CHAIR POWELL. Good afternoon everyone. To begin, I would like to say a few words about Paul Volcker, who as you know passed away earlier this week. Paul Volcker served as Federal Reserve Chair from 1979 to 1987. He accomplished many things during his long and distinguished career at the Fed and elsewhere. Of course, he is best known for leading the fight to tame the double-digit inflation that he inherited as Chair, thus laying the foundation for the prosperity and price stability we enjoy today. But what is perhaps most admirable about him—more than his many accomplishments—was his character. He believed that there is no higher calling than public service, and he dedicated the lion’s share of his life to it. With courage, integrity, and tenacity, he always pursued the policies that he believed would ultimately benefit all Americans. My colleagues and I continue to draw inspiration from his example.

Turning to today’s meeting, my colleagues and I decided to leave our policy rate unchanged, after lowering it a total of 3/4 of a percentage point at the previous three meetings. As always, we base our decisions on judgment of how best to achieve the goals Congress has given us—maximum employment and price stability. Our economic outlook remains a favorable one despite global developments and ongoing risks. With our decisions through the course of the past year, we believe that monetary policy is well positioned to serve the American people by supporting continued economic growth, a strong job market, and inflation near our symmetric 2 percent goal.

The economic expansion is in its 11th year, the longest on record. Household spending has been strong—supported by a healthy job market, rising incomes, and solid consumer confidence. In contrast, business investment and exports remain weak, and manufacturing output has declined over the past year. As has been the case for some time, sluggish growth abroad and
trade developments have been weighing on those sectors. Even so, the overall economy has been
growing moderately. And with a strong household sector and supportive monetary and financial
conditions, we expect moderate growth to continue. As seen from FOMC participants’ most
recent projections, the median expectation for real GDP growth slows slightly over the next few
years but remains near 2 percent.

The unemployment rate has been near half-century lows for well more than a year, and
the pace of job gains remains solid. Participation in the labor force by people in their prime
working years, ages 25 through 54, has been increasing. And wages have been rising,
particularly for lower-paying jobs. People who live and work in low- and middle-income
communities tell us that many who have struggled to find work are now finding new
opportunities. Employment gains have been broad-based across all racial and ethnic groups and
all levels of education. These developments underscore for us the importance of sustaining the
expansion so that the strong job market reaches more of those left behind. We expect the job
market to remain strong. The median of participants’ projections for the unemployment rate
remains below 4 percent over the next several years.

Inflation continues to run below our symmetric 2 percent objective. Over the 12 months
through October, total PCE inflation was 1.3 percent and core inflation, which excludes volatile
food and energy prices and is a better indicator of future inflation, was 1.6 percent. While low
and stable inflation is certainly a good thing, inflation that runs persistently below our objective
can lead to an unhealthy dynamic in which longer-term inflation expectations drift down, pulling
actual inflation even lower. In turn, interest rates would be lower as well and closer to their
effective lower bound. As a result, the scope for interest rate reductions to support the economy
in a future downturn would be diminished, resulting in worse economic outcomes for American
families and businesses. Against the backdrop of a strong economy and supportive monetary policy, we expect inflation will rise to 2 percent. The median of participants’ projections rises to 1.9 percent next year and 2 percent in 2021. We are strongly committed to achieving our symmetric 2 percent inflation goal.

Over the course of the past year, our views about the path of interest rates that would best achieve our employment and inflation objectives changed significantly, as the economy faced some important challenges from weaker global growth and trade developments. As the year progressed, we adjusted the stance of monetary policy to cushion the economy from these developments and to provide some insurance against the associated risks. In addition, inflation pressures were unexpectedly muted, strengthening the case for a more supportive stance of policy. Rather than modestly increasing the target rate for the federal funds rate this year as seemed appropriate a year ago, we reduced it by 3/4 percentage point. This shift has helped support the economy and has kept the outlook on track. The medians of participants’ projections for economic growth, the unemployment rate, and inflation are little changed from a year ago, aside from a lower inflation projection for 2019. Of course, that is the function of monetary policy—to adjust interest rates to promote employment and price stability in response to forces acting on the economy.

We believe that the current stance of monetary policy will support sustained growth, a strong labor market, and inflation near our symmetric 2 percent objective. As long as incoming information about the economy remains broadly consistent with this outlook, the current stance of monetary policy likely will remain appropriate. Looking ahead, we will be monitoring the effects of our recent policy actions, along with other information bearing on the outlook, as we assess the appropriate path of the target range for the federal funds rate. Of course, if
developments emerge that cause a material reassessment of our outlook, we would respond accordingly. Policy is not on a preset course.

Finally, I wanted to note that we have been purchasing Treasury bills and conducting repurchase operations consistent with the plan we announced in December.¹ These technical operations are aimed at maintaining an ample level of reserves and addressing money market pressures that could adversely affect the implementation of monetary policy. Our operations have gone well so far; pressures in money markets over recent weeks have been subdued. To address possible pressures in money markets over the year-end, we have been conducting term repo operations spanning year-end. We stand ready to adjust the details of our operations as appropriate to keep the federal funds rate in the target range.

Thank you, and I will be happy to take your questions.

HOWARD SCHNEIDER. Sorry. Howard Schneider with Reuters, sorry about that. So I was struck by the sort of disconnect that exists here between the behavior of unemployment and inflation, you seem to have unemployment penciled in here now for 3 years running or more underneath the longer run level, yet inflation never really accelerates, so what are we to make of that?

CHAIR POWELL. Well that's, what's happening there is the fact that the relationship between resource utilization or unemployment and inflation has just gotten weaker and weaker over the years. If you go back 50 years you would have seen that, when there was, when labor markets were tight and unemployment was low, inflation moved right up. And then as the Fed got control of inflation the connection got weaker, and weaker, and weaker, to the point where there's still a connection, but it's a very faint one. And I, what that suggests is that you would

¹ Chair Powell intended to say the repurchase operations were announced in October.
need to keep policy somewhat accommodative, and we believe that policy is somewhat accommodative. And we think that that's the appropriate place for policy to be in order to drive up inflation.

HOWARD SCHNEIDER. Follow up on that, I mean it's faint and non-existent though it seems to me, so you'll suggest that whether your policy level as it exists now isn't really influencing prices at all. So in that case what do you do to reach your target?

CHAIR POWELL. You know, I don't think that's right, I mean, we-- the-- again the relationship between slack in the economy and inflation is weak has been weak. The coefficient is something like 0.1. So it's much, much lower than it used to be but I don't know if it's going down anymore in the last decade it's just this quite faint. But it's still there, I mean you can see it, if you look at, look at where wages were 3 or 4 years ago, they were running around 2 percent. And now the whole group of different wage measures that we monitor has moved up to 3 and 3.5 percent and that suggests tightening. The same thing is true but much less true of inflation, the relationship between, in a way the wage Phillips curve has a higher coefficient than the price Phillips curve does. But we do still see some relationship and that's what you're seeing in those numbers.

STEVE LIESMAN. Mr. Chairman, Steve Liesman CNBC. You've used the analogy, the 1998 to describe the rate cuts we just went through, and I'm wondering if we can sort of continue the analogy within 7 months of those '98 rate cuts. The Fed took them back and then some. So, were these those kind of rate cuts the kind that you need to take back, or are we at a place now where we're at a neutral rate, take back I mean if those risks that you say were cushioning from don't materialize in the way you think. Or is this now a new sort of steady state for the economy
at this rate, this is the right rate for the economy, that you see going forward, and don't need to take those rate cuts back?

CHAIR POWELL. So there's similarities, conceptual similarities I think between the two instances during that long expansions I guess in '95 and '98 when the Fed cut three times only to resume raising rates. And the notion just is that it's the economy needed slightly more accommodative policy but it wasn't the end of the expansion, right? And that's the same situation we believe we're in here. So this is that we did in fact turn out to do three rate cuts, that wasn't in the plan, you know in any kind of specific way at the beginning. So that's the same. What's different is you have very different structural characteristics in the economy particularly around inflation. So, now, as you can see inflation is barely moving up, notwithstanding that unemployment is at 50-year lows and expected to remain there. So the need for rate increases is less. And by the way this is-- it's a good thing that you know, we think we can, we think we've learned that unemployment can remain at quite low levels for an extended period of time without unwanted upward pressure on inflation. In fact, we need some upward pressure in inflation to get back to 2 percent. It's quite different in '95 and '98 when there were those two adjustments, so I would say similarities and differences.

MICHAEL MCKEE. May I ask, concluded in, I did the same thing as Howard, Michael McKee Bloomberg radio and television. The BIS concluded in September that the repo spike was not a one off confluence of random events but reflected structural and regulatory issues that could lead to a recurrence, I'd like to ask you if you agree with the BIS findings and given that we are approaching year-end for the markets will you be taking any extra steps to ensure that funding is available in the repo and FX swaps markets. There was a report yesterday, Credit Suisse suggesting there's a good chance that we will see disruptions and one of the reasons they
put it forward is that the Fed is at this point buying only T-bills and the market wants to sell coupons, do you have any plans to sell coupons?

CHAIR POWELL. So, I'm going to take a little step back and I will get to your specific questions on the year-end and on T-bills. So I guess I want to start by stressing that these are very important operational matters, but that are not likely to have any macroeconomic implications. We've decided back in January to remain in an ample reserves regime, and that means we'll be setting the federal funds rate, the range for the federal funds rate, through our administered rates and not to active management of the level of reserves. We're committed to robustly implementing that framework as you can see by our actions. And the purpose of all this, let's remember, is to assure that our monetary policy decisions will be transmitted to the federal funds rate, which in turn affects other short-term rates. We have the tools to accomplish that and we will use them. The purpose of all of this is not to eliminate all volatility particularly in the repo market. So taking you back this as you know we had, very gradually allowed the balance sheet to shrink, we slowed that gradual paced by half in March, and then we ended it in July. Meanwhile we had surveyed all of the banks, and particularly the large banks who hold a lot of the reserves and said what's your lowest comfortable level of reserves? We got those numbers, we added them up, we added a buffer and it came out sort of at a level that was well below when we were in September. And yet we saw actually in September that reserves-- the markets acted as though reserves had become scarce. So what had happened was that liquidity which actually existed didn't flow into the repo market and that had effects on the federal funds rate. So the question is, why did that happen? And we've been very carefully looking at the reasons why that might have happened there are payments issues, there have been a number of supervisory and regulatory issues raised, we're looking carefully at those. We're open to ideas for modifying
supervisory and regulatory practice in ways that don't undermine safety and soundness and the number of ideas, are under examination there. To go through with sort of like in time, we started off really on September 17th with overnight operations, by October 11th we had created and put into effect to plan, that plan is in effect. It's working. I think for the last couple of months, repo markets have been functioning well, short-term rates are stable, markets are functioning. So you asked about year-end, temporary upward pressure is on short-term, money market rates are not unusual around year-end. And our-- both our repo operations and Treasury bill purchases are intended to mitigate the risks that such pressures pose to our control of the federal funds rate. We think that the pressures appear manageable and we stand ready to adjust the details of our operations as necessary to keep the federal funds rate in the target range. Our strategy has been-- essentially the key to our strategy is to supply reserves in the near term through both overnight and term repo. And at the same time we're raising the underlying level of reserves through bill purchases. I'll take that now. We've said bills-- bill purchases, so we've also said that we were willing to adopt our strategy. We're not at this place but if it does become appropriate for us to purchase other short-term coupon securities, then we would be prepared to do that if the need arises. So, but we don't-- we're not in that place it looks-- it very much looks like the bill. So those bill purchases are going well just according to expectations. I mean, the other thing I'll say is that we're in, you know, very regular contact with market participants all the time. We'll be providing, we'll be continuing that and we're prepared to adjust our tactics. We're focused on year-end as well and prepared to adjust our operations as appropriate.

MICHAEL MCKEE. That would be-- where are we with the possibility of a standing repo facility?
CHAIR POWELL. So, on the standing repo facility as you know we've actually had a couple of meetings where we've discussed that. I think the standing repo facility is something that'll take some time to evaluate and create the parameters of and put into place. At the moment what we're focused on is, you know, we're now focused on year-end. I should also mention that after a year-end the sense of it is that as the underlying level of reserves are right moves up because of bill purchases. As that happens there will come a time when it will be appropriate for overnight in term repo to gradually decline. We don't know-- We can't know today what the timing of that will be. But that's the way we see it going over time.

HEATHER LONG. Heather Long from the Washington Post. A number of your colleagues have said explicitly that they do not think the FOMC should raise interest rates until core inflation is back at 2 percent. They think there should be a rule. Where do you personally stand on that?

CHAIR POWELL. Well, as I mentioned actually to the last press conference, we think our policy rate is appropriate and will remain appropriate as long as incoming data are broadly in keeping with our outlook. And in order to move rates up, I would want to see inflation that's persistent and that's significant, a significant move up in inflation that's also persistent before raising rates to address inflation concerns. That's my view.

HEATHER LONG. So, is this the fact of, I'll say, of the committee then? I guess I'm wondering why it's not sort of codified in a statement.

CHAIR POWELL. We haven't tried to turn it into some sort of, you know, official forward guidance. It happens to be my view that that's what it would take to want to move interest rates up in order to deal with inflation.
JEANNA SMIALEK. Hi, Chair Powell. Jeanna Smialek with the *New York Times*. Just following up on Heather's question. So, if you look at the SEP today it looks like inflation is never overshooting 2 percent and is only getting up to 2 percent by the end of 2021, yet rates are increasing in 2021. So, I guess how do we square that circle with interest rates increasing before inflation ever really moves up in some meaningful overshooting way.

CHAIR POWELL. Like, I think what you're seeing is you've got a full year of the median being flat which is we think accommodative, modestly accommodative and inflation not moving up very much as we've discussed. And that underscores I think the challenge of getting inflation to move up. The committee has wanted inflation to be at 2 percent, squarely at 2 percent for, ever since I arrived in 2012. And it hasn't happened and it's just-- it's because they're disinflationary forces around the world and they've been stronger than I think people understood them to be. In terms of those out year rate increases what's your-- you're looking at rate increases in more than a year into the future and, you know, people will have their own explanations for where they do that, but we really, none of us have much of a sense of what the economy will be like in 2021. So, I think what may be behind some of that it's just a thought that over time it would be appropriate if you believe that the neutral rate is two and a half percent it would be appropriate for your rates to move up in that direction. I will also say to you that a number of people wrote down and you can't see this at this level of detail but today. But a number of people did write down overshoots of inflation as appropriate-- under appropriate policy.

BRENDAN GREELEY. Brendan Greeley from the *Financial Times*. Given that inflation whichever measure you choose has either sort of from remain where it is or not increased over the past year as you've been dropping the policy rate. What is it that gives you confidence that
the Fed has the tools to get inflation back up to target or even overshoot as you just indicated that some people are considering doing?

CHAIR POWELL. Well, it's just that there is still empirically by many, many different--by the work of many different analysts -- there is a relationship between resource utilization by which I mean unemployment and inflation it's just relatively weak. And by the way that's not a bad thing that means that we can run at low levels of unemployment and have a historically good in some dimensions labor market without having to worry about inflation. It also means though that it's not easy to move inflation up. Now you say why is there confidence? I mean, I would say there's more humility than there is confidence in this, at this point. It's been very challenging to get inflation to be at target. If you look around the world, the United States, of all major economies, has been closest to it but still hasn't quite been able to achieve it. And I would also point out that this year which has been a good year for the economy inflation-- core inflation is actually running at 1.6 percent, whereas it ran close to 2 percent most of last year. So, it's a real challenge and-- but I think we're using our tools as best we can to meet that challenge.

NICK TIMIRAOS. Nick Timiraos the Wall Street Journal. So, Chair Powell, I want to ask about the framework review which obviously entails some kind of debate around allowing an overshoot of the 2 percent target. And in that context it's merely saying that you want inflation to rise above 2 percent a sufficient strategy for getting inflation to stay at the target or would it compel some kind of policy action beyond deferring future rate increases to achieve that outcome if that's the direction in which the committee goes. In other words it's one thing to accept inflation rising on its own opportunistically but if inflation does not materialize what a change in the framework necessarily make it easier to generate higher inflation?
CHAIR POWELL. Well, like, you know, I think the answer to the question of whether saying it is enough to create credibility, the answer that is no. And I think you have to back that up with policy that supports the outcome and that's what we're trying to do. And so that the changes that we're looking at to the framework are I think they take all of that on board and-- but they're-- what they're-- what they are designed to do is to strengthen the credibility of that inflation target but only if followed by policy. Ultimately, it will take time to establish to move inflation expectations up from where they are which appears to be a bit below 2 percent will not happen overnight, it'll have to happen over time as credibility is built. You know, the

Fed has great inflation credibility but inflation expectations are anchored at about their 25 year average, which is a few ticks below 2 percent.

EDWARD LAWRENCE. We talked a lot about inflation-- Edward Lawrence from Fox Business Network. We talked a lot about inflation. I want to ask you about uncertainty. With the House announcing that they will ratify USMCA in Canada and Mexico signing off on it, do you see that uncertainty easing now so the business investment could pick up or are the trade tensions with China just that big elephant in the room where you might not see those business investments pick up?

CHAIR POWELL. Well, I did see the news today that it appears there's an agreement to move forward to revoke on USMCA and of course it's not our role to comment on one particular trade policies or criticize them one way or the other or evaluate them. I will say though that getting-- if the deal were to be enacted then it would certainly remove some of the trade policy uncertainty and that would be I believe a positive for the economy. And I'll say the same thing about the negotiations with China, which haven't reached that point yet. We've been hearing from our people that we talked to the many, many people and businesses that we talked to in--
through the Reserve Banks that wind up being written up in the Beige Book and they've been telling us all year-- for a year and a half really that trade policy uncertainty is weighing on the outlook. And I do think that, again, without commenting on it in any way on the process or the content of the agreement, I think that uncertainty removal of uncertainty around that would be a positive for the economy as well.

EDWARD LAWRENCE. This is one uncertainty bigger than the other is do you see not commenting on the deals themselves is one uncertainty.

CHAIR POWELL. Well I think you can-- you know, it's-- I think you can see that what's been moving-- one way to look at it is what's been moving financial markets. It's been news about the negotiations with China, not so much USMC. I think the difference between NAFTA and USMCA is smaller than the difference between current, you know, arrangements with China and what's being negotiated.

MATTHEW BOESLER. Hi, Matthew Boesler at Bloomberg. Chair Powell, the Fed policy review this year has largely been discussed in terms of the inflation side of the mandate and the need to sharp inflation expectations. But it seems like the message you've been getting from the Fed Listens events and also something else you've recently acknowledged is that, you know, the Fed has also been systematically overestimating labor utilization throughout this expansion. So, I'm wondering if you could talk a little bit about the extent to which the review is looking at the employment side of the mandate as well. Are there any possibilities, you know, for perhaps systematizing a more asymmetric reaction function with regard to unemployment? Thank you.

CHAIR POWELL. Yeah. So the, you know, the focus really is on how to use our strategies tools and communications to achieve both sides of the mandate. You're right though
that we've talked here a lot about inflation. And I think that the-- I think more broadly over a period of years, many years we've been learning that the natural rate of unemployment is lower, it's just been-- it's in estimates not just at the Fed but among-- broadly among economists, labor economists have seen that the connection that we can sustain much lower levels of unemployment than had been thought and as I mentioned that's a good thing because that means we don't have to worry so much about inflation. And that's-- And you see the benefits of that in today's labor market. You know, the Fed Listens events are about inflation to a much lesser extent than they are about maximum employment. If you listen to or attended any of those, the discussion we always focus on inflation as well but the discussion is really around what's happening in low and moderate income communities and amongst small businesses. And I think you get a perspective which, you know, we were already getting that from our extensive outreach to community groups and such. But it would help to get-- helpful to get it in the context of a monetary policy review. And I think that the fact that these communities have so much such high levels of unemployment and low levels of labor force participation tells you that there is slack out there. And I think that does also inform our understanding of what we mean by maximum employment and it's been a very positive. I would say that the Fed Listens events have been extraordinarily positive and they're certainly something will repeat. You also see from the business perspective that companies are taking all kinds of measures to, you know, to look through just things on people's resume that would have perhaps disqualified them in other kinds of environments, training is moving up, you hear just a lot, there are a lot of things going on that suggest that people at the margins of the labor force are being pulled in and being given chances, which is a great thing.
MATTHEW BOESLER. Yeah, thanks. Sorry, I just follow up briefly. Is there any way to sort of systematize these insights do you think with, you know, in terms of we talk a lot about for example makeup strategies on the inflation side, is there anything similar you could do on the employment side?

CHAIR POWELL. You know, I think we have kind of internalized and this isn't news for today, this is something we've been saying for, you know, for several years you've seen us moving down our estimates of the-- of maximum employment. In fact it's already understood I think that there's more, even though we're at three and a half percent unemployment, there's actually more slack out there in a sense and the risks of, you know, using accommodative monetary policy, our tool to explore that are relatively low. I think we know that and I think the review certainly underscores that but that's a very important insight.

VICTORIA GUIDA. Hi. Victoria Guida with Politico. I wanted to ask more about the repo issues and what you all are doing beyond open market operations. Are you currently for example telling examiners not to prefer reserves over Treasuries for supervisory purposes? Are you talking to the Treasury Department about maybe reducing the level of volatility and their account at the Fed? And on the standing repo facility is it, you know, that you would be inclined to do it but you need to figure out the details or what would kind of drive the decision on whether or not to do that?

CHAIR POWELL. So, on Treasuries versus reserves we've done a ton of work on that. We've talked to supervisors and it's interesting, if you look at the banks, they are all over the place on the composition of their buffer. So you have to have-- you have a business model and that business model suggests what your stress outflows will be and that suggests what your buffer should be. And you see them making quite different choices. Some of them have lots of
reserves and, you know, fewer treasuries and then they change their mind, they switch, so. It's not obvious that there's one thing happening there. Not with standing that, we have gone out to try to understand that talking to supervisors.

In terms of the TGA, you know, we have not tried to pull the TGA into this, yet we've taken it as exogenous. I don't know that at some point we won't have those discussions but, you know, Treasury, we want Treasury to be able to have the cash that it needs. And then we should-- we are essentially taking that as exogenous to our work and there may come a time when we talk about that, but we haven't done much of that.

Standing repo facility, so your question on that is, what are we thinking about it? What are we-- I mean, I-- so I think we are more focused frankly on the T, the bill purchases, the year-end and also the review of supervisory and regulatory issues that we're digging into, and because we think, you know, there's -- these are structural things, right? Where you could without sacrificing safety and soundness, just allow the liquidity that is already there to flow more freely. Perhaps by making fairly straightforward non-controversial changes and we think there is some of that. And so, we're working hard and fast. But those are things, you know, that if you take rule changes, it will take, you know, notice of public rule making. It will take 3 months and things like that. Those things take time. These things that we're working on now though, like, you know, going through year-end with the overnight facilities and the bill purchases, and the term repo, those are things we have to do right now and are doing

CHRISTOPHER RUGABER. Hi, Chris Rugaber, Associated Press. I wanted to ask the only change in the statement was a drop in the reference to uncertainties around the economy. You seem very confident that-- or it implies there's a lot of confidence that those uncertainties
have gone away? What caused you to make that change for the statement? What were you looking at then? It seemed to be so much lower.

CHAIR POWELL. Well, we did actually, if you look at the statement, you'll notice that we did call out global developments and muted inflation pressures, later in the statement. And why do we do that? You know, those are the things that we've been monitoring all year. We've put now in place policies that we think are appropriate to address those things. So, we're not revisiting that. But those are just key things and they haven't gone away. So, we thought it was appropriate to mention them there, still subject to the idea, that for us to change our stance, we would want to see a material reassessment of the outlook.

CHRISTOPHER RUGABER. Well, just to follow up real quick on the material reassessment aspect, are you worried that that has set too high a bar for potential cuts next year? We were talking about rate hikes but no Fed policymakers seems to foresee any cuts next year. Some economist do. Does the material reassessment mean you need to see data actually worsen? Does it reduce your ability to act preemptively the way arguably you did this year?

CHAIR POWELL. So, one thing that we're mindful of is that we've cut rates three times since July. That's 75 basis points worth of cuts. And we do believe that monetary policy operates with long and variable lags and that it will take some time before the full effects of those actions are seen in the economy. So that will take some time. So, that's one reason to hold back and wait. And we thought, I think we took strong measures. In fact, if you look at more broadly at the Treasury yield curve, it has moved more than 75 basis points. So, you’ve had quite a significant move in the direction higher accommodation.

In terms of what's, you know, what is the material at the end of the day? Well, I would just say whether or not a change in the outlook merits a policy response will be a collective
judgment of the FOMC. There isn't any single factor that will determine our decisions. We'll look at a full range of data and other information varying on economic outlook.

SCOTT HORSLEY. Thank you Mr. Chairman, Scott Horsley for NPR. You started out by talking about Paul Volcker who obviously cast a long shadow. I wonder if in hindsight that shadow was too long and if in the decades since his tenure and in particular last year, if the Fed was too quick to raise interest rates to attack an inflation bogeyman that didn't materialize?

CHAIR POWELL. So I-- this wouldn't be a-- and my response will not be about Paul Volcker. But-- so, well, you started with Paul Volcker. So, if you look back at 2018, I'll just take you back to the beginning of 2018. We had an economy growing at 3 percent. We had inflation at 2 percent and we had a trillion and a half dollars worth of stimulus arriving. And the federal funds rate was 1.4 percent. So, it wasn't that-- so we moved policy up during the course of the year. We never got policy even at the level of what we thought the neutral rate was at that time. So there was no sense of it being restrictive. We took steps to make it less accommodative and that seemed to be the right thing. It still seems to me to be the right thing in hindsight. The idea that we were trying to, you know, slow the economy down. We were really just trying to get near neutral and even with the last rate increase a year ago, we were still meaningfully below the median estimate on the Committee of what the neutral rate was. So policy was always accommodative during the course of that year. I think what's happened is the-- obviously the facts on the ground of change. You saw the global economic slowdown begin in the middle of last year, gather force and then continue to go on this year, so you've seen a continual weakening. Just look at the IMS forecast of growth from, you know, the spring of 2018 and compare them to now. You've had quite a significant., that does affect us. I think also the trade situation was just beginning in the middle of '18 and I think it had-- has had, you know, I think
they'll be very, very wide range of estimates of the effect but I think it's had a meaningful effect on output just through the uncertainty channel and to a lesser extent through, you know, the tariff effects. And again, that's not to make a judgment. It's not up to us to make a judgment about that. So, that's what-- that will be my story.

DONNA BORAK. Hi, Chair Powell, Donna Borak with CNN. To follow-up on Edward's trade question. Could you talk about what you would imagine the economic effect would be if negotiations with China were to fall apart and how the Fed might be able to support the economy in that event?

CHAIR POWELL. You know, I wouldn't want to speculate on a hypothetical, and I would say-- I would just have to say, we-- we're-- we look at a range of factors and we've-- as I've said before, we try to look through the volatility in trade news, in trade negotiations. We try not to react. We can't react. Monetary policy is not the right tool to react in a very short-term to volatility and, you know, things that can change back and forth and back and forth. As this has happened as-- it's probably typical of a large complex negotiation. So, in terms of, you know, I-- again, I don't want to get into hypothetical outcomes though, if that's alright.

DONNA BORAK. I'm just wondering, you met with the President last month. Did you have any advice for him when it came to this, and did you express some concerns about potential volatility and the impact of the economy on given all of this?

CHAIR POWELL. You know, I'm going to stick with my and my predecessors’ long-time practice of not discussing private meetings with elected officials or rather officials really, but thank you.

VIRGINIE MONTET. Thank you. Virginie Montet with Agence France-Presse. Yesterday, Democratic leaders in the House have launched an impeachment process against the
President. Have you mentioned these developments within the Committee, as today, as potentially presenting some risks for their confidence in the economy?

CHAIR POWELL. No, we have not. We don't consider things like that.

MICHAEL DERBY. Mike Derby with Dow Jones News Wires. Does the Fed's dot plot still serve a useful communications purpose or do you feel there might be time to retire or change it in some fashion?

CHAIR POWELL. With-- I think properly understood, it can be useful but that's been a challenge. You know, I think properly understood to me means looking at what it is and not at what it isn't. And what it is, it's an expression of the thinking about individual Committee members, about appropriate monetary policy in the path of the economy. Remember that we write all that down and we send it in and it gets compiled. But we don't discuss it at the meeting and we don't negotiate a plan. There is no-- There's no agreement. There's no plan. And I think particularly at inflection points, it's hard to convey the reality which is that policy is always going to depend on the economic outlook and changes in the economic outlook. And when the economic outlook is changing, the dots are, they're just not a consideration. We're going to do what we think is the right thing for the economy. And if in fact dots that we did 6 months ago or 3 months ago don't agree with that, that's not even in the conversation. So, its more-- but it can it be useful if-- and I think, but as I said, it's been a challenge and so I do like to say if you focus too much on the dots, you can miss the broader picture.

GREG ROBB. Greg Robb from MarketWatch. Chairman Powell, many people seemed worried that the framework that you guys are working on is going to be-- the results are going to be less rather than more. And people keep coming back and saying why, asking why you took off like a 4 percent inflation rate off the table even when it started. I mean, as you said if-- going
around the country for the Listen events, I don't think I heard anybody worry about a 4 percent inflation rate or think that higher inflation rate was going to be a problem. So, where does that concern come from? Is it members of Congress that have said this?

CHAIR POWELL. No. So, let me say we're-- we've been working on this all year. And we're just at the stage where we've had a really interesting discussion about the various tools that we have at the October meeting. At this meeting, we talked about the way monetary policy affects different groups in the economy. So we had a-- we talked about the Fed Listens events and some very interesting research. So, we're just getting to the stage where we're looking at conclusions, you know. What do we take away from all this? And those things-- many of those things would wind up as changes if you will, modifications to the statement of longer run goals and monetary policy strategy. I think that process will take until the middle of the year where-- but we want to approach it very thoroughly and very carefully. And that is-- in effect, that is our framework document. And I wouldn't prejudge. No one-- I believe, we will be able to reach a successful conclusion and make meaningful improvements. I do.

In terms of 4 percent-- so that's, yeah. I think it's premature for people to be saying that this isn't going anywhere. You know, and if you define going anywhere as a 4 percent inflation target, let me talk about the 4 percent inflation target. So, I'll go back to the point that just saying words is not itself credible. So, I think if you said we're raising the inflation target to 4, what would be the effect of that? I mean, where's the credibility in that really? You haven't been able to get it to 2. So, I think we-- I think you need to lower your sights a little bit. I also think is 4 percent—you’d have to ask the question, is that really, you know, price stability? Is that really price stability? Is that within our legal mandate? I mean I think it's a fair question. So, you know, I think-- I'd like for this review to come out with very-- a set of positive results, you know,
meaningful improvements. It doesn't mean it has to solve every problem going forward. We want to have this be a successful exercise where we meaningfully improve our monetary policy framework. These things don't tend to move and, you know, and alert you. They tend to evolve. But I think-- and if we do this then in a few years again and again and things like that then we can-- at least we're moving in a good direction. And I think we will be. I'm confident we will be.

DON LEE. Don Lee with the *L.A. Times*. Chair Powell, you've had a busy year and I'm wondering as you look back what things you might have done differently and are there any lessons that you would take into next year?

CHAIR POWELL. Well, you know I have to say my total focus is on right now and getting policy right and thinking about next year, you know, thinking about what's the economy going to be doing. I like where we are in policy as I mentioned. I think our policy stance is appropriate and likely to remain so, as long as the outlook is broadly like this. You know-- I mean, it's too long of a question. You know, I don't know how to get after that. There's a lot of learning that comes into, from the economy every year and in the way we do our jobs. And, you know, we're always going to be trying to learn lessons.

DON LEE. I mean, are there any particular surprises that whether it's the economy or how markets or financial [inaudible]?

CHAIR POWELL. Well, I-- So, yeah. I didn't-- Obviously, you know, didn't see and I don't think anybody saw coming the challenges that we face this year. I think they were a surprise. I think that toward the end of 2018, there was still a sense the economy was growing at around 3 percent. And I didn't expect the-- to face the challenges but I think we did face them and I think we-- I'm pleased that we moved to support the economy in the way that we did. I
think our moves will prove appropriate. And again, I think both the economy and monetary policy, right now I think are in a good place.

NANCY MARSHALL-GENZER. I'm Nancy Marshall-Genzer from Marketplace. Chair Powell, why aren't we seeing stronger wage gains? Wages are growing more slowly now than they were toward the beginning of the year. Why is that?

CHAIR POWELL. Well, wage gains have moved up a bit. If you look back 3, 4 years, you'll see wages are going around 2 percent. Now, you see them moving up, you know, more three, three and a half percent. So, why aren't they growing higher, at a faster rate? And it's a couple of things. I think there are a range of explanations. For instance, one would be that productivity has just been low. So, wages should go up to cover inflation and productivity. Productivity has been low and that is very likely to be holding back wages. I also think there are other possible potential explanations such as, you know, globalization can be-- the idea that you can make, manufacture, or even provide services anywhere in the world to anywhere in the world. I think that hangs over the wage setting process, and everywhere pretty much. You don't see-- there isn't the kind of traction in the wage market that even in a tight labor market. Another thing is though that the labor market may not be as tight as we had thought it was. And, you know, I think there are many, many possible explanations. I will say though if you look for example at nonsupervisory employees in the labor report, there are-- their wages are going up at 3.7 percent. And so, you do see. And wages are going up the most for people at the lower-end of the-- that's been true for the last couple of years, lower-end of the wage spectrum. So you do see wages moving up. It just-- they're not moving up at very high rates. And again-- at the end of the day that probably has most to do with productivity.
NANCY MARSHALL-GENZER. Can I have just a quick follow-up? Just as far as the market not being as tight as you thought, are you saying there are still more people on the sidelines who could join the labor force?

CHAIR POWELL. Yes. And I would also say that we-- if you ask people, and we did ask people, what do you think the natural rate of unemployment is? People were writing down numbers in the fives and then they were writing their numbers in the fours. And now, unemployment has been in the threes for a year and a half. And we still see wage inflation as you mentioned. The level of wage inflation has actually moved down. Although, there may be compositional effects in that number that may be to some extent about younger workers coming in at lower wages that-- than retiring workers, but you wouldn't-- that shouldn't have much of an effect actually. So why is it? It may just be that there's more slack in the economy. And I think we are seeing that. We're seeing-- really it showed up through higher participation. For many years, we thought that there's a trend decline in participation. Notwithstanding that, against that trend we've seen prime age participation moving up pretty steadily over the last 2 or 3 years. And that's a very positive thing but it does sort of provide more labor supply, meaning a less tight labor market.

HANNAH LANG. Hi. Hannah Lang with American Banker. Thanks for being here today. I just wanted to ask about the Community Reinvestment Act since the FDIC and OCC may potentially join together with a-- for a proposal without the Fed. Are you concerned that this might cause confusion and how would the mechanics work if this proposal is finalized without the Fed?

CHAIR POWELL. So, you know, we think the CRA, we know the CRA is a very important law and we're strongly committed to the mission of insuring that banks provide credit
to their-- throughout their communities particularly addressing the needs of low and moderate income households and neighborhoods. We also think it's time for modernization. We’ve thought that for sometime, and we worked very hard to try to get aligned with the OCC really on a proposal. And my hope is that we can still do that, you know. I don't know whether that'll be possible or not. It will have to—we'll just have to see but-- and it-- if we can't, I don't-- I'm not sure what the path forward would be. We would certainly not want to create confusion or, you know, sort of tension between the regimes if they do turn out to be slightly different regimes. So that's something we-- I hope we don't have to face but we will if we have to.

BRIAN CHEUNG. Hi there. Brian Cheung with Yahoo Finance. So before the July meeting, you said something kind of colorful. You said, "To call something hot, you would need to see some heat," referring to the labor market. So to extend a bit, I guess on Nancy's question, seems like the wage Phillips curve has been pretty well explored already but what would you need to see to call the labor market hot in that case? Would it be a contract or rather some sort of change in either the headline number of gains or in the unemployment rate?

CHAIR POWELL. Really, wages-- I mean, we've-- There's so many other measures that suggest that the labor market is-- I like to say labor market is strong. I don't really want to say that it's tight. Someone asked me a question about a hot labor market that was in the Humphrey-Hawkins hearings. And so, I'll say that the labor market is strong. I don't know that it's tight because you're not seeing wage increases, you know. Ultimately if it's tight, those should be reflected in higher wage increases, so it does come down to that. You know, we look at countless measures of labor market, you know, labor utilization and there's so many-- it's too many to count. But the one that has-- that is kind of suggesting that you're-- it's a healthy number that, you know, that sort of 3.1 percent average hourly earnings number is a decent number, 3.7
percent for production, nonsupervisory workers is more healthy. Ultimately though, we'd like to see-- to call it hot, you'd want to see heat. You'd want to see, you know, higher wages. Thanks.