FEDERAL RESERVE BANK of ST. LOUIS
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Unofficial Transcript:
Virtual Discussion with St. Louis Fed President James Bullard
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Nikki Lanier: Good morning, all. My name is Nikki Lanier, and I have the pleasure of serving as the senior vice president and regional executive of the Louisville Branch office of the Federal Reserve Bank of St. Louis. And I'm just so excited to welcome you to this convening this morning. This feels like a long time coming. We've had various fits and starts, trying to make sure that we have an opportunity for our wonderfully auspicious president to visit with the leaders in Seymour. And COVID notwithstanding, we were able to find an opportunity to do just that. So I'm very appreciative of all of you hanging in there with us and kind of pivoting to this format this morning.

Today's session is being recorded and will likely be posted on the St. Louis Fed website. I would just ask that, during the Q&A, if you have a question, if you wouldn't mind, please briefly introducing yourself when asking the question and then of course unmute yourself after the moderated discussion to do so.

So the timeline will be as follows for today's discussion. The first portion will be a moderated interview. It's going to be about 20 minutes, followed by 30 minutes of open dialogue. Our President Jim Bullard is super interested in your perspectives and your musings as it relates to your own understanding of and experience with the economy right now, so he'd love to hear that. During the open dialogue session, the attendees will be able to mute and unmute your microphones to ask questions after the commentary.

I do want to make a few acknowledgements. The first is our wonderful board chair, Emerson Goodwin. And then my illustrious boss, First Vice President of the Federal Reserve Bank of St. Louis Kathy Paese. We have various members of the Bank's External Engagement and Corporate Communications team and the Supervision team that's represented, our Research team, Guest Services team—lots of teams from the Federal Reserve kind of make this magic happen behind the scenes. Of course, our Louisville Branch office employees as well. So thank you to all of you for your amazing support in getting us to this point.

So it's my pleasure now to introduce Marvin Veatch. It's been fantastic to work with Marvin. He has been such a stalwart supporter of our work at the Branch office and certainly at the Bank level. He, as you all know, many of you on the call, he's the president and CEO of the Jackson County Bank. He's the ninth CEO in the bank's 121-year history. And he's bringing more than 29 years of banking and financial accounting experience to this role with the 19 years that he's been with the bank. Marvin previously served as senior VP, CFO and COO with the bank, so he's got a great storied history, very deep understanding of the institution that he now has leadership over. As importantly, Martin has served on the St. Louis Fed's Community Depository Institutions Advisory Council, and did so from 2018 to 2020. Marvin is a graduate of Anderson University and currently serves as treasurer of the Jackson County Industrial Development Corp. Marvin, I'm happy to turn the program over to you, sir.

Marvin Veatch: Great, thank you, Nikki. And good morning, everyone. I too would like to add my welcome and thank you for attending this morning's virtual meeting with St. Louis Fed President Jim Bullard. It's certainly an honor for Jackson County to host President Bullard this morning. We would've all liked to have had this meeting be onsite and an in-person event. However, as Nikki has mentioned, given the resurgence of COVID during the planning stages, we needed to pivot, like we're all accustomed to doing, and make this a virtual gathering.

I first had the privilege of meeting President Bullard while serving on the Community Depository Institutions Advisory Council, as Nikki mentioned, from 2018 to 2020. I can tell you that I certainly benefited far more from those council meetings than I contributed, but my main takeaway from those council meetings was President Bullard's keen interest in taking the pulse of the economy and issues facing the council members' represented geographic area. As has been mentioned, the format of this morning's discussion will be a moderated discussion between myself and President Bullard, leaving ample time for questions and open discussion because he truly does want to hear directly from each and every one of you.

Jim Bullard is the president and CEO at the Federal Reserve Bank of St. Louis. In that role, he is a participant on the Federal Reserve's Federal Open Market Committee, which meets regularly to set the direction of U.S. monetary policy. He also oversees the Federal Reserve's Eighth District, including activities in the St. Louis headquarters and its branches in Little Rock, Arkansas; Louisville, Kentucky; and Memphis, Tennessee.

A noted economist and policymaker, Bullard makes Fed transparency and dialogue a priority on the international and national stage as well as on Main Street. He serves on the board of directors of Concordance Academy of Leadership, and he is a past board chair of the United Way U.S.A. Bullard is co-editor of the Journal of Economic Dynamics and Control, a member of the editorial advisory board of the National Institute Economic Review, and a member of the Central Bank Research Association's senior council. He's an honorary professor of economics at Washington University in St. Louis, where he also sits on the advisory council of the economics department and the advisory board of the Center for Dynamic Economics. A native of Lake Forest, Minnesota, President Bullard is also a Hoosier, receiving his doctorate in economics from Indiana University in Bloomington. Welcome, Jim.

Jim Bullard: Yeah, it's great to be here. Thanks for the introduction.

Veatch: All right. If you're all right, let's just jump right in. As a bit of a backdrop for our discussion this morning, I think it's important that keeping our economy healthy is one of the most important jobs of the Federal Reserve. Since 1977, the Federal Reserve System has been given a dual mandate by Congress, pursuing economic goals of maximizing employment and price stability. It does this by using a variety of policy tools to manage financial conditions that encourage progress towards its dual mandate. In other words, conducting monetary policy.

Fed Chairman Jerome Powell said he expects inflation to persist well into next year. My question is, is the current high inflation function in excess of fiscal monetary stimulus added over the past two years? Or if not, what do you attribute to those inflationary pressures? And secondarily, do you share the view that the current inflation is temporary or transitory? And if so, what current conditions must change to bring that down?

Bullard: Yeah. It's great to be here today, and it's great to see everybody. And I'll just put my emphasis on the idea that it would be nicer if we could be in person. I always like moving around the District and meeting people firsthand. I think soon we'll be able to get back to that, but we're not quite there yet, so we had to do this via virtual interaction. But I think we can have a great meeting today, and I'm looking forward to everyone's input because I really do like to hear how the anecdotes from around your area are matching up with all the data that we see and analyze all the time, which I would just emphasize is a little bit dated. The data is always a couple months behind or even a couple quarters behind, so the value for me is to really hear about what's going on right now and how you're seeing the next couple of months or couple of quarters in the economy.

On inflation, I think just a few numbers. The Committee likes to emphasize what we call the core PCE inflation rate, which is the personal consumption expenditures inflation less food and energy. So you're going to throw out the energy component in particular. And you can measure this from one year ago. So that particular number—and there are other ways to measure inflation, but that one's the favorite of the Committee. That number is 3.6% right now, and it's expected to tick up further, maybe over 4% by the end of this year.

Now if you look back historically, so this is a smoothed measure, and one that throws out some stuff, which may not be that wise because those are prices people actually have to pay. But you're already doing a lot of smoothing and a lot of trimming when you look at this number, 3.6%. But that's the highest this has been in 30 years, so since the early 1990s. And I would consider that era, from let's say 1979-1980 to 1995, to be part of the Volcker era where we were trying to bring inflation down and keep inflation under control. We didn't really succeed in that until 1995. So you have to go all the way back to that era to see inflation at the levels that they're at today. And I think this is a major challenge, both within the Fed, for the people that analyze inflation within the Fed, for financial markets. I just don't think people are used to the idea that we're going to have this much inflation and we're probably going to have to take action to combat this inflation and keep it under control.

Another thing I would emphasize here is that it's the central bank's responsibility to keep inflation low and stable, and to hit the inflation target of 2%. And when it's not happening, it's because of the central bank. It isn't because of anything else. And some of the discussion today is veering off in other directions and putting blame for inflation on all kinds of other factors, but no. It's up to the central bank to keep inflation near the inflation target, and to take actions that make sure that you achieve your inflation objective. So we made a lot of progress I think, starting in 2012 when we actually named an inflation target, and it was 2%. That's an international standard. Similar to the European Central Bank and other central banks around the world. And for a long time, we missed it to the low side. I was actually on the dovish side of the Committee during that era saying we should do more to try to hit our inflation target and maintain credibility. But now, just in the last nine months or so, we've gone to the high side and we're at risk now of allowing inflation to drift even higher during 2022. I'm not saying that's my baseline case, but that could happen. We're vulnerable to further shocks or further surprises on inflation. And if that happens, I think we'll have to take more action in order to keep inflation under control.

So this is why I've been advocating that we tack in a hawkish direction in the meetings ahead. We've got a very easy monetary policy. We're buying lots of bonds and mortgage-backed securities. And we've got the policy rate near zero. So this is really an all-out response to the pandemic. I think that was appropriate in March and April of 2020, but since then, the economy has boomed since really the third quarter of 2020 and all the way up to the present time. It has totally surprised to the upside, to the point where real GDP or national income is actually above the pre-pandemic level. So in that sense, the economy's completely recovered from the pandemic, and the pandemic isn't even over yet, as this meeting has illustrated and we can't meet in person yet. So I think that's a tribute to the ingenuity of American businesses that they've been able to take on this new challenge, think about how to provide their goods and services even though they're in a different environment than they would have anticipated, more automation, different types of products. Some businesses have been hit too hard and they haven't been able to survive, but many have been able to do very well during this period.

So I just wanted to give those as some baseline comments on where I think we are with inflation, but I'll quit rambling on so that you can ask more questions.

Veatch: No, you're fine. That kind of leads me into my next question here. We talked about kind of the elevated level of inflation, but we've all heard the supply chain issues that many are facing and most are considering that to be very, very frustrating. What direct impact do you believe that the supply chain issues are having on the economy and the inflation increase that you just spoke about?

Bullard: Yeah. Those are getting a lot of attention and they're very tangible and very real. One thing about the pandemic is that it has upset global supply chains, and the pandemic is affecting different parts of the world at different rates. And so one day one part of the world might be more affected, and another day another part of the world might be more affected. And that's showing up in disruptions in supply chains that were not anticipated. And of course, if you have restrictions to supply, you're going to see higher prices.

I would caution people though that that can't be the entire story here. If you take your supply and demand diagram from econ 101 and you shift the supply curve to the left, yes, the price level will go up and the quantity will go down, but that isn't totally what's happened here because, as I just said, real GDP is actually higher than it was before the pandemic. So I think the demand curve has also shifted to the right, so at least half the inflation is due to demand factors, even though some of it's due to supply factors.

So this is sounding a lot like the 1970s where you did have supply shocks. You had a lot of people arguing that it wasn't up to the central bank to control inflation, but it is up to the central bank to control inflation.

Veatch: Speaking of the supply chain issues, do you have any idea on what needs to be done direct by that, or when those supply chains will be reopened in any measure?

Bullard: Most businesses seem to think that this is going to persist through 2022 and even into 2023. The pandemic itself is going to have this long tail I think, despite the arrival of vaccines. I guess what we've learned is that those don't penetrate across the entire population and certainly not across the entire world population. Different countries have different strategies about how to handle the pandemic, and have maybe been slower to vaccinate and the disease itself can morph and has to some extent. So I think for those reasons, you probably shouldn't expect a sudden resolution of supply chain issues. But I also think that companies do adapt, and over these kinds of time scales. They can't adapt over 90 days maybe, but over a year or 18 months, then they can start to think about, well, I'm going to find some way around this log jam and find some other way to get the inputs that I need to produce my product. So I think a lot of that is happening. And I think also business school 101 is coming back into play here, which I always thought was diversify your supply chain so you don't get into these problems and don't lock into a particular supply arrangement, because you can really get burned if it gets disrupted.

Veatch: Finding workers continues to be an issue, not only here in Jackson County, but across the state and the entire U.S. Jackson County's unemployment rate at the end of September was 2.9%. That compares to Indiana's rate of 3.5% and the U.S. rate of 4.6%. According to the Bureau of Labor Statistics, in the two months ending October 2021, the U.S. labor participation rate ranged between a low of 61.4% and a high of 61.7%. Can you provide any thoughts or insight as to why you believe this participation rate remains depressed?

Bullard: Yeah. So I'll tell you my story about it, but I'd like to hear input from all of you as well. I think this is one of the hottest labor markets we've seen in the post-World War II era. And I would cite three measures on this. One is the unemployment rate itself, 4.6% right now. But the key thing about that is it's been declining at about two-tenths per month since vaccines came on the scene last December. And if it continues to decline at two-tenths per month, we'll be below 4% unemployment in the U.S. in the first quarter of 2022. So for those of you that track these kinds of numbers, anything below 4% is a fantastic labor market in the U.S., and even 4.6% would have been considered well below full employment at one point by the Open Market Committee. So it's low and it's coming lower, so that's one argument.

Another argument is that the number of job openings compared to the number of unemployed workers is—if you take the unemployment-to-vacancies ratio, that's at an all-time low, even lower than it was in 2018-2019 before the pandemic, lower than it was in 2006-2007 before the financial crisis, and lower than it was even in the late 1990s, which was one of the very best job markets that we've ever seen. So I think there's just no question that the number of people seeking work is much, much less than the number of job openings that businesses are posting. And so it's very clear that there's a scramble for labor, and I'd like to hear more about this here. Even to the point where you see some businesses unable to reopen from the pandemic because they just can't find any workers, or they have to open for just limited hours, maybe four hours is all they can do to stay open. So you really have a scramble here. You're seeing this in wages. You're seeing this in banners on businesses as you're driving down the highway, "We're hiring. Signing bonus. You can start tomorrow. You can start today. You can start before lunch." So it's just a very hot labor market on that dimension.

And then the other thing I would cite here is that we've wanted to have a broad and inclusive measure of labor market performance so that we're not overly focused on just one number. And you can do that. There are lots of labor market indicators, anywhere from 15 to 25, depending on how you want to count it. And so what you can do is put all those indicators together in an index, call that the labor market conditions index. And the Kansas City Fed has done this; they have a labor market conditions index. And that's a way of getting at this issue of broad and diverse measures of labor market performance. So that index is back at the pre-pandemic level, and has been shooting up rapidly in recent months. So I think there again, all indications are that this is a very strong labor market.

Now on the labor force participation, I think there's been overemphasis on this issue. It's very clear that as the pandemic came on, it changed behavior in certain ways, in two key ways. One is the amount of retirements that occurred. Now, we think that might be as high as three million early retirements. You can measure it in different ways. You might get somewhat different numbers, but it's several million. And I think it makes perfect sense that when the pandemic came along, people that were near retirement decided to go ahead and retire because their nest eggs looked pretty good, equities are near or at an all-time high, house prices have gone up dramatically, so if they owned a house, then they were in good shape on that dimension. And the COVID is more risky for elderly people; 80% of the deaths have occurred in people over 65. So all those factors would push a person that's on the margin toward the retirement decision. So I think that was made. And I wouldn't begrudge any of them. I hope they have a good retirement. But I wouldn't expect them to come back into the labor force in this situation. The pandemic isn't even over.

And the other factor that has driven labor force participation down is child care. There again you've got a situation where households looked at the pandemic. They looked at schools not being in person, and if they're on the margin they decided that, "Hey, maybe this is a good time for one of the adults in the house to stay home." And child care couldn't be more personal interaction and a lot of high physical contact, which isn't good in this era. So there again, you've got probably more than a million dropping out of the labor force because of that. Those factors will dissipate as we go forward over the next five to ten years and you'll get back to something more normal, but I wouldn't expect them to dissipate in the near term here while we've got our inflation pressure in the economy. So I wouldn't wait for that. And I wouldn't begrudge any of these people for making these decisions. These sound like sensible decisions given the fact that you're in the middle of a pandemic.

So I think labor force participation is going to be depressed for a while. But I think nevertheless, it's a very hot labor market with increases in labor compensation.

Veatch: You talked about housing and that's a great segue into kind of our next topic here. Housing continues to be an issue facing not only our region, state and country. In Indiana, on a 12-month rolling average, the housing inventory is down 42% while average prices have increased 13%. In Jackson County, there are currently 59 homes on the market. And over the last year, there's an approximate 1.3 month inventory supply. So as you know, that's a very, very low inventory supply number there.

So with that, do you believe that there's any kind of a housing bubble that's being created with the increasing and escalating prices?

Bullard: Yeah. I've been concerned about this. I do think that the Fed got into a lot of trouble in the mid-2000s by neglecting a housing bubble, and not moving rapidly enough to try to contain it. I think housing prices getting out of control turned out to be much more important than, let's say, an individual stock or even the dot-com bubble because it's a leveraged purchase by most households, and the decline in house prices during the earlier crisis from 2007 to 2009 caused tremendous pain and rippled throughout the economy and throughout the global economy. So I do worry about the idea that we might be feeding into an incipient housing bubble, especially with our purchase of mortgage-backed securities, which is still going on right now. This was something that we did put in place in March and April of 2020. At least my thinking at the time was that we were going into this pandemic. You didn't know what was going to happen. It could have been a Great Depression scenario, and probably the housing market would be hard hit. But instead what happened was that the housing market boomed during the pandemic as people reassessed where they could live and where they wanted to live. And combine that with input supply problems, which we've already talked about for being able to build houses or add to the stock.

So I am concerned about this. I think that's a good reason to end asset purchases even somewhat sooner than what the Committee has already decided to do. We have a tapering program that's supposed to end in June. I'd want to think carefully about speeding that up. I don't think there's any reason to be doing these asset purchases at this point. It's not really helping us and it might be feeding into a bubble situation, which we may regret later.

Veatch: Going back to some of the workforce related issues, we're also finding kind of lack of workers with experience in the trades to even build the houses that are needed. Our local Seymour High School has what's called Al Manufacturing Program, which focuses on training high schools in the manufacturing sector, and this was an opportunity that I had to share with Nikki and she toured this with me a couple years ago. But since that time, the high school's also restarted building a trades program and is also developing an agriculture related curriculum knowing that college may not be for all kids.

So what are you finding or seeing along these lines? Do you see any kind of a transition in that whole education aspect?

Bullard: I mean, I applaud that kind of program, and I've toured some myself around the District in other municipalities and counties. I think it's a great idea. I do think it's right that you have to think at a somewhat earlier age about what's going to be likely for where different people want to go with their work life, and picking up skills, and being able to do important work, I would say, but maybe not things that require the college degree is appealing to a certain segment, and I think that's great. And they can do pretty well in those kinds of fields. So I think it's a great idea. Sometimes I'd point to the German model. Germany is a country that made labor market reforms. For a long time they had an unemployment around 10%, and they had youth unemployment extremely high. Much higher than 10%. And then they went to this labor market reform, and part of it was a lot of apprenticeship programs at what we would call the high school level, and that was very successful. It cut the youth unemployment rate in half and reduced the overall unemployment rate probably in half. And so I have always thought that Germany had the right model here about how to ease that transition for people, let's say between 15 and 20 years old, that when they're thinking about their future give them some options and some training so they can do some things other than, if they want, other than necessarily going and getting the college degree.

Veatch: Great. Approximately two weeks ago, President Biden nominated Saule Omarova, a Cornell University law professor, to serve as the next comptroller of the currency. An outspoken critic of the banking system, she's forwarded an idea of restructuring the Federal Reserve and downsizing the influence of and roles of banks. She's argued that by shifting deposit accounts from banks to the Fed, it would make the financial system less complex, more stable and more efficient in serving the long-term needs of the American people. Many have weighed in to say this position is bad for the country's financial position. I'm interested in your thoughts and insights on this idea that's been put forward, and whether or not you believe it has any merit.

Bullard: Yeah. Well, I wouldn't comment on any pending nominees, and I don't know the details around this proposal, but I can talk in general terms about some of the ways I see financial intermediation evolving in the country.

I would say a couple things. One to keep in mind is that a lot of the intermediation actually does not go through banks. So Congress generally is overly enamored, I would say, with the banking sector, and they don't pay enough attention to the non-bank financial sector. You've got 80% of what's going on is this non-bank financial, and you've got a whole host of people in Silicon Valley and elsewhere around the country that are thinking of ways to provide financial services without calling themselves banks. This is regulatory arbitrage 101, and that's mainly what's going on in this country. So to come in and do something—lay on more regulations around the banks or something, that probably isn't going to be what's going to stabilize the financial sector, and it's not going to be what prevents the next financial crisis. The next financial crisis is almost certainly going to come from the unregulated part of financial intermediation services.

I would say another thing in this kind of idea of Fed accounts is Japan had a postal kind of banking system. So you could—for years I think in the post-war era, and maybe up until today, you could have an account in the Japanese postal system. As far as I know, I've never seen anything that that really made very much difference one way or the other. People could do it if they wanted to, but they could deposit elsewhere if they wanted to. I mean, I just don't see it as a silver bullet for anything. And I think one thing I'd like to see is an argument that that kind of system made some big difference in how the economy operated. I don't think that it did.

Also you've got credit unions, which are a favorite subject of bankers. So if the concern is that people are putting their deposits in profit-making entities, and these entities are turning around and allocating capital according to marketing signals, well, you've also got a not-for-profit sector, the credit union sector, which has almost as many institutions and lots of assets. So I would say that households have an option if that's the concern. I've often wondered why we don't put those two parts of the deposit taking institution sector on a level playing field, but that isn't something Congress has wanted to do.

I was going to say about central bank digital currency. So this is getting wrapped up in the central bank digital currency debate, and that is a debate about whether a virtual coin should be issued by the Fed. And that's a little bit different from just the idea of having deposit accounts at the Fed. I don't think that the ideas around central bank digital currency are addressing the phenomenon of privately issued currency effectively. I'm sure people are interested in this, so let me just talk about it for a little bit.

The privately issued currency, which is what a cryptocurrency is, that was for a long time not legal in the U.S., but in the last part of the last century it became okay to do that. So now you've got virtual currency circulating around. I think you might wonder if they're perfect substitutes for dollars, then why are the virtual currencies being used? But most of that is also regulatory arbitrage of various kinds. They're trying to use the cryptocurrency for transactions that would be hard to make if you just did them through banks and through the normal payment system. I don't think cryptocurrencies have any advantages as far as speed or anything like that. You can trade dollars around the world instantly. So it has to do with regulatory arbitrage and getting outside of the regulations inside the banking system and inside the payment system.

So the idea of a central bank digital currency would be that it's going to compete with the cryptocurrency, but it's not because it's not going to be regulatory arbitrage if we issue it, because we're going to put all the rules around it that would be around the normal payment system. So I think people are a little confused on this issue, and I think cryptocurrency has to face up to the types of transactions that are being made on this system. I think there's probably more regulation coming on cryptocurrency as we go forward. Cryptocurrency has another problem which is free entry. So free entry means anybody can issue one of these, and that is certainly happening. You're seeing thousands actually have been issued, and more every day, and it's inexplicable how they trade against one another. So a lot going on in this space, but I just wanted to get to some of those issues.

Veatch: I appreciate your insight on that. And I think speaking for most, if not all bankers across the country, we certainly would welcome the idea of a level playing field with our credit union friends there. So appreciate that.

Recently this past Monday, President Biden signed into law a one trillion dollar infrastructure bill. Any insight on what you believe the current and/or future impact this bill might have on some of the things we've already talked about, inflation, employment, supply chain issues and the like?

Bullard: Yeah. This was a hard infrastructure bill, and I am one that thinks Congress should be probably every year—they don't behave like this, but every year you should have an infrastructure bill that's kind of the same way you'd have an ag bill or something. And then you should wrestle with the public infrastructure in the economy, and you should be thinking about—all the time I think—where do we need to update? Where do we need to build out for the future? And those decisions, as we all know, are fraught. It's hard to make those decisions. Some parts of the country benefit and other parts of the country get less benefit. But nevertheless, it's up to the Congress, in my view, to take care of the physical capital stock. If you let it depreciate too much, that hurts the whole economy. If you build it up, it can be good, but you also have this problem of wasteful spending. You can build highways and bridges that don't need it, and that comes out of the political process and the jockeying around this kind of bill. I don't know how much of that is going on here, but one thing that would be helpful is to track very carefully how this actually gets spent and look at what actually happens with the dollars as they go out the door.

But we did get bipartisan support for this in the Senate and some in the House, and I think that reflects the idea that a lot of things probably do need to be done nationally on infrastructure. Whether this would influence the longer-run growth rate of the economy, I would say, well, yes, compared to doing nothing. If you're going to let your public infrastructure crumble, that's going to hurt the economy. But it should be viewed more as this is the normal makeup for the depreciation of physical capital stock, and you should be doing a little bit of this all the time so that you don't get too far behind and your infrastructure totally crumbles. I think bridges that need repair is one of the examples that's often given, and this bill only does actually a little bit of the total amount of bridge repair that we probably should be doing. So I'd advocate that you had a bill like this sort of every year, and you had a list of projects, and you're thinking, "Okay, well, we'll do some of these this year, and we'll do some of these next year, and some of these the year after that." But the politics of it really gets very difficult.

Veatch: We've covered a lot of ground this morning, and I've got really one last question before I turn it back over to Nikki and we open it up for questions and discussion from our guests. As you may recall, as I reported at our CDIAC meetings, I believe our county and our region has a lot of great things going for it. From an economic development perspective, according to Jim Plump, our executive director of Jackson County Industrial Development Corporation, our 2021 promised investment, and this was through September, is about 105.5 million dollars. That's the fifth highest total in history and just the second time since 2014 that more than 100 million was invested. We're also confident at this point that another 92 million will hit the books for 2022. And as you know, we've not even yet closed the books for 2021. Additionally, recent U.S. Census Bureau data reported that Jackson County ranks as the fastest growing Indiana rural county and the seventh fastest overall in Indiana. Jackson County also ranks seventh out of 92 counties with a growth rate of 9.6% over the past decade. Further, the city of Seymour registered a 23.2% population increase. And we also have some other great assets in our community. Our local hospital and health care system is a tremendous asset and has received numerous regional, state and even national awards for their quality of care.

While I think it would be certainly unfair for us to compare ourselves to other metro areas like a St. Louis, a Louisville or a Memphis, given this limited overview of our county and there are approximately 44,000 population with nearly half of those living in Seymour, can you give a sense of how you would say that we kind of stack up to those other communities you've visited in the Eighth District?

Bullard: Yeah. I think those statistics speak to the quality of life I think in the Midwest. You know, I always say the Midwest is America's best kept secret. I actually think it's one of the wealthiest regions in the country if you are willing to account for cost of living. And I've tried to emphasize in some of my talks, cost of living. And I think because the costs are so high in some of the glam cities, it really makes it kind of a miserable lifestyle to be living in a place where even with a pretty good job or two jobs, the household really has a struggle to live a good lifestyle. So I think that the pandemic may be a turning point where people do a better job of recognizing that they could live in various parts of the country, they could have a higher quality of life. You don't have to pile into the big city in order to have a good lifestyle. So we'll see the extent to which that happens, but I would think that that's going to be potentially a major trend over the next ten years. And you're certainly seeing a lot of that where firms are thinking about whether they could hire workers at somewhat higher wages, but not as high as they would have to pay in the big city. And certainly tech companies and others are talking about that and moving in that direction. So I think this is really a major technological trend that will influence the economy for some time to come.

The unemployment rate for the District, which we measure by taking the MSAs in the District and looking at their unemployment rates and weighting that, it's 4%. So in this part of the country, you're talking about unemployment heading into the 3% range very soon. Probably with the next jobs report. And if you look at where unemployment is still high, it's California, New York and some of the east coast, and maybe a few other places. But I think that the pandemic has influenced especially very large cities differently because of the public transportation issue and the difficulties of commuting and people kind of reassessing whether they really want to or need to be commuting as much as they are. In a smaller place you don't really have that issue. It goes away and you get sort of better housing per dollar. So I think this is really a place where we're going to be reassessing as we go forward and come out of the pandemic here.

Veatch: All right. Great. Well Jim, thank you so much for taking time out of your schedule this morning. It's been certainly a pleasure. And I'm hopeful that when we get this pandemic in our rearview mirror that you will join us in person here in Seymour in Jackson County. At this point, I'll turn the meeting back over to Nikki. Nikki?

Lanier: Marvin, thank you. Thank you so much. That was masterfully moderated. I very much appreciate that. Jim, thank you for your remarks and your perspectives. I'd love to open up the floor. I think we are an intimate enough of a group to maybe manage this organically over the next 15 minutes or so. So if you have a question, a comment or a reaction, if you would not mind unmuting and of course introduce yourself briefly, and then if you could share your thought or your question with Jim. Please do so now whoever would like to go first.

Question from the audience: We're in some of the major supply chains in the automotive industry, and one of the challenges that we're having is convincing our end customers that these increases are real and how long they're going to last. And I thank you very much for the graphs you have on the St. Louis Fed website. I've been using them a lot in these types of presentations.

I was looking if you could give us some insight into what are some of the best ways to look at the future predictors so we can help them understand that. And if you were in my position, are there some specific graphs or data you would use to help convince them of this problem? They all recognize it, but they don't really want to recognize it when it comes to increasing costs for us as a producer.

Bullard: Well, yeah. I guess you'll have to be forceful with them. But I'm not probably a great negotiator, so I'm not sure that I can offer too much insight on this. I do think though that anecdotally we're certainly getting the idea that certain types of supply chain problems are going to persist for a long time. I would just give a big macro picture out of this, which is that I think that Asia early in the pandemic seemed to be addressing the pandemic better than North America and better than Europe. And of course a lot of these supply chain issues are tied toward factories and manufacturers in Asia.

However, I think that as the pandemic went on, it became clearer that actually North America and Europe probably had the better strategy. More oriented toward vaccines, more oriented toward quick vaccination. And then you had the delta variant come along, which made kind of the COVID zero strategy not be that effective anymore. And so in a sense, the Asian economies were sitting ducks when delta came along; they weren't highly vaccinated and you had this very virulent type of COVID that was spreading very rapidly. So I think that's one reason why I think that these supply chain problems are not clearing up as readily as you would think. Now, the world's a big place. You've got billions and billions of people. You shouldn't expect everyone to get vaccinated, and it's certainly not going to happen that way. So how this is going to play out, I don't know. But I think that's one sort of high-level argument that you can make, that this is going to persist for quite a while.

Also, these supply chains are too specialized, I would say. That's kind of the lesson. I mentioned this earlier. The drive toward cost cutting over the last 25 years, just fierce, I would say, and you just go to the very lowest cost producer, and you've got the one factory somewhere that's producing something, and you're going to put all of your marbles in that basket, and this shows that that isn't a good strategy. It's not resilient enough when something unexpected happens. And you should have more diversity in your supply chain. Like I say, some of that's happening, but it's not that easy to just build a plant. "Oh, all of a sudden I'm going to build two new plants in different parts of the world so that I'm more diversified." That's not that easy to do. But it will happen, but it's going to take quite a while. So I know that's not a great answer for your situation, but those are some of my thoughts.

Question from the audience: If I understand correctly, you talked about unemployment is moving down, 4% in the next report. When you break that down race and gender, what does that look like?

Bullard: The gender will look similar, but the race, as we all know, I think will be, have a gap. Black unemployment tends to be higher. I would very much like to see that gap come down to zero. What I would suggest on that is that that should be an assignment given to the labor secretary where the Labor Department is responsible for getting these gaps down to zero. I think it could be done with some management attention, frankly, on it. And it seems to me like that would be a great focus. We could get a lot better outcomes for Black America, but also good outcomes for the whole economy if we could get these unemployment rates to sort of match up across racial and ethnic groups.

Question from the audience: I'm blessed to have nine grandchildren and always concerned about the level of our national debt. Can you discuss the influence of the national debt, both recorded and off balance sheet on the behind the curtains discussions about monetary policy?

Bullard: Yeah. I think it's clear that the pandemic led to a lot of deficit spending. On that, I would say that the kind of spending done in March, April 2020—if there was ever a time when you were going to take on a lot of debt to try to get through a crisis, it seems like that was the time to do it. By itself, that probably put 10 percentage points on the debt-to-GDP ratio. I will say Congress has been mildly more disciplined, I guess, than I was expecting in later legislation. They've insisted on trying to pay for some of the things that they want to spend money on. I think that's good. There are always gimmicks and tricks around that, which I think is not good and I wish we could get that out of our political process. But can the country carry a 100% or 110% debt-to-GDP ratio? I think that we can at low interest rates, and certainly we've had low interest rates for quite a while.

I think the way to maintain low interest rates is to maintain discipline on inflation and make sure that you're keeping inflation low and stable so that you don't get the high nominal interest rates that are associated with the high inflation. So when we had problems in the 1970s, that's what happened is that you had high inflation and high nominal interest rates, and it made the debt service component of the federal debt skyrocket and create a lot of problems. So hopefully we don't get into that situation. But to avoid that situation, the Fed has to remain vigilant on inflation, and keep inflation low and stable.

Lanier: Probably have time for one more question.

Question from the audience: You worked with Janet Yellen for a number of years as Fed Chair and colleague, and now she's Treasury Secretary. Do you find significant differences in her positions as Fed Chair and where she is now as Secretary of the Treasury? And that may be too political for you to answer, but I'll leave that for you to decide.

Bullard: I always really enjoyed working with Janet. We don't always agree on everything, but I've always found her to be a very good economist. She has a lot of middle-of-the-road, I would say, ideas about how to handle certain issues. I think it's put a lot of pressure on her I think to ask her to step in after being Fed Chair as Treasury Secretary, but she was willing to do it, so I think we should salute her for her service to the country. I think she's influential inside the Biden administration. She's a person that has the ear, I'd say, on both sides of the Democratic party, and that makes her a pivotal person for how the nation will approach key issues. So I've always enjoyed working with her.

Question from the audience: Thank you. That sounds very politically correct, and I accept that at face value. Maybe a follow up. Your position on the idea of the IRS having access to the extent that's being proposed to everyday consumer and business checking account information.

Bullard: Yeah. I've been concerned about this issue, and it's a little unclear exactly what the proposal is. I have talked to members of the Congress from the Eighth District. They do seem to be concerned about it. I don't think you'd want to be tracking every transaction of every account. And it seems like an administrative burden and probably unnecessary for what's going to be accomplished. I'm not even sure you could handle that much data with our current system. So I think we probably need something. The spirit of it I think is to get better enforcement for the IRS, but there must be better ways to do it than to try to keep track of all these transactions over millions and millions of people.

Lanier: Well thank you so much, Jim. And we are right at 9:30. That's absolutely incredible. We finished right on time. I just want to express my appreciation again on behalf of the Branch and our Bank, St. Louis Federal Reserve, for your very gracious, attentive, focused engagement today. Starting out your morning with us is quite a treat, and we very much appreciate that. Thank you, Jim. Thank you, Marvin. Thank you everyone on the Federal Reserve team who made today possible. And we definitely look forward to an opportunity to get Jim physically in Seymour. I have been, and thoroughly enjoyed my time there, and I'm sure he will too. You all have a great rest of your morning, and we will talk soon again I'm sure.