CHAIR POWELL. Good afternoon.

At the Federal Reserve, we are strongly committed to achieving the monetary policy goals that Congress has given us—maximum employment and price stability. Since the beginning of the pandemic, we have taken forceful actions 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. Today, my colleagues on the Federal Open Market Committee and I made some important changes to our policy statement, including an update to our guidance for the likely path of our policy interest rate. Guided by our new Statement on Longer-Run Goals and Monetary Policy Strategy that we announced a few weeks ago, these changes clarify our strong commitment over a longer time horizon. Before describing today’s policy actions, let me briefly review recent economic developments.

Economic activity has picked up from its depressed second-quarter level, when much of the economy was shut down to stem the spread of the virus. With the reopening of many businesses and factories and fewer people withdrawing from social interactions, household spending looks to have recovered about three-quarters of its earlier decline. Nonetheless, spending on services that typically require people to gather closely, including travel and hospitality, is still quite weak. 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. Activity in the housing sector has returned to its level at the beginning of the year, and we are starting to see signs of an improvement in business investment. The recovery has progressed more quickly than generally expected, and forecasts from FOMC participants for economic growth this year have been revised up since our June Summary of

Page 1 of 6
Economic Projections. Even so, overall activity remains well below its level before the pandemic and the path ahead remains highly uncertain.

In the labor market, roughly half of the 22 million jobs that were lost in March and April have been regained as many people returned to work. The unemployment rate declined over the past four months but remains elevated at 8.4 percent as of August. Although we welcome this progress, we will not lose sight of the millions of Americans who remain out of work. Looking ahead, FOMC participants project the unemployment rate to continue to decline; the median projection is 7.6 percent at the end of this year, 5.5 percent next year, and 4 percent by 2023.

The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been hardest hit. In particular, the high level of joblessness has been especially severe for lower-wage workers in the services sector, for women, and for African Americans and Hispanics. The economic dislocation 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 that have been most affected by the pandemic, has held down consumer prices, and overall, inflation is running well below our 2 percent longer-run objective. The median inflation projection from FOMC participants rises from 1.2 percent this year to 1.7 percent next year and reaches 2 percent in 2023.

As the economy began its recovery, COVID-19 cases, hospitalizations, and deaths also rose. The reimposition of some social distancing restrictions as well as more cautious behavior by many individuals have succeeded in slowing the spread of the virus. As we have emphasized
throughout the pandemic, the outlook for the economy is extraordinarily uncertain and will depend in large part on our success in keeping the virus in check. All of us have a role to play in our nation’s response to the pandemic. Following the advice of public health professionals to keep appropriate social distances and to wear masks in public will help get the economy back to full strength. A full economic 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 the policy actions taken across all parts of the 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 remain committed to using our full range of tools to support the economy in this challenging time.

The changes we made in today’s policy statement reflect our strategy to achieve our dual mandate goals by seeking to eliminate shortfalls from maximum employment and achieve inflation that averages 2 percent over time, as we articulated in our Statement on Longer-Run Goals and Monetary Policy Strategy. We view maximum employment as a broad-based and inclusive goal and do not see a high level of employment as posing a policy concern unless accompanied by signs of unwanted increases in inflation or the emergence of other risks that could impede the attainment of our goals. And we believe that achieving inflation that averages 2 percent over time helps ensure that longer-term inflation expectations remain well anchored at our longer-run 2 percent objective. In turn, well-anchored inflation expectations enhance our ability to meet both our employment and inflation objectives, particularly in the new normal in which interest rates are closer to their effective lower bound even in good times.
Hence, as we say in our statement, with inflation running persistently below 2 percent, we will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. We expect to maintain an accommodative stance of monetary policy until these outcomes, including maximum employment, are achieved. With regard to interest rates, we now indicate that we expect it will be appropriate to maintain the current 0 to 1/4 percent target range for the federal funds rate until labor market conditions have reached levels consistent with the Committee’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.

In addition, over coming months we will continue to increase our holdings of Treasury securities and agency mortgage-backed securities at least at the current pace. These asset purchases are intended to sustain smooth market functioning and help foster accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

We believe the strong policy guidance we are providing today will serve the economy well by promoting our goals through the many possible paths the recovery may take. Of course, as we note in our policy statement, we would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of our goals.

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. Preserving the flow of credit is essential for mitigating the damage to the economy and promoting a robust 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 serve as a
backstop to key credit markets and appear to have restored the flow of credit from private lenders through normal channels. We have deployed these lending powers to an unprecedented extent, enabled in large part by financial backing and support from Congress and the Treasury. 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 are benefiting from these programs, as is 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 may take continued support from both monetary and fiscal policy to achieve that.

We understand that our actions affect 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.

Finally, I would like to take a moment to recognize the passing of our friend and colleague, Thomas Laubach. His outstanding analysis and advice have been indispensable to the
FOMC, and have played a key role in the policy decisions that will define this era of the Federal Reserve. He will be remembered for his intellect, but also his kindness, his equanimity, and his dedication to achieving our mission on behalf of the American people. We will miss him.

Thank you, I will now be glad to take your questions.