Federal Reserve Bank of Chicago

Academic Advisory Council Meeting Agenda

November 12, 2021
10:00 a.m. – 12:30 p.m. CDT

WEBEX:
Meeting number: 2760 022 5092
Password: HRzvrqP8f33
WebEx Link:
https://frbmeetings.webex.com/frbmeetings/j.php?MTID=m79b9deab7bd01df6c3f47efee5b66daf

Back-up phone information:
+1-415-527-5035 US Toll
Access code: 2760 022 5092

We're going to follow the same model as our past three meetings, with the discussion organized into blocks. We will first go around the participants in the block to give a few comments on the questions they selected (please keep these remarks to 5 minutes per speaker); please feel free when you speak to comment on a different block's topic, too, if you are interested. At the end of each block go-around, we will have some time for Q&A and discussion by the entire group. Only two of you expressed interest in the monetary policy questions, and one has to leave early. So we instead slotted time for a general monetary policy discussion at the end of the meeting.

Attire is "work-at-home" casual.

If you have any slides, please email them to Melissa (Melissa.calahan@chi.frb.org) by Thursday, November 11 at 9:00 am CT. Melissa will present all slides from her computer as we find it easier to one presenter to avoid delays.

The meeting follows Chatham House rules – particulars of the communications guidelines are at https://www.chicagofed.org/people/academic-advisory-council.

I've attached the usual set of slides on the economic and monetary policy-making environment. Also, here is a link to a recent economic outlook and policy speech that Charlie gave this week as well as a webcast he did with Markus Brunnermeier in late September.

What's Driving Growth and Inflation? - Federal Reserve Bank of Chicago (chicagofed.org)

Bendheim Center for Finance - Federal Reserve Bank of Chicago (chicagofed.org)

Thank you all, and we are looking forward to seeing you on Friday.

AGENDA

10:00 – 10:05. Welcome and logistics

10:05 – 10:35. Supply chains
Linda Tesar, Jan Hatzius, Catherine Mann, Matthew Shapiro

10:35 – 11:05. Inflation
Barry Eichengreen, Bob Gordon, Alan Auerbach, Randy Kroszner

11:05 – 11:15. Break

11:15 – 11:40. Labor markets
Karin Kimbrough, Katharine Abraham, Rob Shimer

11:40 – 12:10. Finance
Lisa Cook, Anil Kashyap, Monika Piazzesi, Marty Eichenbaum

12:10 – 12:30. Monetary Policy
Everyone

We'll leave the WebEx session open 12:30 – 1:00 for anyone interested

Members of the Panel

Katharine Abraham	University of Maryland
Alan Auerbach	University of California, Berkeley
Lisa Cook	Michigan State University
Marty Eichenbaum	Northwestern University
Barry Eichengreen	University of California, Berkeley
Robert Gordon	Northwestern University
Jan Hatzius	Goldman Sachs
Anil Kashyap	University of Chicago
Karin Kimbrough	Linkedin
Randy Kroszner	University of Chicago
Catherine Mann	Unaffiliated
Monika Piazzesi	Stanford University
Matthew Shapiro	University of Michigan
Rob Shimer	University of Chicago
Linda Tesar	University of Michigan

Federal Reserve Bank of Chicago

Charles Evans
Dan Aaronson
Stefania D'Amico
Jonas Fisher
Camilo Garcia-Jimeno
Spencer Krane
Leslie McGranahan
Ralf Meisenzahl
Leo Melosi
Anna Paulson
Francois Velde

Discussion Questions

Supply chains:

To what degree do you think the supply chain disruptions in the economy today reflect: 1) the sheer size of the surge in output associated with re-starting activity; 2) costs associated with re-allocating output from low to high demand sectors; 3) reduced supply due to covid-related disruptions (e.g. international suppliers off-line due to covid-related shutdowns; domestic labor staying on the sidelines for covid-related reasons); 4) something else?

What are the major stumbling blocks to resolving these supply-chain disruptions? How do you see them being worked out and how long will it take?

Do you think the disruptions will bring any longer-lasting changes in supply chains or logistic infrastructure?

Inflation:

How persistent do you think the recent high inflation readings will be? Are you seeing any changes in wage and price-setting behavior that influence your judgement on this?

How important do you think long-run inflation expectations are in determining the path for inflation? If so, what are your preferred measures of inflation expectations? If not, what is your long-run nominal anchor? What scenarios do you think would result in a major change in long-run inflation expectations or your alternative nominal anchor?

Labor markets:

How much of the shortfall in employment from pre-pandemic levels do you attribute to 1) continued covid-related shortfalls in demand (especially in the leisure and hospitality sector); 2) covid-related reductions in labor supply (e.g. due to health concerns, caregiving responsibilities); 3) a lack of mobility of labor between sectors; 4) retirements; 5) other?

Have we learned anything more since we last met about the long-run implications of the covid experience for the structure of labor markets?

Finance:

Are you concerned about asset valuations? If so, which asset classes or sectors are you most concerned about, and which market participants are in the most vulnerable positions in the event of a sharp drop in prices?

Do you think lending terms and standards have become too lax? If so, where are you most concerned about over-leverage? Do you see any important differences between conditions and activity in credit markets, banks, and non-bank lenders?

What items do you think should have the highest priority on the financial regulatory docket over the next few years?

Monetary policy:

Should the Federal Reserve view "inflation that averages 2 percent over time" as a strict operational target or as an intermediate instrument for aligning long-run inflation expectations at 2 percent? If the former, what window would you average over? If the latter, how would you communicate the role of average inflation in monetary policy decision-making? For reference, here is the relevant text from the FOMC's *Statement on Longer-Run Goals and Monetary Policy Strategy*.

> The Committee reaffirms its judgment that inflation at the rate of 2 percent, as measured by the annual change in the price index for personal consumption expenditures, is most consistent over the longer run with the Federal Reserve's statutory mandate. The Committee judges that longer-term inflation expectations that are well anchored at 2 percent foster price stability and moderate long-term interest rates and enhance the Committee's ability to promote maximum employment in the face of significant economic disturbances. In order to anchor longer-term inflation expectations at this level, the Committee seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.

Has your view of the long-run equilibrium federal funds rate changed from your thinking prior to the pandemic? Why or why not? What does this view imply for your views about monetary policy settings and communications today?

The median dot in September SEP had one 25 bps rate increase in 2022 and three more in each of 2023 and 2024. How does this rate path align with your perception of appropriate policy?