

Transcript

Fed Talk: A Conversation with Federal Reserve Bank of Cleveland President Beth Hammack
Federal Reserve Bank of Cleveland
September 22, 2025

Presentation

Speaker:

Beth Hammack, President and Chief Executive Officer, Federal Reserve Bank of Cleveland

Moderator:

Lila Mills, Editor-in-Chief, Signal Cleveland

Ericka Thoms:

Hello everyone. Thank you so much for coming to our session today. I appreciate you joining us at the Federal Reserve Bank of Cleveland. My name's Ericka Thoms. If you'll have a seat, and we're going to play a short video about the Federal Reserve Bank of Cleveland, and then we'll get the program started.

President Beth Hammack:

One of my favorite parts of this job has been getting out in the community and really engaging with people in the region, getting to hear their insights and their perspectives. Whether it's universities, businesses, individuals, employees, we want to understand how the economy is working for all individuals. We want to understand how all the residents, all the employees, even children or are experiencing things and what those opportunities look like. Our mission is to provide economic opportunity and economic growth for all.

I'm traveling around the district, whether it be Toledo, Columbus, Cincinnati, Lexington, Wooster, all across the Fourth District to really understand the experiences of individuals and businesses. This allows me to gain on the ground insights about what's going on in the economy across the Fourth District so that when I go to Washington, D.C., I can help represent the Fourth District perspective about what's going on in Ohio and how businesses and communities are faring in the economy here. That's really important given the Fed's decentralized structure. We have 12 regional reserve banks across the country, and so each one of us ranked presidents when we show up, tries to bring a bit of that flavor of what's going on for the economy in our region.

On the ground insights to me is sitting down and having conversations with these businesses and community leaders, so I like to ask them about how they're seeing demand for their business, how they're seeing pricing pressures. Are they able to charge more? Are they seeing labor issues? Are they able to find the talent that they need to fulfill their workforce and to make sure their business continues to grow? One of the visits recently, we went to see the NASA Glenn facility in Cleveland. It's a real anchor and it's a real magnet I'd say for scientific talent, and they're working on both development R&D for the next generation of things that may go out to space, but they're also working on innovations with local companies. They've designed non-pneumatic tires in partnership with Goodyear.

And so, they're taking advantage of the region that we're in to really ensure that they have the best ideas, the best innovations, and are contributing to the local economy. One of the things I love about the Fourth District is it's really a microcosm of the country. When you think about it, we've got manufacturing, we've got rural areas in farming, healthcare and education are large parts of our environment. We've got energy production. And so, we have a little bit of everything in terms of what the overall U.S. is experiencing, and so getting a picture on what's happening in each of those different areas from a business perspective gives me a clear view of how each different type of business, each different sector is adapting to the economy and adapting to new policies.

Courtney Falato:

Good morning. Thank you everyone for joining us in person and online for today's Fed Talk. I'm Courtney Falato, senior vice president of External Engagement. Here at the Cleveland Fed, our team is driven by our public service mission to promote a healthy economy and financial stability. We do this through research, education and outreach. Our team seeks out opportunities to engage with people who live and work here to learn about economic challenges and opportunities they may be facing. We act based on these insights. Our Fed Talk series is one example of turning this input into action. For many Fed Talks, we directly address topics we learn about from stakeholders and create opportunities to engage with experts and discuss solutions.

Whether it's a conversation about how challenges finding reliable child care can impact workforce stability, or a session about how small businesses drive innovation, job creation and growth, these talks are part of our commitment to connecting with the people that we serve. They're always free, live streamed, open to the public and bring together experts from the Cleveland Fed and beyond to engage on important economic issues. This is just one of our programs. In my role leading our external engagement efforts, I want to not only ensure that everyone knows about all of the work that we do, but also that people in our region know how they can contribute as well.

It can be as simple as asking a question during today's talk or by participating in our small business credit survey. We rely on your valuable insights to stay informed on current and emerging economic issues. We also hope you consider us as a resource in your work. When you have a question about the economy or are working on a new opportunity in your community, we want to learn about it, contribute and help connect others to the work. Now, for a little housekeeping. Information about today's program will be sent in a follow-up email. A video and audio recording of the event will also be posted on clevelandfed.org/fedtalk, and you can also listen to this and previous Fed Talk programs by subscribing to the Fed Talk podcast available wherever you listen to podcasts.

With that, I'm excited to introduce you to today's Fed Talk participants. Our guest moderator is Lila Mills. Lila is the inaugural editor-in-chief of the local nonprofit, nonpartisan newsroom, Signal Cleveland. A Cleveland native, she has spent 25 years in journalism and community building. And Beth Hammack is our president and CEO. Beth has more than 30 years of experience in finance and capital markets. She took the helm of the Cleveland Fed about a year ago, and in this role she participates in the formulation of U.S. monetary policy and oversees 1,100 employees in the bank's Cleveland, Cincinnati, and Pittsburgh offices. Lila, I'll toss it to you.

Lila Mills:

Thank you so much. Beth, it's going to be great to be in conversation with you today, and it is not typical that Fed monetary policy competes with primetime TV for high drama, but we've definitely reached high drama and we are going to talk a little bit about the drama, but I think today it's really a good time to talk about what the Fed does and why it's important. So I want to start there.

President Beth Hammack:

That's great, thanks. And thanks so much for coming in, Lila, it's great to meet you and it's great to have this conversation. One of the things that I feel is really important is for people to understand who we are and what we do and all the resources that we offer. We get a lot of attention paid to us as a system about monetary policy. That is the thing that we are most well known for, where we set interest rates. As you probably paid attention, we changed interest rates last week. The committee voted to reduce rates by 25 basis points, but we have four other functions that we spend a lot of time on. We don't have 1,100 economists in the building. We have 1,100 people who are doing lots of different things, and so across those different functions, we supervise and regulate the banks.

That means that we ensure that the banking system is safe and can provide credit and help the economy really continue to grow. We oversee financial stability, so that's really looking broadly across the landscape, whether it's coming from the banking system, from new types of technologies, from different pockets of the economy. We try to see are there bubbles forming? Are there issues that are happening? And we have tools that we can use in the event of a crisis as we did in 2008 and as we did in 2020 and 2023 to help make sure that the credit continues to flow, businesses and consumers have the monies that they need.

We have our payment system. We foster the nation's payment system, so within Cleveland and Cincinnati, actually we process dollar bills, so you might not think about it, but actually at the bottom of this building, there is a vault with a significant amount of paper bills that we take from the banks and send back to the banks, and we have a whole team of cash processors who make sure that that is fit currency in everyone's wallets. And we have a team of law enforcement professionals who help guard the building and those assets. And then our last responsibility is consumer protection and community development, and this is really where we're out there engaging in the communities.

We're not public policymakers. Our scope of policy is very narrow. It's just monetary policy, but we can study what's happening more broadly in the region. We can understand what are some of the barriers to individuals participating in the workforce. What's keeping them from being able to get a job? Is it their ability to have transportation? Is it affordable housing? Is it child care? And we can study what solutions others have come up with and we can try to amplify those through our research teams and help make connections and bring people together to work on those types of solutions.

Lila Mills:

Well, let's stay on that a little bit because income inequality in our region is a key issue. Can you talk a little bit about the work that you all are doing around issues like the benefits cliff and around issues to help greater Clevelanders with that?

President Beth Hammack:

Sure. Yeah. So we spend a lot of time looking in local communities. One body of work that the team had engaged in last year was around some of the flooding in Kentucky, in Eastern Kentucky, and what were the ramifications of that, what were some of the implications, how do we work. One of the things I hear about a lot when I'm out in the district is that we really are in a two-speed economy. You've got the top end of the income spectrum who's doing incredibly well. Prices go up and they're just happy to pay them. They want whatever goods or services they want and it's fine. But at the lower and middle income portions of the communities, people are really struggling. They're having a hard time figuring out how to feed their families, how to find housing that's going to be safe and reliable.

We hear constantly about individuals trading down. We were in Cincinnati a few weeks ago, meeting with the Urban League and talking with some individuals who'd participated in a number of the Urban League's programs, and they were talking about they're in the supermarket and they have to make the decision. They'd like to buy ground beef, and they used to get 97% lean beef and now they're getting 85% lean beef because the pricing just doesn't allow for it. And so we try to study some of those different trends and some of those trends that we learn about help inform me when I go to Washington and talk about what we're seeing. It helps me to understand how we should be setting monetary policy to ensure that the economy is growing and hopefully growing at all levels.

Lila Mills:

Can you talk a little bit about the benefits cliff work that came out of Atlanta, but Ohio is piloting with the state as well?

President Beth Hammack:

Yeah. So it's really important work that's being done because I think what we find right now is that most of the families that are struggling are working families. It's not your old school viewpoint of these are people who are in poverty, they don't want to work, they can't do it. These are people who have reasonable jobs, maybe even like \$22 an hour jobs who are earning \$44,000 a year. And for a family, that just doesn't give them what they need. And so ensuring that when they get that next promotion, they move up, that they don't lose access to all of these different services is really critical. And you're right, the Atlanta Fed has really championed a lot of that work and a lot of that research that's been done, but we're trying to analyze how that's flowing through in Ohio as well.

Lila Mills:

Can you talk a little bit about the impact on the local economy of the rate cuts?

President Beth Hammack:

Sure. So last week we met in Washington, D.C., the committee voted 11 to 1 to reduce rates by 25 basis points. The genesis behind that was really that the balance of risks has shifted and that with some of the recent data that we saw around the employment side, that it felt like the pressure that we're seeing on the inflation side of our mandate and the pressure that we're seeing on the employment side were coming into better balance. So as you know, we were created by Congress in 1913 and given a mission of supporting all those different functions that we had

talked about. More recently, Congress changed the mandate to focus on both maximum employment and price stability. So we have two sides of our mandate that we're focused on and we have to balance those two, and most times they work in the same direction.

So when the economy is running super hot, everyone's got jobs, you have pricing pressures, those two things move in the same direction. It's pretty easy to know what to do as a monetary policymaker. That's a time we're supposed to tighten policy, raise rates, make it more expensive, take that cost of money higher so that people want to borrow less. On the opposite side, if you have a massive downturn, 2008, you have real strains, you're not seeing... People are out of work in a lot of places, you're not seeing pricing pressures, and that's a moment when we want to ease policy. We really want to lean in, make sure credit is flowing, make sure that individuals and businesses can borrow and get the economy restarted again.

But right now is a unique time for monetary policy because we're being challenged on both sides of our mandate. We're being challenged both on high inflation. Inflation is running around 3%. Our goal is 2%. We've been running above that 2% objective for almost five years, and my forecast and many other professional forecasters would tell you that we're likely to see inflation continue to go up. So we're high and we're running in the wrong direction. But on the employment side, we've been running right around full employment. The unemployment rate is 4.3%. That's a pretty healthy rate. It's right around most estimates of that maximum employment number. But we got some data on headline payroll growth that dropped pretty significantly over the summertime.

There's a question of was that just not a lot of jobs being created? Is that labor supply? The rate would tell you those two things are in balance, but the headline number looks like there's more softness there. And so that's something that we're watching carefully. We look at a whole host of other data as well to round out that picture. But when you bring the two things together, it seems like we've got inflation that's too high and heading higher, and there's some signs of fragility in the labor market. When I'm out with businesses, the one thing that I hear repeatedly is that we're in this low-hiring, low-firing environment.

I'm not hearing business leaders who want to shrink their workforce materially, but because people aren't leaving their jobs, there isn't that opportunity for new things. And so you're seeing that show up in some cyclically concerning segments of the population. So it's really hard to get a job if you're a recent college graduate. If you're in that 16 to 24-year old age range, it's harder to find a new job because people aren't leaving their jobs. Black women in particular are having a tough time. You're seeing a spike in that unemployment rate.

But when you look at other indicators, we look at the... In Cleveland, we've done a lot of work on WARN notices, so those are the big notices that get filed before larger layoffs that are happening. Those have been pretty stable. They haven't trended up. You look at the vacancies to unemployed ratio, that number had been pretty stable around one, it's still right around one, and one actually is a pretty high reading for that. So if you go back to 2016, 2017, it'd been more like 0.7. And so you're still seeing some signs of pretty robust labor markets, but inflation is really quite high right now.

Lila Mills:

Well, let's stick with inflation. One of the questions that came in from the audience is the impact of inflation is disproportionately born by lower income workers and older adults on fixed

incomes. And with folks saying that you're not going to get to target until 2028, what relief is coming? What measures folks can be taking to help mitigate the challenges that folks are facing?

President Beth Hammack:

It's a great question. There's a lot of concern. I have a lot of concern about the level of inflation and the persistence of inflation. So when we have this challenging time where both sides of our mandate are in conflict, what I think about is how far are we away from target on each side and how long do I think that's going to last? We can think about on the labor side, we're pretty close to our target. That 4.3% to me is right around a maximum employment type number. Now, I do anticipate that unemployment will keep rising a little bit, but if you look at those same forecasts, that summary of economic projections, it does look like it's going to come back over that time horizon. On the inflation side, we are missing by a more meaningful number, by a full percentage point.

We've been missing for four and a half years, and I anticipate we'll continue missing for the next couple of years. And so we have to weigh those things when we're looking at it. For individuals, to me, that's why I am laser focused on inflation. And that's why to me, I think that we should be very cautious in removing monetary policy restriction because I think it's important that we stay restrictive to bring inflation back down to target. We had this debate within economic circles and within the committee around what is the neutral rate, what's that natural rate of interest? I have one of the higher estimates on the committee, and I think we're only very mildly restrictive after last week's move.

So I think we are a very short distance to neutral, and it worries me that if we remove that restriction from the economy, things could start overheating again. Now, if we see that happening, I have a lot of confidence that if we see good evidence that the economy is starting to overheat and is running at a hot level, that the committee is going to take action and is going to bring things back into a place that we can meet both sides of our mandate. But I do have more concerns right now that if we remove that restriction too quickly, yes, it may help on the labor side, but I feel like the labor side is still in a pretty good shape and I'm really worried about what's going on with inflation.

Lila Mills:

So let's talk about tariffs. Tariffs can contribute to inflation by increasing those costs. Where do you think the impact is going to affect the overall economy, both in short or long term depending on what happens with it?

President Beth Hammack:

So the team's done a lot of analysis. Our economic research team has done a lot of analysis to look at what are the different segments that have been impacted by tariffs. Whether it's the country level tariffs or it's the product tariffs on steel and aluminum and the like, we try to break down what is the actual tariff rate and what is showing through in the pricing. And so you can basically do a scatter plot and see this is what the tariff was, this is how much the price has gone up. Is that tracking along the line? Are there places where you're seeing more impact than what the tariffs would imply? Are there places where you're seeing less impact than what the tariffs would imply? We've been tracking reasonably well that tariffs are having the impact you would expect them to have in the economy.

Now, tariffs happened at different moments throughout this spring and summer, and I think we've only recently gotten to a level where things are starting to settle in, and we're still seeing that the effective tariff rate, the actual rate that's being collected, the amount of money that's being collected isn't quite at what you would expect given where the tariffs are. And so there's still maybe some room to grow. Maybe that's a compliance issue. It could be that businesses are buffering some of that. We know businesses, from my conversations out in the district, I heard that businesses bought a lot of extra inventory at the beginning of the year worried about tariffs. They're working through selling that. It looks like they might be at the tail end of that.

And so one of the things we have to watch is are businesses still able to absorb that tariff impact or are they going to start pushing those prices out? I do expect that early next year we'll start to see another wave of pricing pressures. There are a lot of contracts that get negotiated at the beginning of the year, and so we could see another wave of price increases that are happening in the first and second quarter of next year. So that's something we need to continue to watch.

Lila Mills:

So we are only three minutes out from the Q&A. So I would be remiss if I did not ask you that one of the hallmarks of the economic system is the independence of the central bank. Do you think that independence is in jeopardy?

President Beth Hammack:

I have every confidence that when I walk into the room, that I and my colleagues sitting around the table are making decisions purely based on the data. So let's step back. What does independence mean? We are a system that was created by Congress. We are independent, but we are accountable. We're accountable to Congress. And that's important because the chair goes and testifies in front of Congress. The vice chair for supervision goes and testifies in front of Congress twice a year. And it's important that people are asking us questions, they're sharing their opinions with us, they're expressing their views. There's a lot of very normal things that are happening in the world right now, and there are some unique things that are happening.

Normal things are when I walk down the street, people asking me what's view of monetary policy, offering me their views of what should happen. The president offering his views, other elected officials offering those views, that's totally normal. That's a healthy thing that needs to happen in our society. There are other things. We had an opening on the Board of Governors, the president nominated someone, they were approved by Senate. That's the process. That's how it's supposed to work. That is all totally normal. There's some more novel things that are happening. For the first time ever, we have a president who's trying to fire a sitting governor. And so we'll see how that plays out. There's a process for it and we'll see where that goes.

But what's important to me when I think about independence is that when I and my colleagues walk into that monetary policy room, that we are able to make decisions based on data, whether that's hard data, stories that we learned for our district, individual experiences, but that we all bring our perspective, the diversity of how we all grew up in the world and we're making the decisions in that room to achieve that dual mandate of maximum employment and stable prices and that we're not thinking about anything else when we're trying to take those decisions.

Lila Mills:

And so you don't think that it is... When you're in that room making those choices, it's not making your job harder, the kind of unusual things that are happening in the space?

President Beth Hammack:

It's a hard job. I signed up for it. I took the job because I wanted this hard job. I think most good jobs are hard. And I think that's the role is to make sure that you are taking into consideration all of the different elements. You can't just look at one slice of the population, you can't just look at one segment of the economy. We've got to look across the district and across the country to make sure that we're setting things appropriately.

Lila Mills:

It definitely sounds like what you're saying in that room, the work that you're doing remains data focused.

President Beth Hammack:

Absolutely. Absolutely. And it's a rigorous series of conversations. When we walk into that room, we may all look at the same numbers, but we unpack them very differently. We draw potentially different conclusions or different viewpoints based on that data, but we have really thoughtful discussions. And I listen really carefully to hear what people on different parts of the room are sharing and how they're seeing things. And for me, I learn a lot because I'm covering the Fourth District, which is all of Ohio, Eastern Kentucky, Western Pennsylvania, and parts of West Virginia, that's what I'm focused on, but we set national interest rate policy. So we have to make sure that as we're bringing this picture together, that I'm learning from my colleagues in Dallas, in San Francisco, in New York, in Kansas City, all across the country to make sure that we're setting the right policy.

Lila Mills:

Well, Beth, thank you so much. This was a short and sweet conversation, but we're going to open it up for some Q&A. Does anyone have any questions for Beth?

Dani Carlson:

Hello, hello. There we go. We do have a question from the online audience just as people are thinking of their questions here in the room. When you speak with your colleagues and you listen to a view that is out of consensus, would you say that you seriously consider that person's view no matter how far-fetched it may be? And how do you usually respond when you listen to an unconventional perspective?

President Beth Hammack:

I love unconventional perspectives. I love hearing from as many different people, different perspectives as I can. And for me, if I was just talking to people who thought the way I think, it may be more comfortable, but I'm not learning anything. And I really want to be learning, I really want to be understanding, growing that picture of how I'm thinking about things. There's a lot of different economic theories out there, and there's the practical realities of how things work

in markets and in businesses. And I try to bring both of those together, those perspectives together. And so when there are people in the room, whether it's the policy room, whether it's our research staff who have different perspectives, I really welcome that and I try to listen extra carefully.

I grew up doing a little bit of debate, and so one of the best ways that you hone your arguments is by hearing the other side, making sure that you're understanding all the critiques and criticisms. And sometimes if you hear something that's really, really good, really thoughtful, maybe you change your perspective because you've heard something that resonates and that's important to be flexible and make sure that you're not just trying to pick the pieces that add to your picture, but that you're really building a true picture of what's happening out there.

Questioner 1:

You mentioned that you were concerned about some areas of inflation, and I wondered if you could point out some of the top areas that would be of concern. Thank you.

President Beth Hammack:

Yeah. So inflation's been running around 3% most recently. Our objective has been 2%. We haven't been able to hit that. I'd say last year, last September when the committee reduced interest rates, it was at a moment when employment had been moving up slightly, inflation had been coming down and we saw it not quite at Target, it was a little lower than we are today, probably around 2.7%, but we were moving in that direction towards our goal of 2%. Goods inflation had finally been back to zero to slightly negative, which had been the trend overall and services inflation was coming down. The part that was really sticky last year was housing services inflation. We didn't really see housing services coming down and housing inflation come down quite as much.

But we were on this trajectory. Policy was a good bit tighter, and we were on this trajectory where we saw inflation starting to come down. Right now we're seeing pressure come back in the goods sector. It may be that it's just related to tariffs, but we don't know that just yet. But beyond that, we're also seeing pressure in services inflation, and that's harder for me to attribute to the tariff policies as what's driving those pressures. And so when I step back and think about it, what we have to worry about again is this magnitude and persistence of our misses. And on the inflation side, part of the persistence issue is that if inflation misses for too long and is expected to be missing for longer, that could start to impact inflation expectations.

And if you go back and look at the '70s and what happened there, and we are by no means in anywhere like the '70s type of an environment, but one of the things that made it really challenging for monetary policy there was that this high inflation became part of the psyche. It became part of the expectation. It became part of what consumers and businesses were planning for and they just expected that to happen. And so because of that, you had to have really punitive interest rates to help bring that back under control. And so again, we're at around 3% inflation. That is no means where you were in the '70s, but if that persistence starts to build into the psyche, then what that means is that it becomes harder for businesses and individuals to plan their futures. You don't know how much you need to put in your budget over time if you don't have that same certainty. So that's why it's so important for us to make sure that we can bring inflation back down to that 2% target.

Questioner 2:

Thanks for coming in today. Quick question on job data. There was a pretty big revision recently, 911,000 jobs year over year, a downward revision. With such an important yet lagged data point, how does the Fed navigate that? Are there alternative sources of data that are more accurate than that pretty important piece?

President Beth Hammack:

Yeah. So, the revision that you're referring to was the QCEW, and I'm not going to remember what that stands for. It's an update that happens once a year. Once a year? I'm looking at my comment. Once a year or quarterly? It's quarterly is what the Q stands for. They update it quarterly, but the benchmark gets published once year. Okay. So this is where they basically try to true up the data between the surveys that are done that contribute to the monthly report, and they look at what's going on in the actual payroll data with immigration, they check social security numbers against it, and they try to bring that together. And so that's the major update that happens.

That major update doesn't flow through into the unemployment rate data. It does flow through into other places. It flows through into that headline number, and it is a pretty big number. There was a similar revision last September. You had I think it was around 800,000 that it was revised down in terms of the number of jobs. But we do look at that data, and I do think that the BLS who publishes that data is the gold standard the world around for producing data. They have rigorous methods and teams of researchers who are working to ensure that we have the best data possible to make these types of decisions, but we don't just rely on that data alone. We do round it out with a lot of other things. So in terms of hard data, we looked at, as I talked about, the WARN notices, the vacancies to unemployment rate.

We talked to businesses in the... We look at surveys. We have surveys that we run with the local community. So we publish something on every FOMC cycle. So it's eight times a year, which is called the Beige Book. This is a collection of stories and anecdotes from talking to businesses in all 12 of the districts that the Fed covers. And our team goes out and meets with individual businesses. They ask them a series of questions. There's some surveys that you can take online, but they ask them about employment, they ask them about inflation. And so we take that data and then we couple that with one-on-one stories that we hear. When I'm out talking to business leaders, when I talk to community leaders, "What are you seeing? What are you thinking about? Are you hiring people? Are you not hiring people?"

And for me, what's really important in those conversations is that I feel like that's the leading edge. We often find that when we're out having those conversations, the data may not be showing it, but if you wait a couple of months, these are the early warning signals of where things are going to happen. And so in talking to businesses now, again, I'm still hearing this low hiring, low firing environment. I'm not hearing about significant layoffs. I'm not hearing about major changes that they want to make to their workforce, but that's something I'm attentive to because that could be a signal that things are going to shift more.

Lila Mills:

One more question over here.

Questioner 3:

I happen to own a refrigerated trucking company and probably a surprise to most of the people in this room, our industry has been in a recession for three and a half years now. Cass, who is a big freight bill processor, last month indicated that their freight bill processing totals were down like 10% from 2024 to 2025. We haul food, fresh, frozen, perishable food, and it's amazing to us, I mean, you think people eat, right? If there's one industry that should be recession proof, it would be you're going to feed your family. But it's amazing to us how much change there has been in what our customers are asking us to haul.

There's three and a half million truck drivers in this country, and they're all being affected by the downturn that our industry is experiencing. It's disheartening to go into a month knowing that there's not a snowball's chance that by the end of the month you're going to be able to generate a profit. And that's the circumstances that our industry is facing right now. I've been doing this 44 years. I've never seen anything like this in that period of time. And I've seen every side of the business cycle several times, but I've not seen this before. I am curious what your thoughts might be regarding that specific set of circumstances for our industry.

President Beth Hammack:

Yeah. Well, thank you for highlighting that. And it certainly sounds like there's a lot that you're struggling with and that the businesses generally in the shipping industries are struggling with. And certainly there are pockets of different industries that are going through more significant change. And it sounds like what you're describing, and again, I'm not an expert, you're the expert on shipping, I am not, but what I hear you describing is a moment of real change for your industry. And we're seeing that in other places too. We're seeing different kinds of innovations that happen, and when those happen, AI is a big one that people talk about a lot right now, it can create new jobs, but it can also mean that we have deficits in other places.

And so these transition moments when industries are shifting, when the demand picture is shifting, are really important for us to study both from an economic perspective but also from our community development arm to understand what are some of the ways in which organizations are helping to support people who may be losing their jobs in one industry or one type of field, and help to find them ways to get trainings in other areas. One of the places that we've been out visiting is a number of the community colleges. I was out at Lorain County Community College a few months back, talking with them about some of the work that they're doing to help train high school students and mature students and make sure that they have opportunities for jobs in the tech sector.

They've created clean rooms so that people can actually graduate with jobs lined up straight away for high-paying good jobs, and they've got a pathway to continue building their education and continue to grow. But there are going to be lots of moments of transition I think for a number of different industries, a number of different job functions, and it's important for us to pay attention to how are those happening. What's happening at those transition moments, and how can we... It's not our job to support it from a policy perspective, but from a research perspective, we can help put ideas out there and we can share those ideas of what's working, what do we see making a difference, so that hopefully if those get studied and picked up by different organizations, the impact will be lessened for people who are going through those very difficult moments.

Lila Mills:

We have a question over here.

Questioner 4:

Good afternoon, President. My question to you is, with the national debt now exceeding \$37 trillion, many are concerned about its long-term impact on interest rates, inflation and future economic growth. From the Federal Reserve's perspective, how do you see this debt level affecting monetary policy decisions for the next decade? Thank you.

President Beth Hammack:

So as monetary policymakers, we don't get to pick the environment that we're living in. One of my colleagues is fond of saying a phrase that I think is a good Clevelander phrase as well. There is no bad weather, there is only bad gear. We don't get to pick the weather, we don't get to pick the economic environment that we're operating in, but it's our job to continue to steer the economy towards those two objectives of maximum employment and price stability. I have said, the chair of the Federal Reserve has said, many elected officials have said that the U.S. government is on an unsustainable path of debt, issuance of debt.

And so it's something that I would anticipate that elected officials will look at and will think about and will take into consideration because I do feel that the trajectory that we're on where we're right now approaching about 100% debt to GDP with projections, that it will rise. If you look at the CDO or other forecasters, it's something that could have longer-term repercussions for the country. And so it is certainly worth digging into and making sure that we get the economy and the country back on a more sustainable debt trajectory.

Lila Mills:

We have one in the back here.

Questioner 5:

Thank you. Are you concerned with the potential politicization of the Bureau of Labor Statistics, and if that should occur, does the Fed have the ability to independently verify or compute the true numbers regarding our labor?

President Beth Hammack:

So we look at a variety of sources as we've talked about when we're thinking about the labor picture as well as when we're looking at the inflation picture, there are a number of different indices, and we try to pull those all together and look across them. Right now, I have every confidence in the data that we're receiving from the BLS. The process is that the data get revised every month as they get more information in. That's typical that they will continue to update and make sure that we have the best indicators. I believe that they are still out there doing great work, and we continue to look at those numbers. But we do try to bring together not just those DLS numbers, we do try to look at a richer picture of data to make sure that we have an appropriate view across many different fields.

But it's helpful to have long histories of data because these long data series, a lot of times it's more about the trend than it is about the absolute level. And so if you have a long data series,

then you have a long trend that you can compare things to. When you're looking at new data series, you have to live with them for a little while to work out the kinks and understand how things are shifting. And so it's important that as different organizations are improving their methods and continuing to shift how they do things, that we take it with the right level of feedback. So I'll draw a parallel. Our team's done a lot of work around the Michigan confidence surveys that have come out.

Michigan confidence surveys had a pretty significant shift in the way that they were collecting their data. They used to do some phone polls, some online. They shifted to doing everything online, and what you saw was sort of a break in the series. You saw a sharp uptick in concern about the health of the economy. There are some theories about that. Apparently people when they click buttons are more willing to talk about how nervous and unhappy they are than when they're actually talking to a human on the other end of the phone. But so when you have those types of shifts, we have to adjust for that, and we have to factor that in to our decision making because we can't just take a number as a number. You have to put the full context of what's happening behind it.

Lila Mills:

I think we have time for one more question. We'll take it here.

Questioner 6:

Thank you. I believe this is beyond the Federal Reserve's scope to set this number, but I'd like your comments if you would be so willing. The federal poverty levels, you mentioned earlier, Lila asked a question about the poverty cliff or the benefits cliff, excuse me, and a family of four, I think you said 44,000, \$22 an hour, which if you look at federal rates, it's closer to that, a family of six would still be at poverty at 44,000. So you talk about economic theory and practical reality comes into the conversations you have in rooms. What do you believe would be a better measure of what is poverty in your district, and thus, what real wages are required for a healthy home life, healthy workforce to go and help us have a full economy?

President Beth Hammack:

It's a great question, and it is definitely beyond the scope of the Federal Reserve. We get to focus on two things, stable prices and maximum employment. We certainly pay attention to how different individuals are faring and how the economy is doing, but we don't set what the poverty level is. We like to talk to communities to understand what some of those barriers to entry are and make sure that we have a picture of how things are progressing. But our job in creating economic opportunity for all is making sure that everybody who wants a job can find a job and that they have stable and reliable prices in terms of what their expectations are, having that backdrop should allow the economy to continue to grow. It should allow people to continue to get involved.

But our tool is a very blunt tool. It's an interest rate. We have a balance sheet. We have our communications, but fundamentally we have one tool and that's the interest rate that we set. And that really is not a great tool for dealing with this two-speed economy that we're seeing. It's not a great tool for dealing with some of the income and wealth inequalities that we've seen in the system. And so we try to study them. We try to identify where people have found good solutions. We're not crafting those solutions, but we're highlighting what we think is working so that

hopefully individuals and businesses and communities can come together and rally around those and try to make sure we're supporting the public broadly.

Lila Mills:

Well, thank you everyone. Appreciate the conversation today. Thanks for all your great questions. And Beth, it was a lot of fun to be talking to you this morning.

President Beth Hammack:

Yeah, Lila, thank you so much for being here. We really appreciate everyone coming in person and online. It's been fantastic to share these thoughts. And one of the most important things I think that I can do is just talk about the Federal Reserve system, who we are, what we do, and try to demystify it. Hopefully, all of you have gotten a sense of who we are a little bit more in detail just by being here today. And you'll get to see, I think there we have tours of the building happening afterwards. You'll have to see a little bit more about what we do.

I know we have another Fed Talk that's going to be coming up at the beginning of October. It's called Understanding Inflation Expectations. We welcome you to join us. It's going to be hosted by two of our research economists, Damjan Pfajfar and Rob Rich from our Center for Inflation Research. I always mispronounce Damjan's last name, but Pfeiffer like Michelle Pfeiffer is apparently how it's pronounced. So we'll get back to that. But please join us on October 8th for that talk about inflation and inflation expectations, which as we discussed today is really critical. And so thank you again.

Lila Mills:

Thank you.

President Beth Hammack:

Thanks.