Federal Reserve Bank of Chicago

Academic Advisory Council Meeting Preliminary Agenda

October 25, 2024
10:00 a.m. – 2:00 p.m. CDT

We will follow the usual model, 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 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 – 10:05	**Introductions**
10:05 – 10:15	**International** Linda Tesar
10:15 - 10:40	**Productivity** Chad Syverson, Bob Gordon
10:40 - 11:05	**Labor** Katharine Abraham, Mike Feroli
11:05 – 11:30	**Fiscal** Alan Auerbach, Matthew Shapiro
11:30 - 11:35	**Break**
11:35 - 12:10	**Finance** Marty Eichenbaum, Anil Kashyap, Andrew Metrick
12:10 – 12:35	**Inflation** Joanne Hsu, Seth Carpenter
12:35	**Break to lunch**
12:45 – 1:20	**Monetary Policy** Eric Sims, Ricardo Cabellero, Randy Kroszner
1:20 – 2:00	General discussion and participants' views on appropriate monetary policy.

Members of the Panel

Katharine Abraham	University of Maryland
Alan Auerbach	University of California, Berkeley
Ricardo Cabellero	MIT
Seth Carpenter	Morgan Stanley
Marty Eichenbaum	Northwestern University
Mike Feroli	J.P. Morgan
Bob Gordon	Northwestern University
Joanne Hsu	Michigan Survey Research Center
Anil Kashyap	University of Chicago
Randy Kroszner	University of Chicago
Andrew Metrick	Yale University
Matthew Shapiro	University of Michigan
Eric Sims	University of Notre Dame
Chad Syverson	University of Chicago
Linda Tesar	University of Michigan

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Austan Goolsbee
Gene Amromin
Jonas Fisher
Francois Gourio
Spencer Krane
Anna Paulson
Dan Sullivan

Potential Discussion Questions

Finance:

Though borrowing cost remain high, credit seems to be readily available for large and middle-market firms (including for riskier deals on the leverage loan market) while credit conditions are on the tight side of smaller firms. Overall, how heavily are credit conditions weighing on business activity?

Financial markets (as of 10/10) are pricing in about another 150 basis points of fed funds cuts by the end of 2025. Are you aware of any trading strategies or financial market positions that might come under stress with this pace of cuts, and if so do they present any financial stability concerns?

What is behind the increase in long term Treasury rates over the past month—greater real activity; higher risk premia; revised views of prospective fiscal deficits? How does the associated change in the yield curve mesh with market expectations for Fed policy?

Do you think the expansion of the private credit sector has influenced the sensitivity of borrowing costs and credit availability to changes in monetary policy? If so, what are the mechanisms do see as being the most important?

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 much fallout do you expect on world economic activity from slower growth in China? Do you think the Chinese government's recent stimulus actions will provide a substantial boost to their economy, and if so, at what cost?

How much more diversified do you think international supply chains are relative to the pre-pandemic world economy? How much is driven by the re-direction of trade flows from China, and has this been true diversification or simply adding a link in the supply chain?

Labor:

While the September labor market report was an upside surprise, in general the labor market has cooled a good deal so far in 2024. What indicators should we be looking at to determine if we are simply seeing a market settling into equilibrium versus the pre-cursor of a more serious weakening?

There are a number of unusual factors in play in the labor market today – increased immigration, elevated rates of business formation, high rates of labor force participation. How do you see these or other factors affect our benchmarks for the headline labor market data (especially payroll employment and the unemployment rate)? Are there any unusual measurement issues that mean we should be putting more or less weight on certain indicators?

Economic Activity:

So far this year GDP growth has remained solid (assuming private sector forecasts for 2024:Q3) while the labor market has cooled. Consequently, productivity growth has remained relatively strong. What signal do you take from this configuration of the data? Do you see either the spending data or the labor market data as being a more reliable cyclical indicator?

Delinquency rates on household credit card and auto loans and small business borrowing are all elevated. Do you see any cracks developing in balance sheets for these sectors and if so, how large are they and what might be their implications for aggregate spending?

What is your assessment of current dynamics between supply and demand in housing markets? How do you think prospective interest rate movements will affect housing construction, sales, and pricing?

What is your view on the near, medium, and longer-run prospects for U.S. fiscal deficits? How do these views factor into your outlook for overall economic activity, either through the fiscal impetus channel or their effects on interest rates?

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:

Do you think inflation is settling out at a sustainable 2 percent rate? Where do you see the balance of risks to the inflation outlook over the next year or two?

What is your take on the persistently high readings on housing services inflation? What do you think explains the persistent gap between rents and owner equivalent rent in the CPI and data on new tenant rents and how do you think this will be resolved? Do you think the developments in housing largely reflect relative price movements, or are they something that could impinge on the Fed’s ability to achieve its 2 percent PCE inflation target?

Are there any special factors (other than housing) that you think are pushing inflation up or down? If so, how do you see these evolving over the next several quarters?

Has the inflation experience of the last few years changed your view on the slope (or linearity) of the Phillips curve?

Monetary policy:

Since the bump up early in the year, core PCE inflation has been close to 2 percent at an annual rate; over the same time, the unemployment rate has been between 4 and 4-1/4 percent. But even after the September rate cut, the federal funds rate is well above most estimates for the neutral rate. How long could the funds rate stay this high before these positive outcomes for inflation and employment start to fall apart?

How should we think about the increase in the ex post real federal funds rate with the decline in inflation since mid-2023? To what degree does this translate into tighter monetary policy and to what degree does it not because the paths for the funds rate and inflation have broadly followed earlier expectations?

There is substantial uncertainty over the long-run neutral rate – for example, the central tendency in the September SEP was 2-1/2 to 3-1/2 percent. What's your view of long-run neutral? If the actual fed funds rate comes down along the lines in median SEP, what kinds of things should we be looking at to tell us if we are getting close to the neutral rate?

How do you read current Fed policy communications against the backdrop of the current policy framework as articulated in the FOMC's statement on longer-run goals and monetary policy strategy? [Federal Reserve Board - Federal Open Market Committee reaffirms its "Statement on Longer-Run Goals and Monetary Policy Strategy"]

What topics would be on the top of your list for the Fed to consider in its upcoming review of its monetary policy framework?