

Federal Reserve Bank of Chicago

Academic Advisory Council Meeting Agenda

October 20, 2023

10:00 a.m. – 2:00 p.m. CDT

We will follow a model similar to our recent 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 10 minutes per speaker); please feel free to comment on a different block's topic, too, if you are interested. At the end of each block's go-around, we will have some time for Q&A and discussion by the entire group.

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

AGENDA

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| 10:00 – 10:10 | Welcome and introductions |
| 10:10 – 10:30 | Finance and Monetary Policy
Jan Hatzius |
| 10:30 – 11:00 | International and Fiscal
Alan Auerbach, Linda Tesar |
| 11:00 – 11:10 | Break |
| 11:10 – 11:40 | Labor Markets
Katharine Abraham, Rob Shimer |
| 11:40 – 12:00 | Growth and Inflation Outlook
Robert Gordon |
| 12:00 – 2:00 | Lunch and Monetary Policy Discussion |

Members of the Panel

Katharine Abraham	University of Maryland
Alan Auerbach	University of California, Berkeley
Robert Gordon	Northwestern University
Jan Hatzius	Goldman Sachs
Rob Shimer	University of Chicago
Linda Tesar	University of Michigan

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Austan Goolsbee
Dan Aaronson
Gene Amromin
Bart Hobijn
Luoja Hu
Spencer Krane
Leslie McGranahan
Anna Paulson
Ellen Rissman
Francois Velde

Discussion Questions

Finance:

The 10-year treasury rate has moved up about 130 bps since mid-spring, with a particularly sharp increase over the past six weeks. A host of contributing factors have been posited, including stronger economic growth, larger fiscal deficits, higher expected long-run equilibrium interest rates, QT, and greater uncertainty over interest rates. What do you think have been the main drivers behind the rise in the 10-year rate?

Have you been surprised by the relatively modest contagion from the SVB/Signature/First Republic failures in March? Even so, do you think the episode still had a meaningful impact on credit conditions beyond what could be expected from the tightening in monetary policy?

What are the most important vulnerabilities in the financial system you see today? How would you address these concerns? What should we be monitoring?

International:

How serious is the growth slowdown in China and what fallout do you see on international trade and financial markets?

What do you expect to happen with regard to tariffs and other trade barriers over the next few years? Do you expect to see expansion of multi-lateral trade blocks and if so, amongst which countries?

How much has world production relocated relative to pre-pandemic--how big has re-shoring and supply chain diversification really been? Do you think this will have an effect on potential output at the global level?

Fiscal Policy:

What's your guess on the outcome of negotiations over the 2024 budget?

What is your view on the longer-run prospects for U.S. fiscal deficits. Have these changed much over the past year and if so, why?

What is the condition of state and local budgets? Have they mostly spent their federal Covid-relief funds and if so, how well positioned are they for a return to reliance on regular funding sources?

Labor:

The prime age labor force participation rate has surpassed pre-pandemic levels and immigration has rebounded. Have these or other development led you to reassess your views of longer-run trends in labor input or the natural rate of unemployment?

What is your take on recent strike activity in the U.S? Do you see spillover from collective bargaining agreements to outcomes in non-unionized sectors? Do you foresee any longer run changes in labor bargaining power?

Economic Activity:

Private sector forecasts have moved up a good deal since we met in April and the consensus view now seems to be that the U.S. will skirt a recession. Do you agree with this assessment? If your forecast has changed materially since we last met, what are the main factors behind the revision?

What's your assessment of the spending capacity of the household sector? How important are monetary policy developments versus other factors in this assessment?

What is your assessment of the trend rate of productivity growth relative to pre-pandemic? Has the past year made you more or less optimistic about this trend?

Inflation:

What do you think have been the most important factors behind the reduction in inflation since last spring? Do you think these factors have run their course? If so, do you see other forces taking over and bringing inflation down to target over the next year or two?

Do you think labor market tightness is currently generating significant inflationary pressures? What channels do you think are operative here, what data are you looking at to inform this view, and how do you see wage and price dynamics evolving?

Have you been surprised at how well anchored long-run inflation expectations have been over the past couple of years? How important do you think these expectations are in determining the actual inflation?

Monetary policy:

How much more of the effects on output and inflation of past monetary policy tightening do you think there is in the pipeline? Do you think the transmission process this rate cycle has been different than in the past? If so, how and why?

Does the recent run up in long term interest rates change your thinking about the appropriate setting for the fed funds rate? How does your answer depend on the source of the runup (see finance question above)?

Should the Fed reconsider the rate at which it shrinks its balance sheet given the recent rise in long-term interest rates? How should considerations about the size of the balance sheet be tied to or disconnected from decisions about the target fed funds rate?