of you, the conversations today are all on the record as the press has joined us. So, John, welcome and thank you so much.

Opening Remarks by John C. Williams

Thanks Bob, and it's great to be here today. I'm honored to be here today among so many Economic Club of New York members, fellows, students, and staff. The Club has the privilege of hosting incredible speakers, but it's our members who truly create the robust, dynamic environment for our discussions. So thank you all for being part of this wonderful organization.

So, as I look ahead to the end of my term as Club Chair, I'd like to thank my predecessor in the role, Marie-Josee Kravis, our board members, our tireless President and CEO, Barbara Van Allen, and the small, yet remarkably productive staff of the Club. When I began my term as Chair back in June of 2020, the ECNY was strong and vibrant, all thanks to their vision, their commitment, and hard work.

At the same time, 2020 was a period of tremendous uncertainty at the Club. After all, our hallmark was in-person events. With the onset of the pandemic, we needed to reinvent what it meant to be the ECNY in very short order. We all quickly came together

and innovated to an incredible degree so that we could reach our members in new ways. Zoom became our meeting room, and we later found success in hybrid events. We launched new programs, including a series focused on Diversity, Equity, and Inclusion, the Innovation and Social Impact Challenge, and the podcast. And we did it while maintaining the financial strength of the Club.

So here's one statistic that captures the dramatic evolution of the Club. Over the past four years, we held 100 events. That's 25 per year on average. That compares to the 660 events that we held in the prior 113 years, or about six per year. That's a 300% increase in productivity at the Club. So, you know, just to brag about that a little bit. (Applause) And looking ahead there are many exciting things planned for the future, and I look forward to watching the Club evolve and prosper in the years to come.

So for today's discussion, I'll transition away from my role as Chair of the ECNY and back to my job as President of the New York Fed. And I'll spend some time focusing on how the Federal Reserve is working to achieve both maximum employment and price stability. I'll also discuss the progress we're making, we're seeing in the economy in terms of getting supply and demand in better balance and bringing inflation back down to the Federal Open Market Committee's 2% longer-run goal. And finally, I will share my view on where the economy is headed.

Of course, I need to give the standard disclaimer that everything I say reflects my own views and not necessarily those of the Federal Open Market Committee or anyone else in the Federal Reserve System.

Now, as I never tire in saying, the Federal Reserve's monetary policy goals are clear: maximum employment and price stability. And the overarching objective of monetary policy today is to bring inflation down to 2% over time while maintaining a strong labor market.

The good news is that over the past two years, we've made considerable progress towards these objectives. After last year's strong GDP and job growth, incoming data point to a slowing, but still solid pace of growth in economic activity in the first half of this year. Demand-supply imbalances have diminished. Global supply chains, which were severely disrupted during the pandemic and early in the recovery, have mostly returned to normal. And at the same time, inflation has come down considerably.

So let me dive deeper into the maximum employment side of our mandate. First and foremost, the labor market remains quite strong. Labor supply has been boosted by high levels of labor force participation among individuals aged 25-54 years, as well as by increased immigration flows. The unemployment rate has been under 4% for more than two years and that's the longest stretch, such a stretch in over 50 years. This

measure, which now stands at 3.9% is close to my estimate for the unemployment rate that's likely to prevail over the longer run.

So even as the economy and the labor market remains strong, various labor market indicators show that demand-supply imbalances that emerged following the pandemic continue to recede. Most of these measures have returned to pre-pandemic levels. Two are still signaling a tighter labor market than before the pandemic – job vacancies and wage growth.

After skyrocketing over the course of 2021 and early 2022, the rate of job openings has subsequently steadily declined, but still remains elevated relative to pre-pandemic levels. Wage growth has displayed a similar pattern, including for so-called job switchers for whom wage growth is highly sensitive to labor market conditions. That said, wage growth has yet to fully return to levels consistent with 2% price inflation on a sustained basis.

So that provides a nice segue to the topic of inflation, the other half of our mandate. Inflation has declined significantly since mid-2022. This drop has been broad-based, with inflation lower in all major categories - food, energy, goods, and services. The 12-month percent change in the personal consumption expenditure price index has continued to decline falling from its 40-year high of above 7% back in mid-2022 to 2.7%

in the latest reading. And the decline in inflation has benefitted from a reduction in the demand and supply imbalances that I mentioned, both here in the U.S. but importantly also internationally.

Indeed, this phenomenon is not unique to the United States. If you look at Canada, the United Kingdom, or other European economies, they all experienced historically high inflation and have similarly seen relatively rapid declines in inflation since then. In fact, if you look at one particular statistic, which is commonly used to compare inflation across countries, called the Harmonized Index of Consumer Prices, the inflation rates in the euro area, Sweden, the United Kingdom, and the United States today are all nearly the same level. While every region has its own set of conditions, global factors have been a large factor, global factors have been driving inflation in advanced economies across the globe.

Even with this good news, inflation in the United States remains too high, and in recent months there has been a lack of further progress towards our 2% goal. Extracting the signal from the noise when it comes to reading inflation is especially challenging these days, since the economy is still feeling the aftermaths of the supply chain issues and high inflation that followed the pandemic and the war in Ukraine.

I'll point to a few areas of research developed by my colleagues at the New York Fed to

better understand the inflation data. The one that I find really valuable is what we call the Multivariate Core Trend, or MCT inflation, which is a measure of, a statistical way to measure what's the underlying inflation rate. The most recent reading we have for March was 2.6%. It's about the same as where that measure was back in December and down three percentage points from its peak back in June of 2022.

Looking at measures of inflation expectations from our Survey of Consumer Expectations, show that they've remained broadly stable and are generally in line with pre-Covid ranges at all horizons. And as I mentioned, global supply chain issues have mostly receded, and we see that both in our Global Supply Chain Pressure Index at the New York Fed, as well as evidence from our regional surveys of businesses.

So overall, I see some of the recent inflation readings as representing mostly a reversal of the unusually low readings of the second half of last year, rather than a break in the overall downward trend of inflation. With the economy coming into better balance over time and the disinflation that's taking place in other economies reducing inflationary pressures on the U.S., I expect inflation to resume moderating in the second half of this year. But let me be clear: inflation is still above our 2% longer-run target, and I'm very focused on ensuring that we achieve both of our dual mandate goals.

So, what does this mean for monetary policy? It's important to note that many factors

beyond monetary policy influence the economy and financial markets. These include global drivers of supply and demand, as well as factors that are currently affecting the supply side of the U.S. economy that have been driving up GDP and job growth. Therefore, the stance of monetary policy needs to be considered in this broader context, and it cannot be understood simply by looking at the growth rate of the economy or by comparing the current interest rate to its longer-run level, or what's often called r-star.

Looking at this broader context, the behavior of the economy over the past year provides ample evidence that monetary policy is restrictive in a way that helps achieve our goals. We are seeing clear and consistent signs that the imbalances between supply and demand in the economy are receding. And we've seen a broad-based decline in inflation. Overall, the risks to achieving our maximum employment and price stability goals have moved toward better balance over the past year.

At our May meeting, the FOMC kept the target range for the federal funds rate unchanged at 5-1/4 to 5-1/2%. And the Committee said it does not expect that it will be appropriate to reduce the target range until it's gained greater confidence that inflation is moving sustainably toward 2%.

Additionally, the Committee said it will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, and beginning in

June will slow the pace of decline in securities holdings. The decision to slow the pace is in no way indicating an imminent cessation of shrinking the balance sheet. Rather, by slowing the pace, we're better able to monitor conditions and to facilitate a smooth transition to the appropriate level of ample reserves.

So, I see the current stance of monetary policy as being well positioned to continue the progress we've made toward our objectives. In terms of my forecast for the economy, I expect GDP growth to be between 2 and 2-1/2% this year. I expect the unemployment rate to end the year at about 4%, and then move gradually back to its longer-run level of 3-3/4% thereafter. As the growth of economic activity gradually slows and demand and supply continue to come into better balance, I expect overall PCE inflation to moderate to about 2-1/2% this year, before moving closer to 2% next year.

It goes without saying the outlook is uncertain. The risks are two-sided, with geopolitical events and China's growth outlook prominent examples. Because of this, we will continue to keep an eye on the totality of the data, so that we make policy decisions that ensure that we get inflation sustainably back to 2% while maintaining a strong labor market.

So I'll close with this. We have seen a great deal of progress towards our goals over the past two years. I'm confident that we will restore price stability and set the stage for

sustained economic prosperity, and we're committed to getting the job done. Thank you.

Conversation with John C. Williams

SARA EISEN: Now is the fun part. That was informative, and there were no Star Wars references – a shock.

CHAIR JOHN C. WILLIAMS: Not this time.

SARA EISEN: It's a pleasure for me to be here, and this audience, and with you again, President Williams. We were here a year ago, early May, and it turns out you only raised interest rates one time between then and now, and then have basically been on hold. And it sounds like you feel pretty good about where policy is right now. Is that true?

CHAIR JOHN C. WILLIAMS: Absolutely. I do feel that, going back, before we met last time a year ago, we had gotten monetary policy into a better place, gotten to a restrictive stance that was doing the job of getting the economy back into better balance with supply and demand, helped start bringing inflation down. At the time, it was uncertain how far we would need to go and what exactly that meant. I think what we've learned over the past year, as I mentioned in my remarks, is that monetary policy is

clearly working the way we like to do it. Not just here, but around the world.

You know, a lot of people are trying to make the point about, well, Europe is slightly different than the U.K. or the U.S. or Canada, but we've actually seen strong similarities across countries, and we've seen inflation come down. So I think in the U.S. monetary policy has been in a good place. It's doing what we want to see it do, and that's how I see it right now.

SARA EISEN: It's interesting that you draw the parallel with Europe because they are set to cut interest rates next week, and you are not set to cut interest rates in a few weeks. Why?

CHAIR JOHN C. WILLIAMS: Well, I think, first of all, I won't speak to what they will or will not do at the European Central Bank.

SARA EISEN: They're pretty clear about that.

CHAIR JOHN C. WILLIAMS: I'm fully aware. But, you know, I think what's happening now is the broad contours of inflation, the large rise, both because of the pandemic and very importantly Russia's war in Ukraine, has a huge part of the inflation that we saw, especially with energy prices and commodity prices. We've seen inflation peak. It's

been coming down. But now we're in, where the different countries have different kind of experiences with inflation, where in Europe I think inflation has continued to come down relatively quickly. Their economy is in a slightly different place than we are.

In the U.S., again inflation has come down. We've seen over the last few months inflation kind of not making that further progress that we said that we, what we wanted to see. But also our economy is growing really well. Unemployment is staying low. So again, the broad context I think is more similar and dissimilar, but tactical decisions about how to best make policy, I think that's where you see some of these differences.

SARA EISEN: Does that factor into your decision and your discussions at the Fed, that Europe, potentially the Bank of England, Bank of Canada, some of these major central banks, you are all coordinated, and they're going before you? Does that matter to you?

CHAIR JOHN C. WILLIAMS: We always think about what's happening in the rest of the world. What's happening in terms of growth, inflation, and all the different factors, and that obviously spills into our economy. The high inflation around the world was one of the factors that boosted our inflation because import prices were so high. So, you know, clearly we think about what's happening around the world. Again, I would see the actions either that have been taken by some central banks or maybe taken by other central banks as reflecting where their economies are in terms of their journey to get

inflation back to target, where their economies are in terms of labor market and growth. And so, you know, to me it's not something I worry about or are concerned. It really just reflects the progress that other countries have made in achieving their goals. And we're in a slightly different place right now...

SARA EISEN: Slightly, how slightly?

CHAIR JOHN C. WILLIAMS: In terms of...

SARA EISEN: Well, when are we going to be cutting rates?

CHAIR JOHN C. WILLIAMS: I knew you were going to ask.

SARA EISEN: What date? Please. September or December?

CHAIR JOHN C. WILLIAMS: Honestly, the honest answer is I don't know because it's going to be driven by the data. But it's a very comfortable place to be for monetary policy from my perspective. We have a strong economy. We have good growth. If you read through the data, we're still seeing good growth in economic activity and labor market. We're seeing the imbalances come down. And the inflation data, you know, a little bumpy earlier on, we have to watch how that proceeds.

So it's really about looking at the totality of the data, getting that greater confidence that we're moving sustainably to 2% and really understanding the broader context. I do think that monetary policy is restrictive and is bringing the economy into better balance. So I think at some point interest rates in the U.S. will, based on that analysis, will eventually need to come down. But the timing will be driven by how we're doing on achieving our goals and how do we best balance the various risks to the economy.

SARA EISEN: You said it's been a little bumpy, the inflation data. So what would give you more confidence that would allow you to cut rates?

CHAIR JOHN C. WILLIAMS: Well, again, it's really looking at the inflation data and all the factors that I think influence inflation, which includes labor market indicators, wage growth, all these others, and that they're showing broadly consistent signs that inflation is continuing to move towards 2%. So we got some, kind of high readings in a couple of the months, in the first four months of the year. So it's not looking for a specific number on a CPI or a PCE. That's not the way I think about it. I don't want to be data point dependent. But looking at kind of what are we seeing over time and what are we seeing across a broad set of indicators?

So it's really trying to get all that information importantly around the maximum employment goal too. Because I do think the risks to our two goals are moving into

closer balance, so from a very simple way we don't want to have excessively tight policy that harms our maximum employment goal but we want to make sure that we get the inflation to 2% on a sustained basis. That's absolutely critical.

SARA EISEN: Okay, I'll just ask it one more way.

CHAIR JOHN C. WILLIAMS: I feel like last year...

SARA EISEN: Well, you had me back, so that's a good sign. Is it many more months of data? Or is it a few more months of data? Is it one more month of data? Like how close are you to feeling confident about the cutting situation?

CHAIR JOHN C. WILLIAMS: Well, personally because the economy has held up and been so resilient, here in the U.S., but quite honestly in other countries, I do feel like I can collect more data on the inflation side, and again looking at all the data. I don't feel any urgency or need to, hey, we have to make a decision now because things are going in the wrong direction. I feel things are going in the right direction and this current stance of policy is well positioned. So I think that, again, I'm not going to answer on any calendars or anything like that, but based on the data, I don't feel any kind of need that we need to move policy in one direction. You know, it kind of raises the question you asked, in the very near term.

SARA EISEN: And you said you're not targeting an inflation rate. Obviously 2% is the target, but you'll move before we get to 2%. So is there a level that feels more comfortable than where we are right now?

CHAIR JOHN C. WILLIAMS: Well, you're right about that. We don't need to be at 2% because with the restrictive stance of policy that would be moving inflation probably too low in that case. So we want to be able to move before inflation is all the way to 2%. I think it's kind of looking at all the measures. I think I mentioned the MCT, the Multivariate Core Trend inflation is at 2.6. You know, core inflation is still higher. It's kind of looking to see if all those things are kind of moving consistently towards 2%. We were starting to see that clearly last year.

Now, I was not one of the people that were saying, oh, we reached 2% because we had six months of good inflation data, because I felt some of that was artificially lower for special factors. I think some of the higher readings were also maybe artificially higher. It's looking for that consistent kind of signal that inflation is moving towards the 2%.

SARA EISEN: If you look at the reason why inflation has been stickier lately, home prices, and there's an inventory problem there. It's not necessarily a demand issue. Insurance rates are high – auto insurance and health insurance. These aren't really things that the Fed can control, are they?

CHAIR JOHN C. WILLIAMS: We can control the overall inflation rate. So it's true that if you think about relative prices, the price of a car versus the price of insurance or things like that, that's to be determined in the economy. But we can influence and we will and we do influence the overall inflation rate. Now I do think you're bringing up an important point, though. Some of the kind of high inflation we saw in the first few months of the year were really echoes of high inflation from before.

So one of the examples was auto insurance. Auto prices, we all know this, we see this, skyrocketed during the pandemic and the war. There were severe supply chain disruptions. Used car prices went through the roof. And now we're seeing the auto insurance rates, which tend to lag that, now kind of catch up to what the cost of replacing a car is. So those are not things that reflect where the economy is today. These are kind of inflation movements that reflect where the economy was a couple of years ago. We kind of think of these are echoes. Some people call this catch-up kind of dynamics in inflation. So it is important, from my perspective, to not look at, to kind of understand why that happened, because it's probably not going to happen every year. You know, in the next few years, that auto insurance rates are going to keep going up.

Some of the other factors are, like you mentioned with the shelter prices. So shelter inflation, rent inflation has definitely been a big driver of inflation.

SARA EISEN: It's a third of CPI.

CHAIR JOHN C. WILLIAMS: It's a very large part of the price index. But we also know that the measures that we have, that we can now see on the rents that people are paying on newly signed leases, that rent inflation has been actually subdued for the last year. Now, the translation of that actual market data into the official statistics has taken a bit longer than it has in the past, and there's different factors that affect that. We're kind of deep in the weeds of this. But I do think looking ahead, I do expect shelter inflation to keep coming down because we know that the prices that people are actually paying to rent homes, rent apartments, that inflation rate has come down. It just takes a, it does take a while to get that into the official data.

So it's really about looking ahead to where things are going rather than what happened a couple of years ago. So that's one of the kind of reasons I think that some of the high readings were maybe kind of unusual high readings. But we have to be humble. I mean inflation can surprise us again.

SARA EISEN: What is your forecast as to when you'll reach 2%?

CHAIR JOHN C. WILLIAMS: So, my forecast would be probably in early 2026 or something. That's getting way out there. Right now I have inflation at about 2.5% for this

year as a whole, like over the full year, and closer to 2% next year. Of course, the uncertainty gets bigger there. But basically moving pretty close to 2% by the end of next year.

SARA EISEN: And the reference there is core PCE? Is that what...

CHAIR JOHN C. WILLIAMS: No, PCE inflation is the way I'm thinking about it. Over longer periods, they move together. Core, I find it, it's exclusively food and energy prices, is a helpful way to kind of read, kind of what's the underlying inflation. I personally like this Multivariate Core Trend, MCT, everyone, it's free. It's on our website. You don't even have to subscribe.

SARA EISEN: I have used it on TV before. I don't do it every...how often is it published?

CHAIR JOHN C. WILLIAMS: It's published with every PCE release, every month. So we'll be getting one out, I think, on Monday.

SARA EISEN: And it's at 2.6%.

CHAIR JOHN C. WILLIAMS: That's in March, but we'll get some data tomorrow...

SARA EISEN: So it sounds like you're closer on the cutting front than maybe some of your others on the Committee?

CHAIR JOHN C. WILLIAMS: Well, you know, we're all looking at the same data. And, you know, honestly, one of the strengths of the Federal Reserve System and the FOMC is we have 19 participants in the community – 12 presidents and 7 governors. We all come from different backgrounds, different experiences, different perspectives. We all have our own economics teams, and we all have the same goals. Maximum employment, price stability, 2% inflation. So it's kind of an amazing arrangement. We all agree on the goals, and the question is how do you read the data? What are the risks, the uncertainties around that? So we've seen this very strong unanimity in the Committee about the dedication, commitment, the absolute necessity of getting price stability, getting back to 2%.

But everybody's going to, you know, see the data, process it, look at different pieces of it. And then as the data come in, it kind of brings, we'll share those views and how we're seeing that. So, to me, there's a lot of uncertainty about how things are going to play out. Once we get the next readings on the data, that kind of clarifies it a little bit and then just keep rolling that forward. I think, again, that's why where we got policy, we talked like a year ago, we're close to getting policy at a good place. This is allowing us right now, where policy has been now for quite some time, it's allowing us to collect that

data, observe what's going on, kind of seeing which risks are being realized, which aren't, and get that greater confidence that we're getting the job done on the 2%.

SARA EISEN: But you're done with hikes for now, right?

CHAIR JOHN C. WILLIAMS: Well, that's not my baseline, as I've often said. I feel that monetary policy is restrictive in its current stance. Obviously, we think a lot of scenario analysis. Things can change. Events around the world could change. And we could be surprised. And if there was kind of a material change in the inflation outlook to the upside, you know, obviously we would be willing or be ready to take whatever actions to make sure we bring inflation back to 2% on a sustained basis. We proved we would do that, and can and will do that, during the last hiking cycle. I just don't see that as a likely case but really I think it's more about, right now we've got policy in a good place and just watch the data.

SARA EISEN: So you've said it now a few times that you see policy as restrictive, which is also kind of a debate of just how restrictive policy is right now given the recovery has been much stronger than I'm sure you and everybody else thought it would be, given where interest rates are right now. So where do you see it being restrictive?

CHAIR JOHN C. WILLIAMS: Yes, so I think, a point I was trying to emphasize in my

prepared remarks is the big surprise of 2023, by far, for the macroeconomy was the supply side of the economy. So we saw GDP growth last year of over 3%, which is over, well over most people's estimates of its trend level, 2%. We added something like 3 million jobs. This economy was incredibly strong on numbers – GDP, jobs, and everything.

But then when you looked at the unemployment rate, the unemployment rate actually edged up a little bit a couple of times, I think, last year. So that makes you, as an economist, you know, I only know two words – supply and demand – oh, there's r-star too, but okay, so I know three words.

SARA EISEN: I think it's r-star.

CHAIR JOHN C. WILLIAMS: So if you think about it, an economy that's adding millions of jobs, growing at 3%, and yet unemployment is going up, and the supply and demand imbalances that I kind of went through in my remarks, they were receding. So that's telling you, demand was actually getting closer to supply. It was supply that surprised us. So I think from a monetary policy point of view, the 3% GDP growth last year, for example, wasn't a sign that monetary policy wasn't working.

Because we actually saw pretty much every indicator of labor market tightness, you

know, go from, we saw a receding imbalance in supply and demand in the labor market. Whether it's job quit rates, whether it's surveys of businesses or surveys of households, all the data in the employment data that we look at, and we saw it in the wage data too, where wage data, inflation came down.

So I think what we saw was a combination of two things in the last year. One is a very positive supply developments in the labor market and productivity, and we saw demand moving back more in alignment with supply. So my view is that you can't just look at, like, wow, we had a strong economy, it's going well, but monetary policy isn't working. Because I think it is working on all these other indicators of imbalances in the economy and wage and price inflation. I think the big question for us this year is are these supply side, positive supply side developments and productivity and labor force likely to continue? Are we going to have another year where we're getting the nice tailwind from the supply side? So far, the labor market data or the labor supply data look like that's happening. We'll see about productivity.

SARA EISEN: Is this because of fiscal stimulus?

CHAIR JOHN C. WILLIAMS: I think a lot of the supply side, a lot of it is, you know, labor force participation fell dramatically during the pandemic. And a big question a few years ago was would people come back to work? What would that look like? We've seen labor

force participation of the group that is 25 to 54, which I call the very young, so we've seen them come back in. I believe the latest data for women, it's actually higher than it was before the pandemic. For men, it's also very strong.

So we've seen, like the economy proved itself far more resilient on the supply side to the pandemic and everything that's happened than, I think, most people imagined. We do measures of, you know, what was trend productivity? What did we think productivity would be like? You can go back to 2019. And we're basically at or somewhat above, the productivity in the U.S. economy is actually at or above what we would have thought if you had asked me four years ago. So we've seen a lot of positive developments on the supply side.

Some of it may be the fiscal policy actions during the pandemic that made sure that businesses didn't close, that people could get through this and be able to, you know, kind of start the economy again. We've seen enormous creation of small businesses and startups in the U.S. economy in the last couple of years. So we're seeing a lot of positives. Honestly, that makes my job easier because supply is great, it kind of helps with getting the imbalances, reducing imbalances. It reduces inflationary pressures. You see a lot of dynamic supply and increasing productivity in the economy. So that's how I see what's happening. It's always a big question mark of how that will evolve in the future.

SARA EISEN: You didn't mention immigration. Do you think that's part of the story too?

CHAIR JOHN C. WILLIAMS: Well, immigration is. I did mention it earlier. So that's clearly a part of, you know, more labor supply. You know, one of the stories we heard, whether it's in New York, here, or around the country, severe shortages of people to work, especially in hospitality, leisure, and quite honestly everything a couple of years ago. Today, those labor supply issues, either through opening the borders again, people coming in through visas or through immigration, you know, has clearly increased the ability of businesses to hire, especially like I said, in leisure, hospitality and other industries, construction, to be able to meet demand.

I mean one thing, I was just, in the last two days, as part of my job I was visiting the north country of New York, which is an absolutely beautiful region of New York. But these were some of the areas, you know, Upstate New York, which during the pandemic and shortly after, I mean businesses just couldn't be open because they didn't have people to work in the restaurants and hotels and whatever. Those issues seem to have receded. There's still issues with labor supply and availability of workers and things like that, but nothing like we saw before.

SARA EISEN: So I guess my question is to what extent is the labor market cooling right now?

CHAIR JOHN C. WILLIAMS: Well, again I look at a lot of indicators. Like there's a survey, if you ask households how hard is it to get a job, basically the answer to that, which tracks the unemployment rate historically very well, is close to where it was in the strong economy before the pandemic. There's also a survey of small businesses, business owners, how hard is it to fill a position? That similarly, which by the way went through the roof during the pandemic, is now back to where we saw it before the pandemic.

We're seeing it also in the churn in the labor market, which was astronomically high. Every one of us who is in an organization, whether business or nonprofit or government, we saw the highest turnover of our lifetimes during the period following the pandemic. Those data have come way down. So there's a lot of indicators that the labor market is cooling, but cooling to kind of a very good, strong labor market level, not kind of getting weak.

SARA EISEN: You're not using the phrase "soft landing" but you're describing a soft landing.

CHAIR JOHN C. WILLIAMS: No, I'm not.

SARA EISEN: Are you purposely not using that phrase?

CHAIR JOHN C. WILLIAMS: I am purposely not using that.

SARA EISEN: Why?

CHAIR JOHN C. WILLIAMS: Because I don't want to jinx things. And also it means things, different...you know, I'm an economist so I'm looking at the data and things. What I would love to see is to see inflation come down to 2% hopefully over the next year or two, sustainably to 2%, and an economy that stays strong. That's how I view...

SARA EISEN: You're kind of pulling that off so far.

CHAIR JOHN C. WILLIAMS: Did I mention the jinx word? But, you know, we try to create certain conditions through monetary policy and financial conditions that foster that kind of economic expansion, economic conditions. There's a lot of things, a lot of uncertainty, a lot of things that can happen that can change that. But that's what I'm trying to do.

SARA EISEN: And as the risks sort of come better into balance, I do wonder which you think is a bigger risk right now – cutting too soon with inflation still at elevated levels or cutting too late and risking that soft landing?

CHAIR JOHN C. WILLIAMS: So that's exactly kind of the issue that we will be facing going forward. I think it's not just about first, interest rate. It's always a decision about monetary policy. I think being driven by the data is the best thing we can do. And understanding not only what are the data telling us about where the economy is today, but where it's likely to be going over the next year. That means bringing in all the information and analysis, talking as we all do, to business leaders, others, in the markets and everywhere to try to get the best understanding. I think it's also about weighing the risks and uncertainties.

As you said, so far, not only in the U.S. but quite honestly in the other advanced economies, they have seen the disinflation happen with relatively small, you know, low degrees of economic disruption. I mean some countries have seen technical recessions in Europe and things like that. But we're seeing globally a similar experience where the inflation is coming down, monetary policy is restrictive. And doing that in a way that tries to balance the two goals.

So right now, you know, I feel that monetary policy is in the right place, and well positioned. Over time, as the date flows in, there will be, I think, a point where you say, okay, we don't need restrictive monetary policy forever. We want to normalize monetary policy because we're on, kind of, you know, I'm really now trying to not say those words...you know, we're well positioned to achieve those goals and do what's

necessary.

I think you, if I can just say one thing, this isn't about sitting there and looking at some notion of, you know, is monetary policy restrictive or are financial conditions restrictive in some kind of absolute sense. It's really looking at the data, the totality of the data on the labor market, you know, income, spending, on inflation, wages, and looking at the global kind of context of that and figuring out is monetary policy moving us closer to where we want to be or potentially moving us away, and trying to get that right. So that's true today. It will also be true when we eventually get to a point where we're cutting rates. It will be the same kind of balancing act, trying to get that right balance.

SARA EISEN: Yes, what does cutting rates look like? You've said an adjustment from restrictive levels. Is that like a rate cut at every meeting? Is it just fine-tuning?

CHAIR JOHN C. WILLIAMS: If I don't know when we're going to cut rates, how am I going to answer that question? I think it's got to be data-dependent. You know, one of the things that market participants and others love is kind of having a certain path, like it's going to happen at a certain frequency. And we know that that can't be the way to do monetary policy. You've got to be basing it on what's happening out there, what's the outlook look like? What are the risks to that outlook?

And so, you know, from my perspective, this is a very different situation than we had a few years ago where monetary policy needed to move rapidly and very decisively to get to a restrictive stance to bring inflation down because there was a risk of unanchoring or unmooring inflation expectations. We needed to act strongly. We did that and that was successful.

Think of the way, you know, eventually normalizing monetary policy, it's more of an adjustment process to kind of get that right balance. And it will be driven by the data. And, of course, I'm really trying to get you to say r-star. So there's also the big question, we don't know. We can't know, like what's the endpoint anyway on what the interest rates…and that doesn't really matter right now. Eventually, as we move into, you know, when interest rates get moored closer to normal levels, of course that will be a big question.

SARA EISEN: Right. And for all intents and purposes, r-star is normal level, right? Where it's not restricting, it's not accelerating the economy.

CHAIR JOHN C. WILLIAMS: It's the Goldilocks interest rate.

SARA EISEN: But there's a debate, it feels like, inside the Fed about whether we're in some sort of new normal economy where r-star should be higher.

CHAIR JOHN C. WILLIAMS: Well, we don't know the answer to that question. And for someone who has studied this for a long time, I think what's important is to recognize that there's a great deal of uncertainty at any point in time. Some people are kind of saying, well, r-star is especially uncertain now. Well, it was uncertain when Thomas Laubach and I wrote about it in 2001. And we emphasized that in our first paper as have many others. So I think we have to recognize that we don't know (a) what the level of that is, (b) that we can look at the factors that influence it, which are things like demographics and productivity, demand for U.S. government securities, other factors that influence fiscal policy.

So we should be analyzing those and trying to understand that but always with a big dose of humility that the decisions that are going to be made are not going to be decided by is your estimate of r-star A or A plus 1/10th or minus 1/10th. It's got to be looking at what's happening in the economy.

SARA EISEN: But is there anything post-pandemic that you think has changed about the economy structurally where you would need to look at it differently?

CHAIR JOHN C. WILLIAMS: So it wasn't so hard to get me to answer this question. I think, you know, you look pre-pandemic, a lot of people wrote papers on this, other people who analyze this. What were the big drivers globally of lower interest rates, the

10-year Treasuries, short-term interest rates? Just think about why were interest rates in 2018 so much lower around the world than they were in, say you know, 1998, for example? So some of it was where was the economy? The ECB was still dealing with low inflation. There were some cyclical factors that were affecting interest rates. Not so much in the U.S. but in other countries. So some of that is cyclical. But a lot of it was structural. Clearly something had changed from the 80s, 90s...

SARA EISEN: Technology?

CHAIR JOHN C. WILLIAMS: Well, I think some of the things that drove it from the research that people did, one was, you know, during periods of high investment, high productivity booms or other big drivers of investment, we tend to see that's higher demand on savings, higher demand on funds, and that pushes interest rates up, pushes up the neutral rate. We haven't seen high productivity growth in a long time. We've seen normal productivity growth in the U.S. and around the world. Around the world, I should double-underline because it's not just a U.S. phenomenon.

The other is demographics around the world. We're having fewer kids. People are living longer. That tends to reduce the demand for investment. You don't need to build as many roads, schools, factories when there's lower population growth. People living longer in most countries means people saving more for retirement, all else equal. So looking at those factors, none of those have changed. I mean it's getting a lot more

attention, the birth rate, it’s getting a lot more attention today. But economists have been writing about this for a long time as have others.

Productivity data haven’t yet changed. I know there’s an AI question somewhere lurking in this. But we haven’t seen a structural shift in productivity around the world. And we haven’t seen structural shifts in any of those things. So why do people talk about higher r-star? One is the economy has been amazingly strong with the high interest rates. Is there a signal we can take from that? The other story is that fiscal policy around the world, we’re higher debt. I think that makes sense. Higher debt around the world means higher interest rates. How big that effect is, I don’t know. But that’s definitely something I would take seriously. But I’m not sure if it’s a huge effect.

The other factors you usually hear about is the renewable energy or green transformation, deglobalization or fragmentation, some of these arguments. Honestly, it’s not clear. These are all things that could maybe, will, could happen, might happen, maybe not happen in the future that would change the supply and demand for savings around the world. So I think it’s been kind of, people are asking the right questions. I’m not sure of what the answer is to those questions. Does that mean higher interest rates or not? I get the story, but we haven’t seen it in the data.

So if you look at the U.S. economy, if you take, let me just pick one model of r-star,

mine. So if you use that one, the current estimate of the neutral real interest rate, fed funds rate is 0.7%. I'm not saying that's true. I'm not saying how I base my decisions. That's not how we do it. But that is where it is. Where was it before the pandemic? Essentially the same. If we look at the estimate for the Euro area, which we do also, it's around half a percent. The ECB has put out a report on their estimates of the neutral rate. There's lots of them, a big range of them. They average around a half a percent, roughly where it was before the pandemic.

So my point here is not that r-star hasn't risen. My point is I don't know. The data we have through the first part of this year, there's no sign of a neutral rate yet having risen. It doesn't mean it won't. But basically what's happening is that rise in inflation has mostly reversed. Monetary policy got tighter. Eventually, you know, countries reversed. So, so far the data is not screaming, oh, it must be higher interest rates are needed to stabilize the economy, because inflation is coming down without really high interest rates around the world.

The last thing I'll say, and this is bragging a little bit about the model, is when the neutral rate has changed in the economy, looking back we've seen it, these models pick it up. It's not like you have to wait ten years. The decline in r-star or the rise in r-star that we found when we first wrote the paper showed up in 2000 from the tech boom, dot.com bubble. It was there. Similarly, our estimates fell in 2009, '10, and we were kind of

leading the market on that.

So I think that my point is these models are helpful to think about this. There's a lot of them. They give different answers and there's a lot of uncertainty. We don't know the answer. And for me, importantly, I'm not sitting around holding a little cue card telling me where r-star is when I think about what we need to do for monetary policy.

SARA EISEN: But we have a way to go from 5-1/4% down to your r-star.

CHAIR JOHN C. WILLIAMS: Which would be like 2.7, you know, 7.7 plus 2%, yes, for the inflation.

SARA EISEN: Does AI factor in?

CHAIR JOHN C. WILLIAMS: So that to me would be the classic example of, if AI does what some people are now writing it could do, it would be a classic example of massive increase in demand and productivity in the economy for investment and around that, that would lead to more demand for funds and for savings that would push up the neutral rate. We did see the neutral rate estimates rise quite a bit in the mid-90s to early 2000s because of that. So that would be completely consistent with how I think about the world if we got a sustained, sizable rise in investment and productivity from AI.

Now the big question is will we get a large and sustained boom in productivity and investment from that? I think we're seeing the investment part happening, so that's starting to happen. One of the big issues with this is how transformative is AI to the underlying trends in our economy? So the way I tend to pose this question is for the last 100 years we've been generating about 1-1/4 to 1-1/2% productivity growth, for 100 years. This is an amazing accomplishment. This is unbelievably amazing that this economy year after year turns out higher and higher productivity. Sometimes a little faster, sometimes a little slower, but just does this.

So the question that I think we'll be, I keep asking, is ten years from now when we talk about the AI boom and all the articles and the interviews you're doing about AI, will this be the name that people associated with the 1-1/2% productivity growth that we got between 2025 and 2035? Like automation was, like mechanization was, like computerization was, mostly like the internet was. So there's always been, if you look back over 100 years, things that happened that got us that 1-1/2% productivity growth. And if those things hadn't happened, we wouldn't have had any productivity growth.

So I think that's the question I have for AI. Is it the thing that's going to drive us to get better and better in our economy? Or is it the thing that actually is way above and beyond? Which we have had, you know, after World War II, we had an amazing productivity period for quite some time. We had a mini-boom with dot.com. We had no

productivity boom from social media.

SARA EISEN: Probably negative.

CHAIR JOHN C. WILLIAMS: But I think we just always have to ask ourselves...another thing about productivity in the U.S. economy is for the 100 years before kind of the, maybe 20 years, a lot of our productivity growth was from education. America went for over a century from a country of basically people mostly working on farms without a lot of education to a country that's mostly, you know, the vast majority of people not working in agriculture, but higher and higher and higher educated. Both in K-12 but then going to college, graduating from college, getting graduate degrees, all those things. That's been the huge driver of productivity in this country. For the last 20 years or so, we have not seen much improvement in educational attainment for people in the country. In other words, we kind of plateaued in that.

And so again, if you go to AI, it gets you the 1-1/2. How much of that is making up for the fact that some of the drivers of this amazing productivity journey are missing today? And it's the thing that's just going to help us keep getting better. But this is an open question. I'm not trying to be negative about it. I'm just saying there's a reality check here that we've had amazing revolutions in our economy for a century and now we look back at them and we kind of just say, yes, that's how it works.

SARA EISEN: Right. Well, I guess TBD on that. And before I open it up to the room, one more on AI from me, which is there's a lot of spending going on right now. Is this inflationary or disinflationary, or deflationary?

CHAIR JOHN C. WILLIAMS: Well, it depends on how it ends up being used. If you think about in the past, when you have a productivity or innovation-led investment boom, that tends to be disinflationary because basically it's a shock to the supply side. Yes, it's a shock to the demand side too. Told you I know two words. So it boosts supply, but it boosts supply by more than demand. So we've seen that in eras where we, you know, mechanization and automation and all that. It increases both, but it probably increases, at least in the short to medium term, the supply side even more. So I see that, you know, positive supply shocks, like I said, make my life a little bit easier, somewhat disinflationary, but great for levels of income and growth.

SARA EISEN: Do you watch Nvidia's stock price?

CHAIR JOHN C. WILLIAMS: Well, you can't not because it's like in the headlines every single day. But one thing, you didn't ask the question about what does it do to our labor market? And one thing, you know, I think that's another big open question that I don't have answers for. But if you think about one area that the jobs that will be replaced by AI or generative AI and these, a lot of those jobs – not all, but a lot of them we have

outsourced out of our economy for a long period of time. So I think, you know, there's effects here in the U.S. but there are actually effects around the world about how this is used and replacing people, like call centers and software developers. I mean a lot of these are the kind of jobs that have no longer been kind of efficient to do in the U.S. or maybe not as productive.

SARA EISEN: So you see us weathering it on the jobs...

CHAIR JOHN C. WILLIAMS: Well, I don't know about weathering it because I think it can be transformative and have big effects, but it will have big effects in other countries as well. And I think sometimes people kind of focus, like think about this as, well, what's going to happen to these particular jobs in the U.S., and I think it's much more of a global phenomenon.

SARA EISEN: Do you guys talk about AI and the impact of it at the Fed during the meetings?

CHAIR JOHN C. WILLIAMS: We, of course we're not allowed to use AI during the meetings. This is topic number one in economics, right? It was last year. It is this year. I think it's because we all, or many of us, have lived through the innovation booms of before and we saw, not only the economic impacts but also the effects on society. The

hollowing out of the middle class, for example, that came with some of the earlier waves of technology. And similarly, we've seen with the interactions of trade and technology. So I think there's a lot of focus on these issues because we've seen how this has played out in different times.

And I think even as a leader of an organization, I would hope that all leaders of organizations in this room are thinking about, you know, we're all going to use AI, how do we do this to improve and strengthen the skills and abilities of our workers, our employees, and our organizations and not just think of it as, okay, this allows me to eliminate 10% of the jobs.

I mean it's kind of a big question for us, how do we all use AI, which I think is going to influence how it affects our economy and how it affects our society. There's kind of a path that says this could be productivity-enhancing, like mechanization was and the industrial revolution, or is this is just a thing that people see as a way to reduce costs?

SARA EISEN: Yes, boost margins. I'd love to open it up to the crowd. I think we have some microphones going around.

QUESTION: First of all, thank you for doing this. This was great, really educational. Sara, great to see you again, and great interview. Tomorrow we get the PCE as we

mentioned, right? And I believe Sara, we're looking for 2.7%. What delta from that, what variant from that would raise your attention even more so? So I assume if you hit 2.7, it's probably steady as she goes, right? If it were a 2.5 number or a 3.0 or a 3.1, what delta would capture your attention even more?

SARA EISEN: This is my kind of question.

CHAIR JOHN C. WILLIAMS: Yes, I noticed. I didn't know you were allowed to plant questions. First of all, don't say those big numbers anymore. I don't like that, speaking of jinxing things.

SARA EISEN: Do you know the PCE? You don't get advanced...

CHAIR JOHN C. WILLIAMS: I do not. I mean we have the CPI and PPI like everybody does. And we have analysts like all the banks, investment banks do, who try to figure out based on the CPI and PPI kind of what a PCE, because those are the main inputs of the PCE price index. But there's other things that the Bureau of Economic Analysis does that they have figure out. So there's always a little bit of, not quite sure how some of the pieces will fit together.

You know, my honest answer to your question is I can't just get focused on one data

point. We've seen the CPI and the PPI. If there was a big surprise, at least from my perspective, on the actual PCE, it would probably be in the non-market components. Yes, I'm going to get very geeky for a second. But they're just making a guess until they get real data or something to fill in some blanks. That's true of GDP, that's true of everything.

So I guess my point would be, you know, it's another important data point because, of course, our long-run inflation goal is based on the PCE price index. I take it very seriously, but it's just one piece of information. Trying to look at all the pieces and how they fit together is much more important. Obviously, from my perspective, I like any data that's confirming that we're moving towards 2% inflation, that there's not signs of somehow, discordant with that. But I'm not responding to any particular specific thing.

This issue about looking at the data, I know there's sometimes criticism to the data. Because some of the data are based on actual prices, you know, a box of cereal of this size, they're getting the actual prices that consumers are paying. A lot of things are like that. Other things, whether it's owner equivalent rent meaning the imputed price of housing that people own, that live in the home that they own, or some of these services that aren't really priced. Those data always have kind of idiosyncratic things. They're part of the inflation index. They're important. I don't ignore them.

But it's kind of important to understand what's happening underneath, and that's what this MCT is. It's used as a statistical method, but it's trying to say what's the signal in inflation for future inflation. That's why I find it a useful thing, as looking at a lot of other things.

SARA EISEN: Still the market would probably sell off north of 2.8%, don't you think?

CHAIR JOHN C. WILLIAMS: You're not asking me this question.

SARA EISEN: I'm asking hypothetically. Anybody else?

QUESTION: I'll jump in quickly. Just a credit question. One of the things we keep talking about, lower rates based upon inflation coming in. We haven't really touched on a credit cycle or something that triggers the Fed to react and lower rates that trigger either liquidity in the market, etc., where you have buy now, pay later, and you have private credit. Two very big asset classes that have grown in the last several years with a lot of players in it that are not traditional underwriters. Just, any thoughts on the credit cycle, a normalized credit cycle? Are we going to see one? Or in your view, are those asset classes even a concern?

CHAIR JOHN C. WILLIAMS: Well, I mean the financial system in the U.S. is changing

all the time and you mentioned, you know, private lending in particular gets a lot of attention as it should because it's grown a lot. And one of the things, lessons of history is that things that grow very rapidly to a very large size, we need to understand them and there may be vulnerabilities or issues or other aspects that we want to make sure we understand.

I think in terms of a credit cycle, I mean what we're seeing today after the unimaginable events of the past four years is both on the credit side and on overall financial conditions, I think things are kind of lining up to this basic story. It's a strong economy. It's a pretty good economy, more normal economy.

So we're definitely seeing this evolution of different kinds of things which were studying. But some of this is actually kind of filling in gaps that banks maybe have moved away from. I'm thinking about private lending for example. So to me it's part of the evolution of our financial system. It's our job to understand it and make sure that we're watching this. But not seeing anything beyond kind of overall favorable conditions and credit markets, it's not seeing anything beyond that.

In the banking system, I mean clearly we've got more of a mixed message where credit conditions or lending conditions tightened last year in spring. But since then they've kind of stabilized.

QUESTION: Thank you. A lot to digest here. You haven't touched about the geopolitical risk or scenario. Can you speak about how it evolves if there's a geopolitical scenario?

CHAIR JOHN C. WILLIAMS: So clearly there's a lot of geopolitical issues that we're seeing around the world. I think, you know, part of it is how do we include this in our analysis of the U.S. economy? And it really is thinking about the channels, by events around the world, whether in China, the Middle East, or wherever, is how is it, what are the primary channels that affect the U.S. economy, the growth, inflation, financial conditions?

And so looking at commodity prices is one indicator that tends to be effective, which we haven't seen really, like oil prices move that much recently. The other is in overall financial conditions. It tends to be when there's geopolitical stress or other financial market stress, there's a flight to quality, a flight to safety to the U.S. dollar that tends to come to the U.S.

And then looking at the more macro environment. I would just say that overall there are these risks. The concern is how do they spill over to international trade, supply chain issues, maybe commodity prices. And we're seeing a little bit of that. But overall, so far that's been relatively contained, but that's just an area that could change.

SARA EISEN: Okay, really quickly because I can't, we can't finish a family lunch without a political question, and I know the Fed doesn't do politics.

CHAIR JOHN C. WILLIAMS: Yes, you can, you actually can.

SARA EISEN: And you don't pay attention to the election, and it doesn't impact monetary policy or anything. But we do have an election, and the Fed is a topic. And I do wonder if you worry longer term about Fed independence, given some of the things you're hearing.

CHAIR JOHN C. WILLIAMS: Well, I'll just speak. I've been at the Federal Reserve now almost 30 years, and it's just an amazing institution. It's an institution of people who are dedicated and committed to price stability, maximum employment, and all the things that we do beyond monetary policy. And I think the important thing about the independence is really, it's an organization, and it's true of our peer organizations around the world, that is just focused on doing our job well. We have a relatively narrow set of things that we're supposed to do. Do them as best as we can. We don't always get it right. That's clear. But we're always trying to do that right and not interested in partisan or other politics.

And we've seen from the evidence and research that independent central banks

actually do perform better in terms of achieving price stability, achieving well-anchored inflation expectations. It's a model that works well. It's one that I've been very fortunate to be in for 30 years. And for me, the most important thing is we just continue to do our jobs, to do the best we can to meet the goals, objectives that Congress set out in the Federal Reserve Act, and just continue to do that.

SARA EISEN: All right, so far so good. Thank you very much.

VICE CHAIR ROBERT K. STEEL: Well, Sara and John, thank you both. John, for your remarks framing things, and then engaging in such a constructive conversation. To the Club members, thank you all for joining.

And let me just remind you that we have a run of shows for the next month or so with lots of interesting things. Glenn Hubbard and Larry Summers on June 4th. Oskar Eustis of the Public Theater on June 10th. And on June 13th, quite importantly, we have one of our Signature Luncheons with Secretary Janet Yellen, and she's the Pete Peterson Excellence Award winner. And that will be a special privilege. We also have Strauss Zelnick and Lisa Cook later on in June. Let me also remind the Club that as we were just pointed out by Sara that we have a presidential campaign coming up. After the conventions, we will invite both candidates to come and speak to the Club. We don't know who will accept and who won't accept. We'll offer invitations to both and whoever

accepts, we'll be glad to host, is the policy that we'll be working on.

Let me just say thank you again to the 376 members of the Centennial Society who have provided underlying support for the Club for which we're all most appreciative, and it allows us to accomplish everything that we do. So everyone, thank you very much for joining us for our program. Thanks again to our moderator and our guest. Everyone have a wonderful day. And those with us in the room, enjoy your lunch. Thank you.