THE ECONOMIC CLUB

OF WASHINGTON, D.C.

The Honorable Jerome H. Powell discusses recent Fed policy and shares his views on the future economy.

Jerome H. Powell
Chairman of the Board of Governors
Federal Reserve System
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DAVID RUBENSTEIN: So, we're very honored at the Economic Club of Washington today to have as our special guest the 16th Chairman of the Federal Reserve Board Jerome Powell, also known as Jay Powell. [Applause.]

Jay, you were nominated to be chairman of the Fed by President Trump. You had previously served as a member of the Fed, as your predecessors had as well. Ben Bernanke and Janet Yellen both served as members of the Fed before they became chairs. Now that you've been a member and you've been chair, is being chair all that it's cracked up to be? [Laughter.]

JEROME H. POWELL: Of course, thank you. Thank you, David. Thanks. It's great to be here today. So, I did. I was a governor for six years. And I think I had every job on the Board of Governors that there is to have, other than chair. And it's a very different job. Whereas I was focusing on a million different things, now I'm really focused on the economy, public communication, monetary policy, and the institution. And so, it's quite a different thing. And yes, it's a great job. It's a great honor to come to work every day.

MR. RUBENSTEIN: You enjoy the job. You don't wish it were just memory?

MR. POWELL: [Laughs.] No. I do enjoy the job. I really do. I'm very grateful for the opportunity. It's a great honor. And I do. I enjoy it.

MR. RUBENSTEIN: Do you find that as a chairman your jokes are laughed at more quickly as than a regular member – [laughter] – or do you get any putts in golf that you didn't get before?

MR. POWELL: Well, I guess we'll find out about the jokes. No, I don't play much golf anymore. But, no, I think my jokes have always been well-received, frankly. [Laughter.]

MR. RUBENSTEIN: OK. So, last week you had a very interesting interview at the American Economic Association with your two predecessors. And at that interview, you seemed to say that the Fed's position going forward is that you're reasonably comfortable where you are with the fed funds rate. Is that the proper interpretation, or should people be reading more into what you said last week?

MR. POWELL: So, well, maybe provide a little bit of context there. So, 2018 was a very good year for the U.S. economy. It's the strongest growth we've had in more than a decade. By so many measures the labor market is very strong. Historically low unemployment, the lowest in 50 years. Wages going up. Labor force participation going up, which is very important for us. And inflation is staying right near our target. So, and we see continued momentum from the data right through the beginning of this year.

We also see, though – we see the financial markets expressing a view of concern about downside risks really associated with global growth and with trade. So how do we put those two different signals together? And I think we're actually in a good place. I think where that leaves, us, particularly with inflation low and under control, is we have the ability to be patient and watch patiently and carefully as we see the economy evolve and figure out which of these two narratives is going to be the story of 2019.

MR. RUBENSTEIN: OK. But at the end of last year, in December, people thought that perhaps two fed funds rates increases in 2019 were part of your plan. Is it fair to say that that is not part of your plan right now today?

MR. POWELL: I think the better way to think about it is that there is no such plan. You know, we don't actually vote on a path or a plan for interest rates. We have each individual participate on the FOMC[1] submits his or her individual projections four times a year. And we did that in December. And two rate increases was the median. And it was conditional on a very strong outlook for 2019, an outlook that may still happen. But the good thing is we're in a place where we can be patient and flexible and wait and see what does evolve. And I think for the meantime, we're waiting and watching.

MR. RUBENSTEIN: All right. So, I shouldn't anticipate at your next FOMC meeting a big increase in interest rates? [Laughter.]

MR. POWELL: You should anticipate that we're going to be patient and watching. [Laughter.]

MR. RUBENSTEIN: OK. All right. OK. All right.

MR. POWELL: And waiting and seeing.

MR. RUBENSTEIN: Well, I – no doubt. OK. So, by the way, FOMC, what does that stand for?

MR. POWELL: Federal Open Market Committee.

MR. RUBENSTEIN: And who's on that?

MR. POWELL: So that consists of all of the members of the Board of Governors, which there can be seven but there are currently five – those are nominated by the president, confirmed by the Senate – and all 12 of the reserve bank presidents around the country, who are actually chosen by their boards of directors, subject to the approval of the board.

MR. RUBENSTEIN: Have you thought of a better acronym? Because FOMC is hard to say. Can you pick some other acronym for that, or?

MR. POWELL: You know, we actually – we may have to hire a branding consultant and get some better thinking on that. For us, it's a very basic acronym.

MR. RUBENSTEIN: All right. Last – [laughter] – yesterday the Fed released the minutes of your last FOMC meeting. Now you release your minutes not the day after the meeting. Why don't you release your minutes the day after a meeting?

[1] FOMC is the Federal Open Market Committee, a committee within the Federal Reserve System. The FOMC oversees open market operations in the United States, making key decisions about interest rates and the growth of the U.S. money supply.

MR. POWELL: We release a statement which summarizes the decision. And the language is very carefully structured to express the rationale for the decision. And then we actually go back and read the transcript very carefully. We accumulate the perspectives offered by 17 different members. And it takes sort of three weeks to go through that process, and we publish the minutes. We used to publish them, you know, with a couple of month delay. Now we publish them with a three-week delay. So, they're meant to amplify what's in the decision.

MR. RUBENSTEIN: OK. In those meeting – minute meetings, it's said that there was fair debate about whether you should increase interest rates, the fed funds rates, or not. But the opinion was unanimous. So, was it fair to say that it was the united view of the FOMC that you should increase interest rates, when it turns out that the debate was more divided than maybe the vote was?

MR. POWELL: Yeah. So, I would say one of the great things about our system is that we really have institutionalized diversity of perspectives, 12 different reserve bank presidents, each of whom has his or her own economic staff. And they come in. And so, at every meeting we have a robust discussion, debate, and often disagreement over the path of policy. And I personally think that's a great way to reach a better decision. So, in the end, people have to choose to vote with the proposal or not. And in this case, everyone voted for it, although there were disparate views expressed at the meeting, as the minutes reflect.

MR. RUBENSTEIN: And when people don't vote for the proposal, it's recorded that they didn't vote for it. Is that right?

MR. POWELL: That's right. They dissent. And they'll often issue, you know, a statement of why they dissented. And they'll explain themselves. The whole thing – explain yourself carefully to the public and transparently. And we try to put all of that out on the record for people to see.

MR. RUBENSTEIN: OK. On Capitol Hill, when you're a committee chair it is said you don't call for a vote unless you know that you're going to win that vote. When you're the head of the FOMC, as the chairman of the Federal Reserve Board is, do you know where the vote's going to be before that meeting starts?

MR. POWELL: Yeah. So, I speak to – and I think my predecessors did too – I speak to every reserve bank president and every member of the Board of Governors in great detail before every meeting. We discuss the issues. And I certainly know, you know, what people will support and what they won't. So, the proposal that gets made is generally one that attracts overwhelming support, but often not unanimous, though. Dissents are not uncommon.

MR. RUBENSTEIN: So, if you call somebody who's a member of the FOMC, and you say we're going to have our meeting in a couple days, and this is what I think. And they say they come to a different view, do you try to lobby them? Or you don't do that in the FOMC, nobody lobbies anybody else?

MR. POWELL: No, I really don't. I really respect the right of each individual participant to make up his or her own mind and express that view and put it on the record and explain it. I see nothing but value in that. It's not a question of lobbying. You know, it would be more likely that – and this hasn't happened – but more likely that we would adapt a proposal to be something that a person could support, than it would be for me to actually lobby someone.

MR. RUBENSTEIN: Now, your immediate two predecessors had PhDs in economics. One from, I guess, Princeton and one from Yale.

MR. POWELL: Actually Harvard.

MR. RUBENSTEIN: Ben was from Harvard. He taught at Princeton.

MR. POWELL: Ben was from Harvard, yeah. No, Ben was MIT, actually.

MR. RUBENSTEIN: MIT, you're correct. He was at MIT. He taught at Princeton. And Janet had hers from Yale, if I recall.

MR. POWELL: Right.

MR. RUBENSTEIN: So, you don't have – you have a law degree from Georgetown. You practiced law. But is there a disadvantage to not having a Ph.D.? And is there an advantage to having a private equity background? [Laughter, applause.]

MR. POWELL: You know, I wouldn't say there's a disadvantage not having a Ph.D. I've been at the board seven years and I've had a lot of time to learn monetary economics. You really have to do that if you're going to serve at the board and you're not a Ph.D. economist. You've very much got to invest in learning it. And of course, I've done that. But I mean, my career – part of my career is doing different things and learning different things. I have an interesting story for you, as a matter of fact. I knew a guy – know a guy who founded a private equity firm with no business degree, no experience – [laughter] – and made a success of it. So, it can be done. [Laughter, applause.]

MR. RUBENSTEIN: Sometimes it's better to be lucky than anything else. [Laughter.]

So, let me ask you this, recently the President of the United States, who appointed you, has been less than favorable in some of – about some of your decisions. Does that bother you in any way?

MR. POWELL: No. So, we're very, very focused on our job. Congress has given us a very specific job, it's an important job. We're here to serve the American people, all of the American people and try to use our tools to achieve maximum employment and price stability. So that's what we're focused on. We don't get distracted by other things. We do not take political factors into consideration, either in our discussions or in our decisions at all. And that's just who we are.

MR. RUBENSTEIN: The President's head of the National Economic Council, Larry Kudlow, has suggested that maybe the President will have a meeting with you. Have you received that invitation yet?

MR. POWELL: No, no invitation. I will say Fed chairs do meet with presidents. I'm not aware of any Fed chair in my lifetime that hasn't met with the president. These tend to be – meetings tend to be rare. I think there's only been one or two during my time here. And I'm not aware of any Fed chair turning down an invitation from the White House, nor do I think that would be appropriate. So, I really don't have any news for you on that.

MR. RUBENSTEIN: All right. So, if you had the invitation, you'd be happy to accept it, right?

MR. POWELL: I'm not aware of anyone not accepting it. [Laughter.]

MR. RUBENSTEIN: OK. So, let's talk a moment about the economy. The Fed in its – in its FOMC minutes pointed out that there's a disparity a little bit. The financial markets seem to be a little bit uncertain from time to time, but the core economy seems to be doing quite nicely. Now, how do you explain why the financial markets seem to be nervous and the core economy seems to be growing at a pretty good rate?

MR. POWELL: So financial markets, really beginning in the fourth quarter, got more volatile and seemed to be pricing in a more pessimistic outlook, which, as I mentioned, seems to be rooted in concerns about slowing growth and a related concern of the ongoing trade negotiations. But if you look at the incoming data, right through the end of the year and into the beginning of this year, you don't really see any evidence of a slowdown. And so, we're in a situation where we have factors pointing at different directions. And by the way, this is not uncommon. This is – this is actually something that happens not infrequently. And when we – when we – when we have that, what we do is we apply sort of risk management principles. In other words, we're not just concerned about the baseline case. We're thinking about what the risks are and we are using our tools to address those risks.

So, in that case, what does it mean? It means, first, there is no preset path for rates, there really isn't. There never is, but there particularly isn't now. Second, as I mentioned, it gives us the opportunity to be patient and watch and see what does evolve. Are we going to see the more positive view that most forecasters have of this year? Or are we going to see slowing global growth and are we going to see that affect U.S. growth? If it does, then I can assure you we – you know, it's a common thing for the economy to behave in ways that are not exactly as we expect. And when that happens, we can flexibly and quickly move policy. We can do so significantly as well, if that's appropriate. So, we'll always use our tools to try to sustain this expansion and keep the labor market strong and inflation low.

MR. RUBENSTEIN: So currently, the Fed is projecting the U.S. economy is going to grow in 2019 at 2.3 percent. I believe that's your number. It previously was a little bit higher, 2.5 percent, I think, last year. You've lowered it, is that correct? And are you going to lower it again because of the government shutdown? Is that going to affect the economy, in your view?

MR. POWELL: Let me say, first, there is no official Fed projection. What 2.3 percent was, was the median of 17 participants. There were half above and half below that. You know, we'll – during the year, not infrequently, in fact typically, when we submit new projections every quarter, the projections will change. I mean, it's very difficult to forecast the economy to that level of precision. You know, so we'll take into account tightening financial conditions, which we've seen, and we'll also, you know, lower our rate path and try to have monetary policy offset weakness before it even happens.

MR. RUBENSTEIN: The shutdown, what's the impact on the economy, in your view?

MR. POWELL: In the short term, if government shutdowns don't last very long, they have typically not left much of a mark on the economy, which isn't to say that – there's plenty of personal hardship that people undergo. But at the aggregate level, the economy generally does not reflect much damage from a shutdown.

A longer shutdown is something we haven't had. If we have an extended shutdown – and I do think that that would show up in the data pretty clearly – and I would say particularly from our standpoint, one of the agencies that's shut down is Commerce which has the Bureau of Economic Analysis and the Census Bureau and some of the pretty important data that we get is published by them and would not be published, including retail sales and GDP[2] and a bunch of other things that are coming out this month. So, we would – we would have a less clear picture into the economy if it were to go on much longer.

MR. RUBENSTEIN: You don't gather your own information; you rely on other agencies to give you information?

MR. POWELL: In most cases we're getting information from the Bureau of Labor Standards and BEA.[3] We do have a handful of data series that we collect ourselves.

MR. RUBENSTEIN: OK. And so today let's talk about the economy going forward. We're close to the longest period of expansion since World War II, and we could break that record. Do you see anything on the horizon that would make it likely we go into a recession in 2019?

MR. POWELL: I don't see anything that suggests that the possibility of a recession in the near term is at all elevated. Recessions are most often caused by two things.

One is inflation that is – that is high enough that the Fed has to hit the brakes. We don't see that.

More common recently, in the last several cycles, it's really been a matter of mounting financial imbalances, by which I mean asset bubbles, the housing bubble, the dotcom bubble, or

[2] GDP – Gross Domestic Product, the monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly.
[3] BEA - Bureau of Economic Analysis, part of U.S. Department of Commerce, that provides official macroeconomic and industry statistics.

just excessive leverage as you saw in the subprime mortgage area, where those things happen. We don't see that either.

So, we don't see the two most basic recent causes of recessions. We don't see those risks. So, I would say it's – the possibility is not elevated at the moment.

MR. RUBENSTEIN: So, you don't see any worry? You're not worried in 2019 about anything close to a recession?

MR. POWELL: I don't see a recession. I would say if you ask me what I am worried about, I would say the U.S. economy is solid. As I mentioned, there's good momentum going into this year. The principal worry I would have is really global growth. If you look at Asia, look at Europe, you're seeing slowing in growth. And the question will be: How much does that affect us? It's a – it's a tightly integrated global economy and global financial markets, and we will feel that.

MR. RUBENSTEIN: Talk about inflation for a moment. One of the Fed's main jobs is to worry about inflation. What do you think the inflation rate is likely to be for 2019?

MR. POWELL: I think it's going to be right around 2 percent. I think sort of a capital asset that we inherited from Chairmen Volcker and Greenspan is strongly anchored inflation expectations. So, what that means is that when the economy's really weak, inflation doesn't go down very much; and when the economy is really strong, it doesn't go up very much. So, inflation tends to be rooted pretty close to 2 percent.

MR. RUBENSTEIN: Historically, it used to be thought that when oil prices were high – very high – that was not good for our country's inflation rate and not good for our economy. Now that we're the biggest producer of oil in the world, is it good when the OPEC prices go down? Or was it better when oil prices are like $70 a barrel, because we produce so much of it?

MR. POWELL: So, as you point out, it's a much closer call than it used to be. We have a very large domestic oil industry. But still, on balance, we think there's still a modest benefit overall in the aggregate to – for lower oil prices.

MR. RUBENSTEIN: Lower than –

MR. POWELL: But not if you work in the oil industry or you live in an area that is heavily leveraged to the oil industry, but –

MR. RUBENSTEIN: Lower than 50 [dollars] or lower than 60 [dollars]? Or is there any price you think is an equilibrium for oil prices and our economy?

MR. POWELL: You know, it's hard to say. I mean, the question would be: What is the – what is the breakeven for these shale producers? And there are – there are different views on that.

MR. RUBENSTEIN: OK. Let's talk about the Chinese economy for a moment. Are you worried about the slowing growth rate in the Chinese economy and its impact on our economy?

MR. POWELL: It is a concern, something we're watching. You know, the Chinese economy has slowed down, and it's showing up a lot in consumer spending – so weak retail spending; everyone will have seen the Apple news last week, I suspect, of, you know, weak sales of their phones in China. So, we're seeing that. We're also – we also saw two weak manufacturing and services surveys – PMIs,[4] they're called – early last week. So, you're seeing some weakness there.

The thing you're also seeing, though, is the Chinese authorities are doing repeated rounds of things to support the economy, as they can do, just over and over again, different things. And so, I still think that the baseline – most likely baseline case for China is going to be another year of solid growth. I don't see – there's no reason to think it'll be – it'll be something worse than that.

MR. RUBENSTEIN: Do you think the tariffs that we've imposed on Chinese imports is a good thing for our economy or a harmful thing for the Chinese economy? And how much longer do you think this could go on before it's going to really hurt our economy?

MR. POWELL: So, I don't think that the tariffs on either side have had much of a visible mark on either the Chinese economy or the United States economy. So, you – in other words, Chinese exports and imports are – don't show any mark from that. And we have a $20-plus trillion economy; the amount of tariffs so far just doesn't show much of a mark.

And again, we don't do trade policy. We don't give the administration advice on that. I would never comment on the administration's trade policy.

I will say this, though: If this leads us to a fairer – if this process leads us to a fairer, more open, lower-tariff environment for trade, that'll be good for the global economy and it'd be good for our economy. If instead it leads to a more protectionist environment where tariffs are higher and they're mutual and they're long-lasting, then that'll lead to, you know – you know, a less-productive economy here in the United States and around the world.

MR. RUBENSTEIN: Now, what about Brexit? Do you think that Brexit, if it occurs or however it occurs, is going to hurt the European economy and the British economy, and therefore hurt our economy? What is your view on that?

MR. POWELL: You know, with Brexit our main point of contact has been with U.S. financial institutions that have operations in the U.K. and also in the continent. And we've now had, you know, quite a long time to get ready for that so – and also, they've had – these institutions have had supervision from U.S. authorities, U.K. authorities, and EU authorities. So, they're prepared for the full range of possible outcomes. That's the main thing that we've been working on.

[4] PMI - Purchasing Managers' Index - an indicator of economic health for manufacturing and service sectors.

I think it's very possible. There's no precedent for this event so anyone should have humility trying to predict what the consequences would be. But I would say that the base case is that there will be, you know, some effect on both the U.K. economy and the EU economy. But it doesn't need to be very significant unless there are real financial disruptions and we don't expect that.

MR. RUBENSTEIN: Now, in our economy we're running an annual deficit of about $1 trillion or more with $21 or $22 trillion of total indebtedness internal and external. Are you worried at the Fed about the enormous amount of debt the federal government has?

MR. POWELL: You know, so I am very worried about it. But from the Fed's standpoint, you know, we're really looking at a business cycle kind of length. That's our frame of reference and the long-run fiscal non-sustainability of the U.S. federal government isn't really something that plays into the next – you know, the sort of medium term that is relevant for our policy decisions. It's a long-run issue that we definitely need to face and ultimately will have no choice but to face.

MR. RUBENSTEIN: Now, as a result of quantitative easing, the Fed bought a lot of securities and now you're letting them roll off. Is that the correct policy? As opposed to selling them you're just letting them expire. Is that the correct policy, in your view?

MR. POWELL: Yes. So that – we wanted to have the balance sheet return to a more normal level, which is a level no larger than it needs to be for us to conduct monetary policy efficiently and effectively.

MR. RUBENSTEIN: What level is that?

MR. POWELL: Sorry?

MR. RUBENSTEIN: What level would that be? A trillion dollars?

MR. POWELL: Don't know the exact level. That will depend on, really, the public's appetite for our liabilities, specifically currency. To us, that's a liability and the public has a large appetite for currency and also reserves and other liabilities. So, it'll be substantially smaller than it is now. But –

MR. RUBENSTEIN: What is it now? What is their balance sheet now?

MR. POWELL: It's a little under $4 trillion. It was $1 trillion before the crisis. It will be smaller than it is now but nowhere near what it was before and the reason is currency has – currency was, you know, well less than a trillion before quantitative easing started and now it is moving up toward $2 trillion.

MR. RUBENSTEIN: As you look back on the Great Recession and what the Fed did with its various policies, with TARP[5] and other things, would you say there's anything that you've learned at the Fed that if you had a similar problem in the future you would do something differently?

MR. POWELL: You know, I would say – and I raised concerns in my early years at the Fed about quantitative easing and how effective it would be. I would say if you look fairly back at the record and don't expect perfection that the Fed did a very good job, particularly in the – at the height of the crisis, the first quantitative easing program and the other things that the government did, not the Fed, were successful in ending what had all the makings of a collapse of the global financial system. That didn't happen and it had never happened, and I think that's because of the efforts of the people who were in government including the Fed but also including the administration at that time.

MR. RUBENSTEIN: Now, what about the unemployment rate? Where do you think that's headed for this year?

MR. POWELL: So right now, it's 3.9 percent and we've been under 4 percent since, I think, for the last nine months. Again, that hasn't happened since the mid-'60s so it's a 50-year low. If we get this world that is sort of our baseline case of growth in the range of 2 to 2.5 percent, then unemployment should move down another couple of tenths, something like that.

MR. RUBENSTEIN: So how do you relate to, let's say, the administration? You don't meet the president regularly. Fed chairs don't typically do that. But do you meet with the Treasury secretary regularly or other people at the White House? How do you communicate with them and vice versa?

MR. POWELL: So, it's important that we have relationships with all the other parts of the government including the independent regulatory agencies, including Congress, and including the administration. So, by long tradition – many-decade tradition – the Fed chair has regular meetings which wind up being breakfasts and lunches, mostly breakfasts, between the secretary of the Treasury and the Fed chair. That can happen weekly unless it gets cancelled, which sometimes it does for travel and that kind of thing.

MR. RUBENSTEIN: Where do they have them, at the Treasury or at the Fed?

MR. POWELL: Alternates. Alternates. We also have the Council of Economic Advisors.

MR. RUBENSTEIN: Where is the food better? [Laughter.]

MR. POWELL: Treasury. [Laughter.]

MR. RUBENSTEIN: Treasury. [Laughter.]

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[5] TARP - Troubled Asset Relief Program - a U.S. government program that purchases toxic assets and equity from financial institutions to strengthen its financial sector. It was a one of the government's measures in 2008 to address the subprime mortgage crisis.

MR. POWELL: Trust me there.

MR. RUBENSTEIN: OK. All right.

MR. POWELL: So, we meet with – I meet with the – you know, with the head of the National Economic Council. The Board of Governors actually meets with the Council of Economic Advisors and these are very important relationships – very important and very standard – because, you know, we need to have a working relationship. It'll come in handy at times.

MR. RUBENSTEIN: So, if a member of Congress calls you and says, I'd like to meet with you, what do you do? Do you meet with any member of Congress that wants to meet with you or how do you decide?

MR. POWELL: I don't decide. I just meet with them. I do. I think it's very important. You know, we –

MR. RUBENSTEIN: Do they come to visit you, or you go visit them?

MR. POWELL: I visit them quite a lot. But we also – we have visitors. I have visitors over for breakfast and lunch in groups and things like that. I can't – I can't stress how important it is in our system of government, our accountability to the American people runs through Congress, through the – through the two oversight committees, Senate Banking Committee, House Financial Services Committee, and also through leadership. So, we spend – I spend, and all my board colleagues also spend, lots of time explaining what we're doing and why we're doing it. We seek transparency, we seek accountability. It's a big part of what we do.

MR. RUBENSTEIN: Some of your predecessors were known to speak in what they would call, I would call Fed speak, which is to say it's very difficult to understand what they're actually saying. [Laughter.] Alan Greenspan would be the master at that. I think he would take pride in that.

MR. POWELL: Proudly, yeah.

MR. RUBENSTEIN: So, you don't like to speak in Fed speak, so how do you get out of speaking in Fed speak when you have all those Fed people around you? [Laughter.]

MR. POWELL: So, I – what I'm trying to do is I'm trying to explain what we're doing and why we're doing it in a way that is comprehensible to the interested public. And that's what I try to do. So, jargon, economic jargon has a real place. It's the way economists say exactly what they mean and exactly what they don't mean. It's not appropriate for use with the public because it's just annoying. When people start using these technical words that don't mean anything to them, it's just irritating. So, I try hard not to use it or lapse into Latin for that matter. [Laughter.]

MR. RUBENSTEIN: OK. Now, speaking of Latin and interesting use of language, you have a skill that you have perfected since college, which is you can take a word and pronounce it backwards. So, like, take "Rubenstein," you can say that backwards. Is that right?

MR. POWELL: Yes. Actually, it was something I was born with. I can spell – I can see your name spelled forward and backward in my head. I've been able to do that since I was – since I could read.

MR. RUBENSTEIN: Is there any advantage in life in having this skill? [Laughter.]

MR. POWELL: It has been surprisingly lucrative at times. [Laughter.]

MR. RUBENSTEIN: Really? Really? Wow, OK. So what else do you do for relaxation? Yeah, you're a guitar player, right?

MR. POWELL: I'm an amateur musician, yes.

MR. RUBENSTEIN: And do you sing as well or just –

MR. POWELL: I sing badly. I try – I try to accompany people who sing well.

MR. RUBENSTEIN: OK. And you used to be a golfer. You're not a golfer now?

MR. POWELL: I can't play a lot of golf these days, but I ride my bike. I'm a – you know, I've been a road cyclist for many, many years.

MR. RUBENSTEIN: And is that safe when you're the chairman of the Federal Reserve Board? [Laughter.] You know, I'm afraid to go across the street sometimes when I see bikes coming and so forth. Is that safe for you to do that?

MR. POWELL: You know, so I – I do try to keep it in a safe way. So, we have a weekend house on an island, and I ride around the island over and over again or I ride my stationary bike at home. I don't get – I don't get out on the streets of D.C. so much anymore.

MR. RUBENSTEIN: OK. And talk about the pleasures of the job. What is the great pleasure of the job and what's the least pleasurable part about this job, other than the interview that you have to do with somebody like me? [Laughter.]

MR. POWELL: I actually – I actually enjoy meeting with people and meeting with the public. It's a little bit like your statement of that you don't find any deals in the office you used to say.

MR. RUBENSTEIN: Right.

MR. POWELL: So, you know, in my case, getting out of the office, going to Capitol Hill, I really enjoy engaging with people. Also, we have lots of groups that come in. I met with a group of students from D.C. last week, high school students. It's really a lot of fun. Also, I just

– I would go back to the fact that it's such a great honor and privilege to do this that, you know, I never go to work thinking this isn't a great job and a very special time in my life.

MR. RUBENSTEIN: Let's go back to your career. You grew up in the Washington area.

MR. POWELL: I did.

MR. RUBENSTEIN: And you went to undergraduate at Princeton. And what did you study? Economics or –

MR. POWELL: I took micro and macro and majored in politics there. So, I did not really, despite my father's requests, I did not become an econ major. And neither did my daughter, by the way.

MR. RUBENSTEIN: And you then went to Georgetown Law School, is that right?

MR. POWELL: Yes, I did.

MR. RUBENSTEIN: And you were editor-in-chief of the law review?

MR. POWELL: Yes, I was.

MR. RUBENSTEIN: And then you clerked, and so you had a great legal career. And you practiced law at Davis Polk for a while. Why did you abandon the practice of law?

MR. POWELL: It's funny, it just – so going to law school led me to practice law, obviously, although it didn't lead everybody there. And then practicing law led me to want to go into investment banking because they were the clients and it seemed like they were having more fun, so I went into investment banking.

MR. RUBENSTEIN: Making more money for sure. [Laughter.]

MR. POWELL: And that led me to other things.

MR. RUBENSTEIN: And so, you ultimately went to Dillon, Read. And there you worked for a man, Nick Brady, who ultimately became treasury secretary. He recruited you to Washington, D.C. Is that right?

MR. POWELL: That's right, yeah, yeah.

MR. RUBENSTEIN: And you become undersecretary for finance under him, under George Herbert Walker Bush. Is that right?

MR. POWELL: That's correct, yeah.

MR. RUBENSTEIN: And then you decided to go back to Dillon, Read for a while. Is that right?

MR. POWELL: Yes. Yeah.

MR. RUBENSTEIN: And then you decided that the high point of your life would be if you went into private equity.

MR. POWELL: Absolutely.

MR. RUBENSTEIN: And so, as so many people know, you joined Carlyle and you were there for about eight years.

MR. POWELL: Yeah.

MR. RUBENSTEIN: So, is there any doubt that private equity is the highest calling of mankind? [Laughter.]

MR. POWELL: So, let me say somehow that was the path that made sense to me along the way. You know, it did lead me to private equity. It was – it was – you know, it was a great way to make a living. I really enjoyed my time there.

MR. RUBENSTEIN: So, when you left Carlyle you did something very interesting, and this brought you to the attention of President Obama. And I want to explain this to people. You joined for a while the Bipartisan Policy Center, and you went up to Capitol Hill and lobbied for the increase in the debt limit. You're a Republican, and a lot of Republicans on Capitol Hill didn't want that. Obama was arguing for it. Why did you do that?

MR. POWELL: So, I went to the Bipartisan Policy Center to work on fiscal policy and I was there for two years. It was two great years. And I saw the debt-ceiling crisis coming and I wrote this big study that showed pretty much what would happen with some precision if the debt ceiling weren't raised. And you can actually look at what bills are due on what day with the federal government. You look at something call the Daily Treasury Cash Statement. And I started briefing people on this, and it really went viral. That went viral. And I wound up briefing the whole Republican caucus in the House and the Senate and playing a real role in that. And I think the Obama administration – so I think Boehner – Speaker Boehner and Cantor, Eric Cantor, thought that I had played a real role in turning around the House caucus on that, told that to the president, and the next thing I know I'm getting a call from Tim Geithner[6] wondering whether I would come over to talk about being on the Federal Reserve Board.

MR. RUBENSTEIN: And you said I don't want to do that, or you said maybe, or?

MR. POWELL: I said – I said I'd –

[6] Timothy Geithner served Secretary of the Treasury under President Barack Obama, from 2009 to 2013. He was the president of the Federal Reserve Bank of New York from 2003 to 2009.

MR. RUBENSTEIN: What was your initial reaction?

MR. POWELL: I said I'd love to be considered for that.

MR. RUBENSTEIN: OK. So, you were paired with a Democrat, so therefore Democrat-Republican quota. And so, when you got on the Fed, did you think that the people there didn't know as much as you did about policy, or that they knew more than you did? And how – what did you think when you first got on the Fed and you're not an economist?

MR. POWELL: So, I had nine months – nine months between getting that phone call and actually walking in the front door and being sworn in, and I used that time to just study economics and study – you know, through textbooks and also through lots and lots of papers and speeches. I just used that time. And then I got – and then the real education – I assumed that I had a lot to learn. I spent a couple of years really hitting the books. In fact, I sat next to Janet Yellen in those days, and she used to come into my office and go, are you coming out today? [Laughter.] So, I hit it really hard there. I felt like I had a lot to learn, and I did.

MR. RUBENSTEIN: So, you were there when Janet Yellen was chair and –

MR. POWELL: She was vice chair. That's when she was vice chair.

MR. RUBENSTEIN: But she became chair and you were there.

MR. POWELL: Yes.

MR. RUBENSTEIN: And also, Ben Bernanke. So, who was the better chair? [Laughter.]

MR. POWELL: It's a tie.

MR. RUBENSTEIN: OK. [Laughter.]

MR. POWELL: A tie. [Laughter.]

MR. RUBENSTEIN: OK. So, when the opportunity came for you to be appointed as a chair, as I recall there were several candidates that were – that were considered by the president. Had you ever met the president before?

MR. POWELL: I never had met the president. I met him for the first time when I had my interview for chair.

MR. RUBENSTEIN: And how long did you spend with him?

MR. POWELL: Less than an hour. I can't remember exactly how long it was, but it was –

MR. RUBENSTEIN: OK. And so, after it was over you said, hey, I got that – I did that pretty well and I'm going to get this job, or you didn't know?

MR. POWELL: I didn't know. I felt like – I felt like the interview had gone well. That's really all I know.

MR. RUBENSTEIN: So, who called you to say it went well?

MR. POWELL: I actually don't remember who would have called me. But I would have heard from my other contacts in the White House whether it went well or not. But, you know, it was a – it was a process that went on and on. There were various people being interviewed. I had no expectation at that point that I was going to be chosen.

MR. RUBENSTEIN: OK. So today, as the Fed works generally, if you could revise the Federal Reserve Act –

MR. POWELL: [Laughs.]

MR. RUBENSTEIN: – what would you change? It was drafted, you know, 105 years ago. What would you change?

MR. POWELL: So, the Federal Reserve Act, the Fed – the Fed was founded – the law passed in 1913, but the Act was very deeply amended in 1935. And what you see with the Federal Open Market Committee involving the 12 reserve bank presidents and all the governors, that is really the product of the 1935 Act. And I would say that it's been remarkably durable. We're really not looking for any changes.

As I mentioned earlier, we have guaranteed institutionalized diversity of perspectives for monetary policy. And having grown up in a – in a lawyer's family, I'm attuned – I'm inclined to believe that hearing opposing points of view debated actually helps you get to a better decision. And we get that at every meeting because of the reserve bank system. So, I think it works.

MR. RUBENSTEIN: But you're supposed to have seven members of the Federal Reserve Board. For many years now, we haven't had seven. We only have five. Do we really need seven?

MR. POWELL: Well, we have seven seats and we'd love to get two more – two more people to fill the hall up. It has rarely been the case that we've had all seven. Governors have tended to serve, you know, and then leave. But right now, we're at five, which is a – which is a good number. Before we were at three for quite a while, and that was – that was a lot of – a lot of work.

MR. RUBENSTEIN: So, in terms of communicating what the Fed's position is, in the old, old days the Fed didn't really communicate; the market kind of figured it out. But now you're much more open. Is there anything you can do to be even more open than you already are?

MR. POWELL: So, the old theory really was that we were supposed to be mysterious. And about 25, 30 years ago a lot of work was done in the economics field to suggest that actually if you're really transparent and the market understands your reaction function, how you'll react to incoming data, then kind of markets and people in business will do the Fed's work for you, in a way. They'll – so it's generally thought that we should be as transparent as possible.

And so, you know, Chairman Greenspan did some. And I have a number of things I'm doing. So, I'm having press conferences after every FOMC meeting, not every other – not every other one. We publish new reports laying out our framework for financial stability. That's a new thing. We had never put that on the record for the public to comment on and criticize. Same thing in bank supervision. We're actually this year, for the first time in our history, doing something that other central banks – some other central banks have done, which is we're inviting public comment on the whole way we conduct monetary policy, our strategies, our tools and our communications. We're engaging, the reserve banks are engaging. And we're – all of us are engaging with the public. We're going to have conference around this in – this June. And also, just the whole effort to do more on Capitol Hill, and the effort to speak more plainly. I would put those on that list too.

MR. RUBENSTEIN: OK. So today is the Fed shut down because of the government shutdown? Or you have your own money?

MR. POWELL: No, the Fed is – the Fed is self-funding. So, we have – you know, I mentioned we have close to $4 trillion in assets which are government securities that earn interest. We also have liabilities offsetting those, some of which don't earn any interest, for example – to us – we have $1.7 trillion in currency that we don't pay interest on. So, we effectively earn a spread. And we give that money to Congress. And along the way, we pay for our own operations.

MR. RUBENSTEIN: Well, you pay for your own operations, you fund your own operations, why can't you increase your salary and the Congress could say it's your business?

MR. POWELL: Set in statute.

MR. RUBENSTEIN: Oh. So, what is your salary? [Laughter.]

MR. POWELL: I want to say it's in the range of $180,000, something like that.

MR. RUBENSTEIN: Something like that. OK. Do you think it's fair for that – the kind of work you're doing? [Laughter.]

MR. POWELL: I do. Very fair.

MR. RUBENSTEIN: Very fair. OK. So today – [laughter] – if people want to come see you. Let's suppose bankers want to see you, community bankers, what's the best way to get a meeting with you?

MR. POWELL: So, I'm very easy to find. You can – you can – people can find me quite easily by calling the Fed, and you'll get – you'll get put through to public affairs, or even to my office. And the thing I try to do, though, is I try to make sure that I meet with people across the entire spectrum of the American public. So, I meet with community groups and community bankers, and all different kinds of interest groups, as well as you would expect I meet with – you know, with larger banks, and – representatives of larger banks, and also market participants, and business people, and also, you know, academics, for that matter. So, I try to make sure that I'm meeting with – and that we, actually, reach out to groups across the whole spectrum of American life.

MR. RUBENSTEIN: By the way, as I introduced you before I said your name is Jerome Powell, but people call you Jay. Why don't you use the name Jerome? Why do you use Jay?

MR. POWELL: My dad was a Jerome. And it was decided – before I had a vote on it – it was decided that they didn't want two Jeromes or two Jerrys. And my mother would call my father Jerome when he was in trouble, so. [Laughter.] So, I'm Jay.

MR. RUBENSTEIN: So, if the Fed – OK. And you're never in trouble with that name, right?

MR. POWELL: Correct.

MR. RUBENSTEIN: So – [laughter] – so if the Fed – lots of time people in life say: I made a mistake. I'm sorry. How does the Fed ever say: I made a mistake? You know, I did something wrong? How do you actually kind of do that? You don't actually ever admit a mistake, if you ever make a mistake?

MR. POWELL: You know, we – monetary policy's forward looking. So, what we do is we try to change course. I mean, history is – you got to judge a decision by what you know at the time. So quite often events after a decision will decide whether it looks like a good decision or not. But realistically, you're making that decision in forward motion based on what you know at the time. And then you're focusing on the next decision, and you're focusing on, as I mentioned, we're very flexible in adapting our policy if the economy moves, as it often does, in ways that we don't expect. So that's how we really think about it.

I mean, I think we'll look back. And Ben Bernanke looked back in the pre-crisis era and pointed out that all bank regulators and supervisors, including the Fed, were a little too complacent about the – you know, about the robustness of our regulatory system. So that's confession of error.

MR. RUBENSTEIN: Now, under the Dodd-Frank[7] legislation you have a vice chair for regulatory, right? Randy Quarles. And how does that operate? He operates completely separately from what you're doing in some ways?

MR. POWELL: No, he has – well, his statutory responsibilities, as distinct from what he actually does every day – but his statutory responsibility is to recommend, you know, policies to the full board. But he actually has super – he has personally – he has oversight over the whole supervisory apparatus, which is many thousands of people out through the reserve banks, and also takes the lead in – he testifies by statute a couple of times a year on Capitol Hill and takes

[7] Dodd- Frank is the Dodd-Frank Wall Street Reform and Consumer Protection Act - financial reform legislation aimed at regulating swaps. It was passed in 2010 as a response to the financial crisis of 2008.

the lead in negotiating. Lots of the rules that we do for banks are multiagency rules. So, there's a negotiation between us, FDIC,[8] and OCC.[9] He does all of that. It's a very big job.

MR. RUBENSTEIN: OK. And so today when you testify and members ask you questions that you think are not so great, maybe like some of the ones I'm asking you, how do you politely tell them that the answer – question wasn't so good, but you'll give them a good answer.

MR. POWELL: I haven't been asked any question that wasn't good yet. But if I – if I did, you know, I think you try to engage with a sense of what people ask. You try to be as responsive as you –

MR. RUBENSTEIN: Some people in Congress have been pushing for a long time for the audit of the Federal Reserve. Do you have a view on whether that's a good idea or not?

MR. POWELL: You know, the thing is the Fed is audited. And, you know, we have a big-four accounting firm that audits us. Our business model is actually very, very simple. It's simpler than a – than a community bank. As I mentioned, we have assets that are government securities and we have liabilities that are, you know, things like currency. So, it's a pretty simple business model. And we are audited from a financial perspective.

What the term audit means in this context is a review of policy. And there's one area at the Fed that Congress has exempted from that audit, and that would be by the General Accountability Office, and that is monetary policy. Everything else at the Fed can be audited at any time. But what that really means is reviewing policy as to whether it was correct and whether it was well-handled. And I think, you know, if – central banks and governments around the world have decided to separate monetary policy from that sort of review by outside parties. And I think that's a wise decision, and one that we have made.

MR. RUBENSTEIN: Now, people would like to know what the FOMC is going to do before you publicly announce it. So how can you be sure that somebody isn't bugging the meeting room or hacking into your computer system? What kind of assurance can you give people that you are as tight as possible in terms of maintaining the secrecy of what you're doing before it's public?

MR. POWELL: You know, I'm sure many of you face similar cyber issues. So, you know, we know that we're a high-profile target for cyberattacks, and that sort of thing. And, you know, we put an awful lot of resources into defending against that kind of thing. And of course, we sweep the building all the time before the FOMC meeting for listening devices and that kind of thing. But it never feels like you're doing enough. You know, it always feels like – there's no such thing as perfection. But you know, we put a great deal of resources into that, and I think we have excellent people working on it and very committed people. And, you know, there's also a lot of other expertise around the government in some agencies, and we tap into that as well.

[8] Federal Deposit Insurance Corporation
[9] Office of the Comptroller of the Currency is an independent bureau within the U.S. Department of the Treasury

MR. RUBENSTEIN: So, you don't use certain codewords or something, you might tell us what they are or something? [Laughter.] There's no special codewords that keep things secret?

MR. POWELL: I'm not at liberty to – [laughter]. No, there are not. [Laughs.] There are not. You know, we rely on having secure communications and that kind of thing.

MR. RUBENSTEIN: So, when you were appointed to the – to the member of the Fed, you – typically a Fed appointment is a 14-year appointment. Is that –

MR. POWELL: Yes, although the terms are running in statute. So more likely you'll be dropped into a term that's already running. So, you know, your term doesn't start the day – so when I started my term had two years left. Then I was re-nominated and reconfirmed into a full 14-year term.

MR. RUBENSTEIN: OK. And the chairmanship is a four-year term.

MR. POWELL: That's right.

MR. RUBENSTEIN: That's correct.

MR. POWELL: Yeah.

MR. RUBENSTEIN: So, you can technically be on the board even if you're not chair, but that's never happened really.

MR. POWELL: It hasn't happened in the modern era. It did happen. It happened in the past that someone who was no longer the chair remained on the board.

MR. RUBENSTEIN: Now, the most famous quote that I'm aware of by a Fed chair was by William McChesney Martin, who was Fed chair under President Johnson among other things. And he used to say the job of the Fed is to do what?

MR. POWELL: Well, to take away the punchbowl just when the – before the party gets good or just when the party's getting good, yeah.

MR. RUBENSTEIN: So, do you guys try to take away the punchbowl, or that's not what you're trying to do? [Laughter.]

MR. POWELL: We have the punchbowl locked up right now. [Laughter.] No, seriously, it's – it was a – it was a – there was a time when inflation was not under control and inflation reacted very strongly to the level of slack in the economy. So, when the economy got tight, inflation would go up and it would stay up. That's not this era. We don't – we have very different and very favorable inflation dynamics, as I mentioned earlier, whereby inflation doesn't react as much to – you know, to changes in slack in the economy, by which we mean high unemployment or, you know, empty factories and that kind of thing.

MR. RUBENSTEIN: So, on the whole, to summarize and conclude, you're very happy with the job of being Fed chair, you enjoy serving the country in this way. And is there anything that you would rather change about the job that you currently have, or right now you're pretty happy with what you're doing?

MR. POWELL: I'm very happy with what I'm doing and with the great honor of doing this job.

MR. RUBENSTEIN: So, I want to thank you for coming today. I'm going to give you a gift. We have a first printing of the Federal Reserve Act, which is I think now 105 years old?

MR. POWELL: Yes, 1913.

MR. RUBENSTEIN: And I think I have it right here. And this is – costs less than $50 because you're not allowed to take any gift more than $50.

MR. POWELL: [Laughs.]

MR. RUBENSTEIN: So, this was ($)49.99, I think. [Laughter.] But here it is. [Applause.]

MR. POWELL: That's great.

MR. RUBENSTEIN: Thank you.

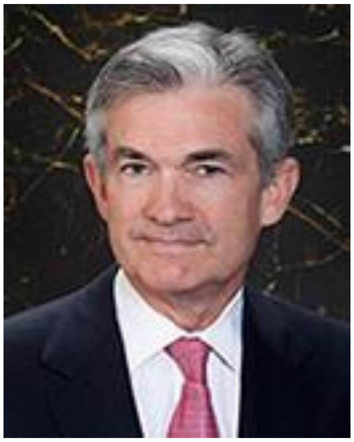
MR. POWELL: Thank you very much.

MR. RUBENSTEIN: Thank you.

MR. POWELL: That's great.

MR. RUBENSTEIN: Thank you. [Applause.] Thanks very much. [Applause.] All right, thank you, Jay. Thank you. [Applause.]

MR. POWELL: Thanks.



Jerome H. Powell
Chairman of the Board of Governors
Federal Reserve System

Jerome H. Powell took office as Chairman of the Board of Governors of the Federal Reserve System on February 5, 2018, for a four-year term. Mr. Powell also serves as Chairman of the Federal Open Market Committee, the System's principal monetary policymaking body. Mr. Powell has served as a member of the Board of Governors since taking office on May 25, 2012, to fill an unexpired term. He was reappointed to the Board and sworn in on June 16, 2014, for a term ending January 31, 2028.

Prior to his appointment to the Board, Mr. Powell was a visiting scholar at the Bipartisan Policy Center in Washington, D.C., where he focused on federal and state fiscal issues. From 1997 through 2005, Mr. Powell was a partner at The Carlyle Group.

Mr. Powell served as an Assistant Secretary and as Undersecretary of the Treasury under President George H.W. Bush, with responsibility for policy on financial institutions, the Treasury debt market, and related areas. Prior to joining the Administration, he worked as a lawyer and investment banker in New York City.

In addition to service on corporate boards, Mr. Powell has served on the boards of charitable and educational institutions, including the Bendheim Center for Finance at Princeton University and The Nature Conservancy of Washington, D.C., and Maryland.

Mr. Powell was born in February 1953 in Washington, D.C. He received an AB in politics from Princeton University in 1975 and earned a law degree from Georgetown University in 1979. While at Georgetown, he was editor-in-chief of the *Georgetown Law Journal*.

Mr. Powell is married with three children.