Federal Reserve Bank of Chicago

Academic Advisory Council Meeting Agenda

May 31, 2024
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 (5 to 10 minutes per speaker) on the questions they selected; 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 and at lunch, we will have some time for more 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

10:00 – 10:10	**Welcome and introductions**
10:10 – 10:30	**Labor** Katherine Abraham, Rob Shimer
10:30 – 10:40	**Productivity** Chad Syverson
10:40 – 11:00	**Activity and inflation** Jan Hatzius, Joanne Hsu
11:00 - 11:10	**International** Linda Tesar
11:10 – 11:20	**Break**
11:20 – 11:30	**Fiscal** Anil Kashyap
11:30 – 11:40	**Finance** Marty Eichenbaum
11:40 – 12:20	**Monetary policy and general discussion** Randy Kroszner, Matthew Shapiro, Seth Carpenter
12:20 – 2:00	**Lunch and general discussion**

Members of the Panel

Katharine Abraham	University of Maryland
Seth Carpenter	Morgan Stanley
Marty Eichenbaum	Northwestern University
Jan Hatzius	Goldman Sachs
Joanne Hsu	Michigan Survey Research Center
Anil Kashyap	University of Chicago
Randy Kroszner	University of Chicago
Matthew Shapiro	University of Michigan
Rob Shimer	University of Chicago
Chad Syverson	University of Chicago
Linda Tesar	University of Michigan

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Austan Goolsbee
Gene Amromin
Jonas Fisher
Camilo Garcia-Jimeno
Francois Gourio
Cindy Hull
Spencer Krane
Leslie McGranahan
Ralf Meisenzahl
Anna Paulson
Dan Sullivan

Discussion Questions

Finance:

Financial markets (as of 5/15) are pricing in elevated interest rates for some time to come: the 5-to-10 year portion of the Treasury yield curve is a bit under 4-1/2 percent, and for short rates 3-month SOFR futures flatten out a bit under 4 percent. However, in responses to surveys most financial market participants see the long run nominal federal funds rate in the range of 2-1/2 and 3-1/2 percent (with long-run PCE inflation forecasts in the 2 to 2-1/4 percent range.) What do you attribute these differences to? Do they suggest anything unusual about risk pricing that might be susceptible to sudden change?

When you look at the broad sweep of data – the level of borrowing rates, risk spreads, non-price lending terms and conditions, etc. – how would you characterize the overall restrictiveness of financial conditions today? Are there any market anomalies or heterogeneities among classes of borrowers that you think are worthy of attention?

Is the ongoing high vacancy rate in office space affecting the behavior of banks, especially mid-market ones? How much further risk do mid-sized banks face from exposure to commercial real estate loans backed by office leases that are expiring?

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 important have common versus idiosyncratic factors been for driving inflation developments across advanced economies over the post-pandemic period? How do you see these evolving going forward?

Have you been surprised by the resilience of most emerging market economies to the interest rate increases in the U.S. and other advanced economies? What do attribute this resilience to?

Other advanced economies did not see the rebound in productivity in 2023 that the U.S. experienced. How do you see foreign AE productivity trends evolving relative to the U.S. over the next several years?

Fiscal Policy:

What is your view on the longer-run prospects for U.S. fiscal deficits? Please discuss the roles of both primary deficits and debt service. Has your assessment changed much over the past year and if so, why?

How important have the infrastructure, CHIPS, and inflation reduction acts been for boosting private investment and government spending? How do you see this spending playing out over the next few years?

How do you see state and local budget conditions evolving now that pandemic assistance buffers are fading into the background?

Labor:

How tight is the labor market? Are there any measurement issues or labor market anomalies that mean we should be putting more or less weight on certain indicators?

Are persistent labor market mismatches -- regional, skill, sectoral (good versus services, etc.) -- of continuing importance?

What is your assessment of recent contributions of immigration to labor input and labor costs in the U.S.? How well do you think our standard labor market measures are capturing immigrants; is there a bias one way or the other?

Economic Activity:

Do you see any cracks developing in household balance sheets? If so, how large are these and what might be their implications for aggregate spending?

Business formations surged during the pandemic and have stayed at a high level since. Do you see this as an important factor explaining both job and productivity growth over the past couple of years? How do you see this evolving going forward?

What is your assessment of the trend rate of productivity growth relative to pre-pandemic? If you think the trend has changed, what are the predominant forces behind your assessment?

Inflation:

How concerned are you about the firmer inflation numbers we have seen over the first few months of 2024? What should we be looking at to determine whether these are a bump in the road or a sign of more persistent inflation pressures?

How important do you think favorable supply developments were in reducing inflation in 2023? If you think they were, to what degree do you see them persisting in 2024?

Which tenors of inflation expectations do you think are most important for wage and price setting behavior? How much comfort can we take in the fact that 5-to-10 year inflation expectations appear fairly well anchored?

Monetary policy:

How restrictive do you think monetary policy is today? What metrics are you looking at in making this assessment? How does Fed communications (statement language, press conference, participants' communications, SEP) influence your views?

Referring to question 1 in the finance section, what is your view of the long-run fed funds rate (nominal and real)? If this has changed since pre-pandemic, please explain why. How useful do you find this benchmark for judging the current stance of monetary policy?

Do you think the aggregate sensitivity of the economy to the setting of the funds rate today is different from historical average? If so, why? And are these permanent developments or idiosyncratic to today's economy?

The Fed currently is slowing the pace of balance sheet reduction on its way to a level it deems consistent with implementing monetary policy using an ample reserves regime. What metrics would you be looking at when making the judgement of when ample is achieved? How do you see Fed lending facilities (the discount window and standing repo facility) influencing this decision?