CHAIR POWELL. Good afternoon.

The pandemic continues to cause tremendous human and economic hardship here in the United States and around the world. The most important response to this public health crisis has come from our health-care workers, and we remain grateful to them and to the many other essential workers for putting themselves at risk day after day in service to others and to our country. All of us have a role to play in our nation’s response to the pandemic. At the Federal Reserve, we remain committed to using our tools to do what we can, and for as long as it takes, to provide some relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy.

In recent months, economic activity picked up as the economy began to reopen. Many businesses opened their doors, factories restarted production, and more people left their homes to engage in various activities. As a result, household spending looks to have recovered about half of its earlier decline, although spending for services such as air travel and hotels has shown much less of a pick-up. The recovery in household spending also likely owes to federal stimulus payments and expanded unemployment benefits, which provided substantial and timely support to household incomes. In contrast, indicators of business fixed investment have yet to show a recovery. Even with the improved economic news in May and June, overall activity remains well below its level before the pandemic, and the contraction in real GDP in the second quarter will likely be the largest on record.

The labor market has followed a similar pattern. After precipitous drops in March and April, employment rose strongly in May and June as many people returned to work from temporary layoffs. As a result, of the roughly 22 million jobs that had been lost, about one-third
had been regained as of the June payroll report. The unemployment rate declined in May and June but, at 11.1 percent, remains far above its level before the outbreak and greater than the peak during the global financial crisis. In addition, the downturn has not fallen equally on all Americans, and those least able to bear the burden have been the most affected. In particular, the rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.

The pandemic has also left a significant imprint on inflation. For some goods, including food, supply constraints have led to notably higher prices, adding to the burden for those struggling with lost income. More broadly, however, weaker demand, especially in sectors—such as travel and hospitality—that have been most affected by the pandemic, has held down consumer prices, and overall, inflation is running well below our symmetric 2 percent objective.

Along with the recent increases in economic activity have come new challenges. After declining gradually from a peak near the end of April, the number of COVID-19 cases has increased sharply in many parts of the country since mid-June. We have thus entered a new phase in containing the virus, which is essential to protect both our health and our economy. As we have emphasized throughout the pandemic, the path forward for the economy is extraordinarily uncertain and will depend in large part on our success in keeping the virus in check. Indeed, we have seen some signs in recent weeks that the increase in virus cases and the renewed measures to control it are starting to weigh on economic activity. For example, some measures of consumer spending based on debit card and credit card use have moved down since late June, while recent labor market indicators point to a slowing in job growth, especially
among smaller businesses. A full recovery is unlikely until people are confident that it is safe to reengage in a broad range of activities.

The path forward will also depend on policy actions taken at all levels of government to provide relief and to support the recovery for as long as needed. The Federal Reserve’s response to this crisis has been guided by our mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system. We are committed to using our full range of tools to support the economy in this challenging time. We have held our policy interest rate near zero since mid-March and have stated that we will keep it there until we are confident that the economy has weathered recent events and is on track to achieve our maximum employment and price stability goals. We have been purchasing sizable quantities of Treasury and agency mortgage-backed securities in order to support orderly conditions in the markets, which are vital to the flow of credit in the economy. To sustain smooth market functioning and foster the effective transmission of monetary policy to broader financial conditions, we will continue to increase our holdings of Treasury and agency mortgage-backed securities at least at the current pace. These purchases are also fostering more accommodative financial conditions.

The Federal Reserve has also been taking broad and forceful actions to more directly support the flow of credit in the economy for households, for businesses large and small, and for state and local governments. Without access to credit, families could be forced to cut back on necessities or even lose their homes. Businesses could be forced to downsize or close, resulting in further job losses and income losses and worsening the downturn. Preserving the flow of credit is thus essential for mitigating the damage to the economy and promoting the recovery.
Many of our programs rely on emergency lending powers that require the support of the Treasury Department and are available only in very unusual circumstances, such as those we find ourselves in today. These programs benefit the economy by providing financing where it is not otherwise available. In addition, by serving as a backstop to key credit markets, the programs appear to have significantly increased the extension of credit from private lenders. We are deploying these lending powers to an unprecedented extent, enabled in large part by financial backing and support from Congress and the Treasury. We will continue to use these powers until we are confident that we are solidly on the road to recovery. This week, we extended these programs through the end of the year. When the time comes, after the crisis has passed, we will put these emergency tools back in the toolbox.

As I have emphasized before, these are lending powers, not spending powers. The Fed cannot grant money to particular beneficiaries. We can only create programs or facilities with broad-based eligibility to make loans to solvent entities with the expectation that the loans will be repaid. Many borrowers will benefit from these programs, as will the overall economy. But for many others, getting a loan that may be difficult to repay may not be the answer. In these cases, direct fiscal support may be needed. Elected officials have the power to tax and spend and to make decisions about where we, as a society, should direct our collective resources. The fiscal policy actions that have been taken thus far have made a critical difference to families, businesses, and communities across the country. Even so, the current economic downturn is the most severe in our lifetimes. It will take a while to get back to the levels of economic activity and employment that prevailed at the beginning of this year, and it will take continued support from both monetary and fiscal policy to achieve that.
Before taking your questions, I will provide an update on our review of our monetary policy framework. As a reminder, we began this public review of our monetary policy strategy, tools, and communication practices—a first for the Federal Reserve—early last year. Our purpose has been to take a comprehensive look at how we can best meet our maximum employment and price stability objectives in the years ahead, particularly in light of the generally lower level of interest rates around the world. As is evident in our current situation, the lower level of interest rates has reduced the scope for the Committee to support the economy by cutting interest rates. Our plans to conclude this review were, like so many things, delayed by the pandemic. At this meeting, my colleagues and I resumed our discussions. Our focus was on possible enhancements to our Statement on Longer-Run Goals and Monetary Policy Strategy. This document states our goals, articulates our approach to monetary policy, and serves as the foundation for our policy actions. While I do not have any details to share with you today, I am confident that we will continue to make progress and will wrap up our deliberations in the near future.

We understand that the work of the Fed touches communities, families, and businesses across the country. Everything we do is in service to our public mission. We are committed to using our full range of tools to support the economy and to help assure that the recovery from this difficult period will be as robust as possible.

Thank you, I will look forward to your questions.

MICHELLE SMITH. James Politi.

JAMES POLITI. Hi there, James Politi with the Financial Times. Chair Powell, the Fed today decided to extend dollar liquidity swap lines with a number of central banks around the
world. Why was that important for the Fed? And how concerned are you about dollar shortages persisting for a time through the pandemic?

CHAIR POWELL. So our dollar swap lines, we introduced those back at the beginning of this episode after the pandemic made itself present. And dollar funding markets were in very difficult shape at the time. And the introduction of the swap lines has really restored dollar funding markets around the world to fairly normal levels of activity. And so they kind of served their purpose. But we extended them I guess yesterday morning, really to facilitate planning by other central banks, and just so people will know that those facilities are still there. We want them to remain in place and be available as long as they are needed. And since, you know, the crisis and the economic fallout from the pandemic are far from over, we're going to leave those in place for the time being. And we'll leave them in place until we're confident that they're no longer needed. There's nothing that's going on in the market right now that raises any concerns. It's just we want them to be there as a backstop for markets.

MICHELLE SMITH. Okay, Steve Liesman.

STEVE LIESMAN. Steve Liesman, CNBC. I hope you can hear me. Mr. Chairman, given -- you've said several times now that you have lending not spending powers. Given that a lot of the capacity of these programs has not been used and really barely used, do you think that some of this money that has been dedicated by the Treasury to the Federal Reserve should be considered to be used by Congress as direct grants to businesses that are in need right now, or to households, given that Congress is now saying that the money is limited and they do not want to pass a very large stimulus bill? Is this money doing the best for the nation as a backstop for Federal Reserve programs that don't seem to be being used all that much right now? Thank you, and I have a follow-up, sir.
CHAIR POWELL. So that's really a question for Congress. They appropriated that money, $454 billion for our facilities, and it's really a question for them. So you're right that our facilities have not -- we haven't done as much lending as we thought. But in very substantial measure, that's because markets started working again fairly soon after we announced the facilities, particularly in the corporate credit facilities, also in the muni space and also in the short-term funding facilities -- the three of those that we set up. So we didn't turn out to need the kind of funding that we thought we would. On the other hand, it's important that the facilities stay in place and that's why we extended them yesterday. It's important that they still stay in place until we're, you know, very confident that the turmoil from the pandemic and the economic fallout are behind us. So I can't really speak to what Congress should do with it, but it's important that the facilities be there and be fully funded in case the needs do arise down the road. We don't see them now, but in case they do arise, they should be there.

STEVE LIESMAN. Has any consideration -- thank you. Has any consideration been given to asking Congress to allow the Federal Reserve to lend to companies in bankruptcy? Thank you.

CHAIR POWELL. Not that I'm aware of, no.

MICHELLE SMITH. Thank you. Nick Timiraos. Nick, are you there? We'll go to David Gura, NBC.

DAVID GURA. Mr. Chairman, thank you very much. No doubt you were paying attention when two of your predecessors were up on Capitol Hill just a few days ago answering some questions from lawmakers, and a question they each answered had to do with the continuation of these pandemic unemployment benefits. And something we've heard a lot is that
they could be a disincentive to work. Both of them addressed that. I wonder if you would as well. And then as a follow-up, I wonder what you've learned about the degree to which this has led to a widening of the wealth gap in this country, the degree to which maybe people are experiencing two different kinds of pandemics here. Some are getting through this based on what they've saved and the jobs that they have. Others are really struggling to get by and I wonder what role -- what additional role the Fed could have in sort of bridging that yawning gap.

CHAIR POWELL. So on your first question, I wouldn't want to be giving very detailed specific advice on particular programs and the level they should be at and that kind of thing. I just will say the following, that you know, this pandemic and its fallout really represents the biggest shock to the U.S. economy in living memory. We went from the lowest levels of unemployment we'd had in 50 years to the highest levels we've had in 90 years. And we did it in the space of two months. And I would say that the response from the fiscal authorities was strong, it was fast, it was broad, and appropriately so. And I think we are seeing the results of the earlier strong fiscal actions. When you see the spending that's happening, when you see small businesses staying in business even though the economy hasn't fully successfully sustainably reopened yet in many places, you are seeing what happens with that money. And so in a broad sense, it's been well-spent. It's kept people in their homes. It's kept businesses in business, and that's all a good thing. I think in the broad scheme of things, that there will be a need both for more support from us and from more fiscal policy. Fiscal policy is up to Congress. You see the ongoing discussions that they're having. And it suggests to me that there is -- you know, that both sides, they're wrangling over various provisions but nonetheless believe that there is a need for some additional fiscal support.
And the last thing I'll say is that if the expansion -- sorry, even if the reopening goes well
and many, many people go back to work, it's still going to take a fairly long time for the parts of
the economy that involve lots of people getting together in close proximity. And that means that
many of the people who were laid off from those industries -- and that's restaurants, you know,
bars, hotels, public entertainment, all those places, travel and accommodation. Many of those
people are going to find it hard. They can't go back to their old job. There won't be enough jobs
for them. So I think those people are going to need support. I can't say what the exact level
should be. It's not our role, but they're going to need support if they're to be able to pay their
bills, to continue spending money, to remain in their current rental house or apartment or a house
if they own it. So I think there will be a need. In terms of inequality really, so I think it's fair to
say that the burdens of the pandemic have fallen heavily -- they've fallen on everyone, but
they've fallen very heavily on people who work in the service industries in relatively low-paying
jobs. So there was a figure that came out of some of our research that was that if you make
$40,000 a year or less, then 40 percent -- you had a 40 percent chance of losing your job in April
and May. So it's falling very heavily on people who have the least financial wherewithal to, you
know, to bear that. And that happens to be heavily skewed to minorities and to women. So that's
just what the pandemic is doing.

You know, in terms of what we're doing, what we're trying to do is create an environment
in the financial markets and in the economy where those people have the best chance they can
have to go back to work to their old job or to a new job. That's really what we're doing.
Everything we do is directed at that. And you know, I would say one last thing on inequality.
That is inequality as an issue has been a growing issue in our country and in our economy for
four decades. And you see it -- it has many faces. You see it in the relative flattening out of
incomes for people in lower- and middle-income compared to those at the top. You see it in low mobility where people -- where the chances of moving up from the bottom to the middle or the top have declined and are lower than they are in other comparable wealthy countries. So it's a serious economic problem for the United States, but it's got underlying causes that are not related to monetary policy or to our response to the pandemic. Again, four decades of evidence suggests it's about globalization, it's about the flattening out of educational attainment in the United States compared to our other competitor countries. It's about technology advancing too. If you're on the wrong side of those forces, it's been -- your income has stagnated. So it's a critical, critical problem for our society but one that really falls mainly to fiscal policy and other policies. Our part of it is to push as hard as we can on our employment mandate while keeping price stability. We saw what happened to people at the lower end of the income spectrum late in the last expansion. It was the best labor market in 50 years they told us. We saw that the biggest wage increases were going to people on the bottom end of the wage spectrum for the last couple of years of that ten-year, eight-month expansion. So a tight labor market is probably the best thing that the Fed can foster to go after that problem which is a serious one.

MICHELLE SMITH. And now Nick Timiraos.

NICK TIMIRAOS. Yeah. Chair Powell, you have described your asset purchase objective as stabilizing markets. And with markets having stabilized, aren't the asset purchases now doing more than addressing market function by supporting your macroeconomic objectives? The other question I have is, what is your strategy going to be with respect to using asset purchases to support your macroeconomic objectives going forward? Thanks.

CHAIR POWELL. So you're right, the asset purchases in their current size really sprang from severe dysfunction in the Treasury and MBS markets at the beginning of the market
reaction to the pandemic. And thanks to those purchases, we have substantially restored, not fully but substantially restored functioning markets. This is absolutely critical. That market is really part of the absolute bedrock of the global financial markets, and it's essential that it work well, and it is doing so now. And we've always said though that we understand, accept and are fine with the fact that those purchases are also fostering a more accommodative stance of monetary policy which would tend to support macroeconomic outcomes. So it's doing both, and you know, we've understood that for some time. It's not -- the programs are not structured exactly like the QE programs were in the last financial -- in the aftermath of the last financial crisis. Those were more focused on buying longer-run securities. The current purchases are all across the maturity spectrum. Nonetheless, they are supporting accommodative financial conditions. I think it's clear that that's the case. In terms of our strategy, you know, that just remains to be seen. As you know, we spent a lot of time in meetings this year looking at the tools that we have to adjust our current stance of policy. We do feel that our current monetary policy stance is the appropriate one. You know, we cut rates close to zero right at the beginning, we ramped up asset purchases and those have really helped. And we gave forward guidance on both of those things which the markets appear to understand, and market pricing is consistent with those. So we think that our policy stance is a good one. We're of course prepared to adjust that stance as appropriate, and when we deem it as appropriate to better foster achievement of our goals of course.

MICHELLE SMITH. Okay, Jeanna?

JEANNA SMIALEK. Hi, Chair Powell, thank you for taking my question. You talked to Larry Fink at BlackRock in March, April and May according to your public calendars. I was wondering if you could tell us a little bit about what you talked about? And if the topic of those
conversations was the corporate credit facilities, how did you handle potential conflicts of interest during those conversations?

CHAIR POWELL. So BlackRock is just our agent. You know, we make the policy decisions in conjunction with our colleagues. And they just execute our plans. I actually don't remember exactly what I would have been talking with him about. But you know, he's the head of a major service provider. He generally checks in to find out whether we're okay with the quality of the service that BlackRock is providing. I don't have the daily face-to-face interaction with anybody else at BlackRock or, as you can see, three phone calls in the course of a few months. It wasn't very many. So I think, you know, their conflicts are managed extremely carefully in the contractual arrangements we have with them. And again, I would have -- I can't recall exactly what those conversations were, but they would have been about what he is seeing in the markets and things like that to, you know, generally exchanging information. And he's typically trying to make sure that we are getting good service from the company that he founded and leads. I'd say that's his main objective when we talk.

MICHELLE SMITH. Okay, thank you. We'll go to Scott Horsely.

SCOTT HORSLEY. Thank you, Mr. Chairman. Scott Horsely from NPR. I wonder if you can give us an update on the coin shortage that you talked to lawmakers about last month. And what, if anything, can you tell us about the sort of economic circulatory system?

CHAIR POWELL. Yeah. The situation with coins is the quantity of coins is going up but was adequate before the pandemic. The problem is the circulation kind of stopped because stores were closed, banks were closed. It just -- customers weren't spending. So the coins stopped moving in the system. So we've been working for -- ever since that began to happen, we saw it
happening right away. We've been working to try to reverse that disruption of the supply chain and restore normal circulation for our coins. So we're working with the U.S. Mint which is the issuing authority to address the issue. Just last week, the Mint -- you may have seen -- issued a statement asking for the public's help in keeping coins circulating, and various people, you know, went in and put their coins back into circulation. We also created a coin task force with all of the stakeholders, you know, banks and, you know, the armored carriers, the banking community, credit unions. Everybody in the coins supply chain, we’re in frequent communication with the banks and with the armored carriers trying to get back to where we need to be. So we do think the inventories are building up. You know, the Mint is making coins as fast as they can, but you know, things happen in the factory environment. Someone will come to work with COVID. I think this has happened with almost every factory environment around the country. And then they'll shut down for a day and then they come back and that kind of thing. So we're closely monitoring it. You know, it's a significant issue. We've got a lot of resources on it and we do feel like we're making progress.

MICHELLE SMITH. Okay, thank you. Rachel Siegel?

RACHEL SIEGEL. Hey, Chairman Powell. Thank you for taking my question. I'm wondering if you can be a bit more specific about any risks that you see related to a double-dip recession or signs that the recovery was stalling, or maybe begin to stall, compared to some of the signs that we were seeing earlier in the summer. Thanks very much.

CHAIR POWELL. Yeah, so maybe I'll talk more broadly about the outlook and include your question in it. So as I mentioned, economic activity and employment picked up beginning in May right through June and remained well below their levels because I'd say job gains have reversed about a third of the job losses from March and April. And consumer spending has
reversed about half of the drop. But nonetheless, those were sooner and stronger than we expected. But what happened then was along with that positive data, we got the virus increases starting in the middle of June in lots and lots of states around the country. And that brings us to a new point here which is we need to in addition to dealing with the health crisis -- we have to remember this is really a health crisis and these are people who are having the coronavirus. And it's taking a terrible toll. So we've got to deal with economic ramifications of that. So what we're seeing is that we monitor quite a lot of what we think of as sort of nonstandard, high-frequency data. That's become a very important thing, even more important than usual in the work that we do. And what that data show on balance is that the pace of the recovery looks like it has slowed since the cases began that spiked in June. So some measures of consumer spending based on credit card and debit card data have moved down. Recent labor market indicators point to a slowing in job growth, particularly among smaller businesses. Hotel occupancy rates have flattened out. People aren't going out to restaurants, bars, gas stations, pharmacies and beauty salons as much. Consumer surveys, by the way, which had dropped very sharply when the pandemic arrived and then moved back up sharply, they look like they may be softening again now. There are still some areas of strength. Housing and motor vehicle sales have still been strong. Nonetheless, on balance, it looks like the data are pointing to a slowing in the pace of the recovery. But I want to stress, it's too early to say both how large that is and how sustained it will be. We just don't know yet, because we have to wait to see, you know, the actual data on spending and employment come in. But this is what we're seeing, and of course we're monitoring it very carefully. And I'd be remiss in not stressing this enough. The path of the economy is going to depend to a very high extent on the course of the virus, and on the measures that we take to keep it in check. That is just a very fundamental fact about our economy right now. The
two things are not in conflict. You know, social distancing measures and fast reopening of the economy actually go together. They're not in competition with each other.

MICHELLE SMITH. Thank you. Chris Rugaber?

CHRISTOPHER RUGABER. Hi. Well, just to follow up on that bit -- and thanks for taking my question. You added the sentence into the statement about the course of the economy depends on the path of the virus. Do you feel this idea or this view is not widely enough understood? Do you feel -- you had warned back in May that too early reopening or an incautious reopening might harm the economy. Do you feel that message was not heard and that some of these reopenings took place sooner than they should have?

CHAIR POWELL. You know, I think we feel that it might be the most central fact or the most central driver of the path of the economy right now, is the virus. And you're seeing that again now. You saw that during the lockdown when we got cases way down. And you saw the economy reopening and you saw spending go up and hiring go up. And now that the cases have spiked again, again the early data, the high-frequency data suggest that there is a slower pace of growth, at least for now. We don't know how deep or how long that will be. So it's such an important sentence. We just decided that it needed to be in our post-meeting statements. It's so fundamental, and you know, I think we can't say it enough. It's really important. You know, you can think of it as three stages. There's the lockdown, and we know what that looks like, and we'll get the data I guess later this week on GDP being down very historically large amounts. Then there was the reopening. And we would expect that many, many people would go back to work. Those whose jobs could be done without, you know, without exposure to lots of people in tight groups -- they should be able to go back to work during that phase fairly quickly. But that would depend on being able to keep the virus under control, which will depend on wearing masks and
other social distancing measures. So that's where we are. It's such an important factor. It's in -- we're all talking about it. So we thought it really had to be in the statement.

MICHELLE SMITH. Thank you. Mike McKee?

MICHAEL MCKEE. Mr. Chairman, I'm wondering what it is -- you've talked a lot about using all of your tools and Governor Brainard talked about moving from support to accommodation. What it is you can actually do -- you've lowered rates to zero. You've set up the lending programs. There hasn't been much take up. And the tools you talk about are generally in service of keeping interest rates low where they already are. So unless you were to go to negative interest rates, I'm wondering what additional accommodation the Fed can bring. Or is it really up to the fiscal authorities at this point to rescue the economy, to add additional help for it?

CHAIR POWELL. Right, so you're right. We are committed to using our full range of tools to support the U.S. economy at this difficult time. And we will always remain committed in that sense. We feel like we have ways to further support the economy, certainly through our credit and liquidity facilities which are effectively unlimited. We can adjust those programs. We also can adjust our forward guidance. We can adjust our asset purchases. So there are things that we can do. We feel like we have the ability to do more. But I would not disagree with the importance of fiscal policy -- with your statement about the importance of fiscal policy. Fiscal policy can address things that we can't address if there are particular groups that need help that need direct monetary help, not a loan but an actual grant. As the PPP program showed, you can save a lot of businesses and a lot of jobs with those in a case where lending a company money might not be the right answer. The company might not want to take a loan out in order to pay workers who can't work because there's no business. So lending is a particular tool and we're using it very aggressively. But fiscal policy is essential here, and I would say again, Congress's
action early in the pandemic, historically large by any standard around the world and certainly by U.S. standards. It's really helping now. It's really helping. It's going to stand up very well to scrutiny down the years. This Congress's very fast and very open-handed response, I think has really helped. And I think -- I know that, as I've said, very likely more will be needed from all of us, and I see Congress negotiating now over a new package. And I think that's a good thing.

MICHELLE SMITH. Okay, Edward Lawrence?

EDWARD LAWRENCE. Thank you, Mr. Chairman, for taking the question. So you talked about it several times today, the FOMC statement directly says the path of the economy is linked to the path of the virus. It looks like a vaccine might come this year, either in October or towards the end of the year. Has the Committee talked about how that might change Fed policies? And as a follow-up, do you see a vaccine helping inflation get back to where you want it to be? Thank you.

CHAIR POWELL. Of course the concept of vaccines comes up in our discussions. Of course it does. But I have to say, you know, our job is not to plan for the upside case, right? The upside case, we've got that covered. Our job is to plan for the full range of things that could happen. And so we're assuming -- we're going to continue to assume that our facilities are needed, that our policies are needed and that the public needs the support that we're giving the public, until shown otherwise. There's great uncertainty around the development of therapeutics and vaccines. All of us want them to happen as soon as possible. But we can't plan on that. We've got to hope for the worst -- hope for the best and plan for the worst, I guess it goes.

In terms of inflation, I don't know. I mean, you know, I think fundamentally this is a disinflationary shock. I know there is a lot of discussion about how this might lead to inflation
over time. But you know, we're seeing disinflationary pressures around the world going into this. Now we see a big shock to demand, and we see core inflation dropping to 1 percent. And I do think for quite some time we're going to be struggling against disinflationary pressures rather than against inflationary pressures.

MICHELLE SMITH. Thank you. Ann Saphir?

ANN SAPHIR. Hi, yes, thanks for taking my question. So I mean, as you monitor the rising infections and the slowing pace of the recovering, could you speak to what would the trigger be for doing further easing? And on the flip side of that, when would it be reasonable to expect the Fed to consider raising rates again? Thanks.

CHAIR POWELL. So, you know, as we've said, we're carefully monitoring the situation. We moved very quickly and very aggressively early and we've been monitoring the situation. And I think the markets and the economy -- I think our policy is in a good place. But we've looked at ways of adapting our policy as time goes by, and we're ready to do that when we think it's appropriate. I can't give you a specific trigger. It really just is when we think it would help. Would it help more than what we're doing now to foster maximum employment and stable prices? Sorry, your second question was?

I can't hear you. Say it again?

ANN SAPHIR. For when it would be reasonable for the Fed to consider raising rates again.

CHAIR POWELL. Oh. So as I said earlier or a while back, we're not even thinking about raising rates. We're totally focused on providing the economy the support that it will need. We think that the economy will need highly accommodative monetary policy and the use of our tools
Chair Powell's Press Conference Transcript

July 29, 2020

for an extended period. And we're absolutely committed to staying in this until we're very
confident that that is no longer needed. So I wouldn't look for us to be sending signals about
cutting back on facilities or anything like that for a very long time. We're in this until we're well
through it. And I think this -- you know, I think the picture is you have the lockdown, then you
have the reopening. But there's probably going to be a long tail where a large number of people
are struggling to get back to work because those heavily affected areas of the economy are going
to be challenged really to employ the millions of people who are now out of work. I think 14
million people are now out of work who were working in February, something like that. So that's
going to take a while I think in everyone's reckoning. And everyone should know that we're
going to be there for all of that.

MICHELLE SMITH. Thank you. Catarina with Bloomberg?

CATARINA SARAIVA. Hi, Chair. Thanks for taking our questions. You mentioned
earlier that the labor market we had in February was the best we've had in 50 years, yet at that
point the black unemployment rate was still double that of whites. So I wanted to ask you, you
know, we've seen some economists and even [inaudible] campaign call for the Fed to more
specifically target the gap between minority unemployment rates. Even if you don't get a
mandate on this from Congress, is it something you would consider more explicitly going
forward? And how would you do that? And then I also wanted to ask you about former
economist Claudia Sahm's writings from last night. She gave a pretty harrowing account of her
time at the Fed, described harassment and professional gaslighting that others have also spoken
to. Is this your Federal Reserve?

CHAIR POWELL. Okay, so first on the unemployment, you're right. And we always
point this out in our remarks. While the aggregate unemployment rate was 3.5 percent, every
economy, every market in every economy has longer-run issues. And one of ours is just the
disparate level of unemployment between blacks and whites. And it's generally sort of twice as
much -- twice as high for blacks. So even -- but this was the lowest, you know, black
unemployment rate in 50 years -- or actually since we started keeping records which was less
than 50 years ago. So that's just a fact and it's not a good fact, you know.

So we have started though in recent years to focus considerable time and attention on
disparate levels of unemployment, for example, among different racial groups and demographic
groups. We regularly discuss those differences in our FOMC discussions. We call them out in
testimony and in speeches and in our Monetary Policy Report to Congress. You'll see it
everywhere, in all the things that we do.

So what does that mean? I think what we learned is that a tight labor market really does a
lot of good things for minorities and people at the lower end of the income spectrum generally.
But you know, tight labor markets, it took eight years -- it took sort of the eighth and ninth and
tenth years of that expansion to get to those benefits. So we need more than that. That's not a
good strategy, waiting eight, nine, ten years to get there. So we're going to get back there as fast
as we can because that's what we can do. But society more broadly can affect these things. You
know, we don't really have tools that can address distributional disparate outcomes as well as
fiscal policy. And just policy generally, education, healthcare, all those things are much better at
doing that.

In terms of -- so we do -- you will see that -- you will see that discussed, the black
unemployment rate discussed all the time in what we do. And I think we clearly understand now
that it's something to weigh when you get a tight labor market. It's something that you want to be
focused on. So it is very much in our thinking. Again, in a world where we don't really have the best tools to address that. So something that we're doing.

I have not seen that -- I did not see that blog post yet, although someone did mention it to me. We of course have been in meetings until just before this. And I will take a look at it. I will do that. And you know, without having had a chance to think about it, read it, understand it, I'll just say a couple things. First, I think it's fair to acknowledge that there's been a lot of pain and injustice and unfair treatment that women have experienced in the workplace, not just among economists but among economists and at the Fed. That's been going on for far too long. And you know, like every other organization, the Fed could have done more and should have done more. I would say though, that we -- you know, we have made it a very high priority to have as diverse and inclusive an organization as we can. And I think we've made a lot of progress on that. I think we want a place where it's free to speak, where views are welcome, where people can disagree but must do so respectfully. I think a lot of organizations are coming around to understanding the importance of that. And my experience has been, you know, from my career in business too, is that organizations -- the really successful organizations in our society get this. They do, mostly. They get it, that if you want to attract the best people, this is what you -- you're going to attract the best people by having a diverse and inclusive workforce and workplace. So we've made diversity a priority. We actually -- you know, this has been a big issue for the economics profession. We had the two heads of the AEA task force on this who happen to be named Ben Bernanke and Janet Yellen come here, and I cohosted an event with them I guess last year or the year before which had several hundred, 500 people or something like that listening in about these issues. So we're doing a lot. I'm sure we can do more. We're doing a lot to, you know, foster a
respectful climate particularly for women but for all people. So it's a very high priority for us as an organization. I will look into that and -- You know, when this is over.

MICHELLE SMITH. Okay, thank you. Don Lee?

DON LEE. Chair Powell, on the labor market, jobless claims rose again recently, and new hiring activity has weakened. I wonder, how big are the risks of the unemployment rate rising and job growth turning negative this summer?

CHAIR POWELL. So as I mentioned earlier, you know, we're watching this high-frequency data. And of course the official labor market reports come out once a month and no one has had a very good record lately of predicting what they're going to say. They've been in May and June stronger than anybody expected, particularly in May. So I would say some humility is appropriate here in terms of thinking we understand exactly where this is going. I think all we can say today is that there's evidence in the high-frequency data, the surveys and you know, you're tracking -- you get pictures of spending. You get pictures of people's movements. And it looks like we're seeing a slowdown in the rate of growth. And that might be short-lived, it might not be, you know. And it seems to be related to -- and the timing of it seems to be related to the spike in cases that began in the middle of June. Now, I really don't want to get ahead of where the data are on this. So we're just going to have to see. We're going to have to -- the data over the next couple of months will answer that question. And recent experience suggests we need to wait and see. In any case, there's clearly a risk that we're going to see a slowdown in the rate of growth in economic activity and in hiring. It might still be at a robust level. Honestly, we will not know until we start to see more data come in.

MICHELLE SMITH. Thank you. Victoria Guida?
VICTORIA GUIDA. Hi, Victoria Guida with Politico. Thanks for taking my question. I wanted to ask about the 13(3) facilities. You all have used your emergency authority to buy assets that you can't directly buy, like corporate bonds, ETFs. So I was just wondering, what is the scope of your authority under 13(3)? What type of assets are you allowed to buy? Could you buy equities through an SPV for example?

CHAIR POWELL. You know, we haven't looked at that and we have no intention. We haven't done any work or thought about buying equities. But you know, we're bound by the provisions of 13(3) which requires that we make, you know, facilities, programs and facilities have broad applicability. Meaning we have to have -- it can't just be focused on one entity. You know, it has to be a broad group of entities. There's a lot in 13(3) about the solvency of the borrowers. You know, remember, it was rewritten or amended after the financial crisis, and it was written in a way that was meant to make it challenging to bail out large financial institutions. There was a lot in there to make sure that, you know, that they were going to be solvent, things like that. So we have to meet those requirements. You know, we haven't looked and tried to say what can we buy, and you know, let's make a complete list. You know, we felt that using these facilities that we could buy corporate bonds and municipal bonds too.

VICTORIA GUIDA. So I just -- sorry, just to follow up really quickly. So is it generally supposed to be primarily directed at debt instruments since you talked about borrowers?

CHAIR POWELL. The statute doesn't say that, but yeah, you could read the statute that way if you want. Honestly, we haven't tried to push it to, you know, what's the theoretical limit of it. I mean, I think clearly it's supposed to replace lending, you know. That's really what you're doing. You're stepping to provide credit at times when the market has stopped functioning. That's
fundamentally what you're doing with 13(3). And so I think you've got to sort of work within that framework.

MICHELLE SMITH. Thank you. Greg Robb?

GREG ROBB. Hi. Thanks for taking my question. Greg Robb from MarketWatch. Can you hear me? One of the things in this crisis that's unusual is that companies are cutting wages and salaries and that's something, you know, we haven't seen much. I was wondering what the Fed is thinking about this. It seems to indicate that inflation could be more volatile in coming months and coming years.

CHAIR POWELL. I think that the main thing that tells you is that the labor market has a long way to go to recover. You know, we had a good labor market. It wasn't perfect. There were always issues. There are always going to be issues within an economy. But the labor market really has a long way to go now. Even with two very strong months of job creation, 7.5 million jobs between the two months, we still have 14 million people unemployed. So it's just -- it's a long way to go. And that leads to a situation where there are so many people looking for jobs, and we have the economy only partially reopened. So there aren't, you know -- until the economy or as the economy fully reopens, people can go back to work. So it's a tough situation, and I've read reports of that. You know, of course the reported wages went up because of the composition effect. You know, low-paid workers didn't go back to work and they were the ones that got laid off. So average hourly earnings went up. But clearly, clearly the pressure -- there will not be much upward pressure on wages and compensation at the aggregate level here in a world where there are just an awful lot of people looking for work. And the main -- so it just underscores again the urgency of doing everything we can to restore the labor force and to
support those who are -- who want to be in the labor force but whose jobs have gone away for some period of time as they find other work due to this natural disaster.

MICHELLE SMITH. Thank you. Jean Yung?

JEAN YUNG. Hi, Chair Powell. Thank you very much. I wanted to ask about forward guidance. Do you see merits to tying your asset purchases to economic outcomes? And would you consider both inflation and labor market conditions as part of those outcomes? And specifically for the labor conditions which you want to see before you think about pulling back stimulus. Thank you.

CHAIR POWELL. So that's a great discussion that we've talked about that at past meetings, and I imagine we will at future meetings and haven't made any decisions yet on that. But you know, you've got a couple ways to go. You can tie -- you can tie them to dates. You can say we will for a specific period of time, we will keep rates at X level. Or you can say we'll keep them there until you achieve a certain macroeconomic goal. And it can either be inflation or it could be an employment goal, as you pointed out. And I think that, you know, there's attraction in all of those depending on the situation, I think for obvious reasons. You can imagine situations where, you know, where you'd really want to be targeting macroeconomic outcomes. It's also the case though that sometimes date-based guidance works too. I think it really is very fact specific, and it's not something we've -- you know, we haven't made any decisions on that, so I wouldn't be standing here telling you we're going to go this way or that way, you know, should the time come for us to change our forward guidance.

MICHELLE SMITH. Thank you. Hannah?
HANNAH LANG. Hi, Chair Powell. Thanks for doing this today. I wanted to ask on the stimulus bill that Senate Republicans are considering, they said that they're weighing whether to provide the Collins amendment in order to ease the tier one leverage ratio for banks. Are you concerned that doing so would adversely affect capital, given that the Fed's stress test showed that under the most severe scenarios for economic recovery that several banks would approach the regulatory minimum cash flow requirements?

CHAIR POWELL. Okay. So I think what the stress test showed is that under the regular way stress test, the banks passed. But right in the middle of the stress test came the pandemic. And so we quickly dropped in three other scenarios which were, you know, really bad scenarios. And many of the banks passed, but some didn't. And that was done very quickly, so we pivoted and we used the provision that says we can -- that says there's been a material change and we're going to ask them to resubmit their capital plans. We also stopped buybacks, share buybacks and limited dividends. So we're working through the details of how all of that will work. I think we're going to send out the stress scenarios on September 30. So I would say that's -- you know, that process is working that way.

But you're making a connection to the Collins amendment. So what's going on there is that, like many other supervisors and regulators around the world, what we found is that our -- we have found our banks are strong. They're strongly capitalized with lots of liquidity. And they've really been a source of strength in this crisis so far. And they've written off bad loans and things like that. They're still well capitalized and strong and will be I think a source of strength in this situation.

But what we did earlier was we -- what happens is the banks run up against their leverage ratio, which is a non-risk-sensitive measure just of the amount of assets on the balance sheets. So
people put cash on deposit at the banks and they reached the limit of how much they could grow, or made loans -- you know, companies drew down loans and deposited cash. So we gave some leverage ratio relief earlier by temporarily -- it's temporary relief. By eliminating temporarily treasuries from a calculation of the leverage ratio. This is another additional thing to do. If Congress chooses to do this, we would want it to be explicitly temporary. In other words, this will not be a permanent change in capital standards. We haven't decided to do it, but it would give us the ability to allow banks to grow their balance sheet, and in doing so to serve their customers better. And you know, I have to tell you, if you look around the world, bank regulators -- many, many bank regulators around the world have given leverage ratio relief. You know, Swiss National Bank, the Bank of Japan, the European Commission did, the Bank of Canada did. We did. It's not -- what it's doing is it's allowing them to grow their balance sheet in a way that serves their customers. That's really what it's doing. And again, I would want it to be explicitly temporary if we do do it.

MICHELLE SMITH. Okay, thank you. We'll go to Brian Cheung for the last question.

BRIAN CHEUNG. Hi, Chairman Powell. Thanks so much. Brian Cheung with Yahoo Finance. I wanted to ask just how the framework review is working in tandem with your discussion on explicit forward guidance. So is the idea that you're trying to have some order to that, that you would announce the findings of the Fed review before then committing to some sort of explicit forward guidance, or even yield curve control policy? Thanks.

CHAIR POWELL. You know, so I do think that completion of the review would -- first of all, it's something that was a very high priority. We were really looking forward to completing it probably at the June meeting, but it might have been the meeting before that. We were right on track, and then we got distracted. And we weren't expecting the pandemic, of course. Nobody
was. So the pandemic came in. I think it is important to go back and finish that, and I do think
that will inform, you know, everything we do going forward. I would also tell you though that to
a very large extent the changes we'll make to the statement of longer-run goals and monetary
policy strategy are really codifying the way we're already acting with our policies. To a large
extent, we're already doing the things that are in there. This is just a way of acknowledging that
and putting them in the document. I can't tell you what the exact timing of that will be, but I do
think that's a sensible way to think about it. Thanks very much.

MICHELLE SMITH. Thank you very much.