Opening Remarks

Wharton Initiative on Financial Policy & Regulation
The Wharton School of the University of Pennsylvania
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President and Chief Executive Officer
Federal Reserve Bank of Philadelphia

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Hello, everyone. Thanks so much for having me. It's great to be here with all of you, and I'm eager to get to our conversation.

But with the Federal Reserve in the news a lot lately, I wanted to take a few minutes at the top to frame our discussion. What can I say, it's the former professor in me.

Let me start with the standard disclaimer: The views I express today are my own, and they don't necessarily reflect those of anyone else in the Federal Reserve System or on the Federal Open Market Committee.

First, let me address the topic you've probably heard about the most recently: the failures of Silicon Valley Bank and Signature Bank. One of the Fed's most important jobs is supervising and regulating banks. So let me put your minds at ease: The U.S. banking system is sound and resilient.

But we're not taking anything for granted. We know that problems in a few banks, if left unattended, can undermine confidence in healthy banks. That's why the Federal Reserve is leading a thorough, transparent, and swift review of the events involving SVB so that we can learn from this experience.

With that being said, let's talk a little about the Fed and its other important job: monetary policy. As many of you know, the Federal Reserve System consists of a Board of Governors, based in Washington, D.C., and 12 regional banks around the country.

Each regional bank has its own president and board of directors — a group of business, banking, and community leaders who give us insight into the sectors and issues that make each region tick.

My District — the Third District — covers eastern Pennsylvania, South Jersey, and all of Delaware. It's the smallest District geographically, but I like to think we punch above our weight.

The decentralized nature of the Fed is, in my mind, our greatest strength.

We're tasked with making national policy in service of our dual mandate — full employment and price stability. But we serve an enormous country made up of vastly different economic realities. If we looked at data only from a 30,000-foot view, we'd miss a whole lot about what's happening on the ground.

So, what have we been learning about the state of the economy from all of our inputs?

On the employment side of the dual mandate, we see that job gains are strong, and the unemployment rate remains low — 3.5 percent nationally last month. We are, effectively, at full employment.

But on the inflation side, we see a lot of room for improvement. Headline PCE inflation has come down from its peak of 7 percent last year (year over year, June 2022) but is still running, year over year, at 5 percent — way above our 2 percent target. And recent readings show that disinflation is proceeding slowly — which is disappointing, to say the least.

This persistently high inflation comes with real costs for Americans — cutting into purchasing power and household wealth. And, as is so often the case, the pain isn't distributed equally. The toll is falling most heavily on those least able to bear it. I'm especially concerned about the rising costs of shelter, food, and health care — life's true necessities.

To combat inflation, the Fed is working to slow the economy modestly and bring it more in line with supply. To accomplish this, we have increased the federal funds rate — our primary monetary policy tool — by 475 basis points since March 2022. Balance sheet reduction is another way to tighten conditions.

We're already seeing promising signs that these actions are working — for example, house price indexes are cooling.

Since the full impact of monetary policy actions can take as much as 18 months to work its way through the economy, we will continue to look closely at available data to determine what, if any, additional actions we may need to take. But make no mistake: We are fully committed to bringing inflation back down to our 2 percent target.

Before we get to our Q&A, I'll leave you with one final thought.

With all the attention our interest rate decisions get every six weeks, it might seem like the Fed is the primary force driving what happens in the economy. But that's just not the case.

The Fed implements monetary policy to achieve its dual mandate for an economy made up of countless workers, businesses, investors, and institutions. An economy that you are, and will continue to be, an important part of — especially with your Wharton education backing you up.

As you think about the opportunities that await you beyond this place, one of the most powerful things you can do is be intentional about how you want to contribute to the economy.

Whether you head to Wall Street, become an entrepreneur, or pursue a career in public service, you have a tremendous opportunity to help shape the world around you. I hope you take advantage of it.

With that, let's get to your questions.