

**Transcript of Conversation with the Chair: A Teacher Townhall Meeting
September 28, 2023**

ROBIN CAPPETTO. Thank you for joining us here in Washington, D.C. and online across the nation this afternoon for a conversation with Federal Reserve Chair, Jerome Powell. During the event, you can follow along on social media and join the conversation using the #teachertownhall. My name is Robin Cappetto, and I work closely with my colleagues here at the Federal Reserve Board and around the Federal Reserve System. I, along with over 50 subject matter experts, make up the Federal Reserve Education Group. Our group seeks to promote teaching and learning about the Federal Reserve System, its mission, and responsibilities. The Federal Reserve Education Group's collective efforts are aimed at increasing educators' ability to teach economics and personal finance while helping students and the public gain real-life skills to increase their economic and financial literacy.

SARAH GUNN. I'm Sarah Gunn. I'm the economic education director at the Federal Reserve Bank of Richmond, and the chair elect of the Federal Reserve Education Group. As you may know, October is Economic Education Month and there is programming planned throughout the month to help educators and their ability to teach economics. We hope that you will join us promoting economic education by attending a Federal Reserve Education program, teaching about economics topics in your classroom or exploring careers in economics with your students.

Robin and I will field your questions and moderate today's session with Chair Powell. During the next hour, we hope to provide insights into the Federal Reserve's goals and activities to support your work as you teach students how the decisions made by the Central Bank can affect all of us; your students, their families, and their communities.

Today we are honored to bring you Federal Reserve Chair, Jerome Powell. Jerome H. Powell first took office as chair of the Board of Governors of the Federal Reserve System on

February 5, 2018, for a four-year term. He was reappointed to the office and sworn in for a second four-year term on May 23, 2022. He also serves as chairman of the Federal Open Market Committee.

Chair Powell was born in February, 1953, in Washington D.C. He received an AB in politics from Princeton University in 1975 and earned a law degree from Georgetown University in 1979. While at Georgetown, he was editor-in-chief of the Georgetown Law Journal.

Chair Powell, thank you for joining us here today.

CHAIR POWELL. Thank you, Sarah, thank you, Robin, thanks to all of those here in Fed Education who helped us put together this event, and thank you to the teachers both here and online who have put aside some of your planning time to listen and also participate. If we were doing the grading, we would give high credit to those who participate. So we've scheduled this discussion with teachers well into the school year, partly to highlight the beginning, on October 1, of Economic Education Month. Here at the fed, as you can imagine, we care about economic education all year round, and so we're glad to join the celebration. It's fortunately a very different time for teachers than the one we faced when we met virtually in August 2021, the last time we held this discussion with educators. In the crisis of the pandemic, teachers were on the frontlines. I know how overwhelming this challenge was for many of you, and the extent of your sacrifice for which my colleagues and I all thank you. And that crisis, in many ways, continues as research confirms the educational deficits that students still suffer from the pandemic. In addition to the challenges they face, there are likely to be consequences for the economy, and for society, in a generation of young people who may lack some of what they need to be well-informed and engaged participants in our economy and in our democracy. Addressing this legacy of the pandemic is a major public policy challenge so now, more than ever, teachers are crucial to

America's future. A large majority of you are economic educators, a role that is of particular importance. As many of you know the fed's ability to influence the economy depends to some extent on influencing the public's view of current and future economic conditions. When my colleagues and I publish our projections of the most likely path for the economy and interest rates, as we did a couple of weeks ago, one of our goals is to influence spending and investment decisions today and in the months ahead. That will only be the case if people understand generally what we're saying and what it means for their own finances. So by educating students about economics, not only are you providing them with valuable skills to manage their finances and improve their chances for future success in any number of occupations, you're also giving them the knowledge that they need to understand the macroeconomy, including the implications of the decisions that we make around this table here at the fed. Economic educators impart knowledge that's instrumental in how we promote a healthy economy, and in a way, when you teach students, you're also helping us conduct monetary policy. But you do so much more than that. Teachers illuminate the world for us. You help us to see the limitless possibilities in life and as much as that in ourselves. At a wonderful but also very vulnerable time in each of our lives, teachers like you are there to help us understand the world, especially when it's hard to understand. I will leave you with one of the many personal examples I can cite from my time in school. I can still very clearly remember a November day in 5th grade at Blessed Sacrament School up near Chevy Chase Circle, Washington D.C. My teacher, Mrs. Keller, who was much beloved by all of us, and by me, was called away from class. When she returned to the room, every student was upset and horrified to see her tears. And then we got the news, it was November 22, 1963, and John F. Kennedy had been shot and killed. So this was something that was very hard for my classmates and me to understand. She pulled herself together, and

somehow convinced us that everything was going to be okay. So, teachers are there for all of us, when we need your knowledge, your example, your encouragement, and not least, your care. Thank you for playing this indispensable role that you play in our lives and in our children's lives and I look forward to our discussion. Thank you.

ROBIN CAPPETTO. Thank you, Chair Powell. Now we're going to take some questions. First, we have a question from Mark Edelstein, a teacher from Newark, New Jersey. Mark?

MARK EDELSTEIN. Hi Chairman Powell, thank you so much for taking my question today. Why teachers? What is the connection you see between the fed and teachers?

CHAIR POWELL. Thank you for your question, Mark. So, I guess I would say, teachers are really at the very center of the educational process, and education is at the very center of our economy and in fact, our society. Over the long run, the skills and aptitudes of our workers are a key part, of course, of what drives the economy and economic growth. Our educational system equips people with the skills and aptitudes they need to succeed in our ever evolving economy. So, and also of course, critically to play a constructive role in our democracy. So really, your work is very, it's crucial for both the economy and our society but also for the work that we do here at the fed. I would also say, as many of you know, we have a particular focus on economic education here at the fed. We have lots of online tools, we work quite a bit with teachers and students here at the fed, around economic education. We place a high priority on it. And we host this town hall, of course, every couple of years. It's delightful to have everybody back in person, by the way, for the first time since 2019.

SARAH GUNN. Our next question comes from Jason Kotter, assistant professor at Brigham Young University. Jason?

JASON KOTTER. Hey, Chairman Powell, appreciate you taking this question. I teach money and banking to college students. What do you think is the most important thing for college students to understand about the economy?

CHAIR POWELL. For college students, thanks for your question, Jason. I think I would go with something general, rather than something specific for your money and banking. And that really is this; for many students and young people, the barriers to taking on economics, it seems very abstract and very different from the things they've studied before and people just kind of say, that's too technical and that kind of thing and don't do it. The thing I would want students to know is economics is incredibly interesting once you get past that very first phase of learning the basics about the economy. So I do think people get turned away and because it seems so technical. So, once you get started, economics is just very interesting very quickly. It's highly relevant to the public policy that's being made all around, and more to the point, it just is, once you get the basics, you really understand why it's so compelling, a science, you know, we work pretty much all day long, hot and cold running economics here every day. And I have to say, it doesn't feel like work. It's just all so interesting when you think about what's at stake, when you think about economics is really the science of public policy. What works and what doesn't work and why. And so, that's what I would want many, many students to understand, that they should just take the leap and take a basic macro and micro course. I mean maybe kids who are already taking money and banking are past that point. And for them, you know, I think that's great, by the way, and I think those are tools that will really benefit them in their careers and in their lives.

ROBIN CAPPETTO. Thank you, Chair Powell. Next we have a question from David Ceule, a personal finance teacher at Blue Springs South High School in Blue Springs, Missouri. David?

DAVID CEULE. Thanks for your time, Chairman Powell. So, my question is, what is the best way to explain to high school students the Federal Reserve's relationship with the federal government? Is the fed a government agency?

CHAIR POWELL. So relationship with the federal, rest of the federal government. Interesting question, and thanks for your question. So, I'll start by saying that we are an independent agency that is part of the executive branch of the government. That's right. We're also non-political, strictly non-political, non-partisan agency and we serve all Americans by supporting a strong labor market and stable prices. To your question though, the question of how we fit into the federal government is an interesting one. So, we're an independent agency and so the oversight or we, another branch of government has oversight over our activities, but in the case of the fed, that's Congress and not the administration, not the rest of the Executive Branch. And that's a different kind of thing, because we are an independent agency. So, that's one thing, as an independent agency it's different from, for example, a department, the Department of the Treasury, which is part of the Executive Branch but it's part of the administration. We're not part of the administration. A little more about our structure and how we fit in; the president, when there's a vacancy on the fed, president nominates a candidate who then must be confirmed by a majority of the Senate. We serve these staggered 14-year terms, one of which expires every two years. So our, our terms are not synced up with the presidential election cycle. No jobs change when the president, when a presidential election happens and there's a new president. What happens is when vacancies open up, the then president can decide, and when someone's term ends, they can decide to re-nominate that person or they can decide to nominate somebody new. So that's really the most important way in which the Executive Branch and the president interacts with the fed. Congress has oversight over, to us, and this is the other part of how we fit into the

federal government is I testify under statute four times a year, twice in the House and twice in the Senate, in February and in July, or June, I think it's February and July. And that's supposed to be a monetary policy oversight hearing. In fact, it's about whatever our elected representatives want to ask. And our job is to answer. My colleagues and I also spend a lot of time up on Capitol Hill, interacting with senators and congressmen and women, who, many of whom are on our oversight committees, Senate Banking, and House Financial Services, but also just members, general members. So for example, I spent two hours this morning with two senators and one congressman just talking to them about a particular set of issues. And we do a lot of that, because you know, we have this independence that really is quite rare, and should be rare in a democracy, and that is we can only be removed for really for bad acts, for cause, which means malfeasance and bad acts and things like that. And our decisions can't be reversed by the Executive Branch, they could be reversed by acts of Congress, but that's not something that happens. So, in exchange for that independence, the other side of that is that we should really just stick to the assignment that we have, and also that we should, you know, work to make sure that Congress does understand what we're doing and we hear their criticisms, because we should be accountable to the public. We need to be in a democracy. So that's the other way that we fit into the government. Thank you.

SARAH GUNN. Our next question comes from Ashley Wagner, a social studies teacher at Oak Ridge High School in Oak Ridge, Tennessee. Ashley?

ASHLEY WAGNER. Hello Chairman Powell, thank you so much for this opportunity. My question is what is a common misconception about the Federal Reserve or your position that you'd like to clear up or share with high school students?

CHAIR POWELL. Interesting, thanks for your question. The truth is, central banking is kind of not on the main highway of what most people think about in their lives. So many people have only, and they have no reason really to carefully follow how the fed is structured or anything like that. So, there are a lot of misconceptions I would say generally. But if I were going to give one, it is this; that people generally don't, and they really don't need to walk around with-- they don't really understand what the fed is, how it's structured, so just briefly; there's, it's really two pieces, we are, there's a Board of Governors here in Washington, which is a government agency, each of us, myself and my six other governors, are all nominated by the president who's in office at that time, and serve, are confirmed by the Senate and we serve these 14-year terms that, as I mentioned, are staggered. So, that's who we are, there are also 12 Reserve Banks. The United States is divided up into 12 districts, and each of those has a Reserve Bank in it and the responsibility to you know, monitor the economy in that district, to interact with nonprofits and businesses and universities, and things like that and really understand what's going on in that district, and sit around this table and report. They also vote, what's called the Federal Open Market Committee consists of the seven governors and the 12 Reserve Bank presidents. So 19 people. Of course the seven governors always vote. The New York fed president always votes, but the other 11 Reserve Bank presidents vote on a rotating basis, four of them vote on a rotating basis out of the 11. So it gets complicated, it's not surprising that people don't carry that knowledge around in their head. So that's, that is, but the main thing again I would want people to know is that we're non-political, non-partisan agency that serves all Americans. That's what we are. We are, we have a narrow but critical mandate to support a strong labor market, and stable prices, low inflation. We also supervise and regulate banks and

we try to keep the payment system safe and efficient and keep up to date as well. That's who, that's what I would like people, these are the basics I'd like people to know if they could.

ROBIN CAPPETTO. Thank you, Chair Powell. The next question we have is from a teacher in the room. Bill Betthausen is an AP economics teacher at Bishop O'Connell High School in Arlington, Virginia. Bill?

BILL BETTHAUSER. Thank you, thank you Chair Powell, for being with us today. My question is; what advice would you give students who are interested in a career in economics?

CHAIR POWELL. Thank you for your question. So, I guess I'd start by saying, I encourage everyone to take introductory macro and micro courses, whether they're thinking about a career or not. I really think just getting those basics will stand you in good stead. Frankly, that's all I took as an undergrad was macro and micro, didn't major in economics. But anyway, so that's the first thing, I think if you're interested in majoring in it, of course I think that's a great idea, you know, that's a wonderful idea. I think it does really equip you with, you learn lots of quantitative skills that are going to benefit you in life, and also just having a better understanding of the economy and also in micro economics, the way businesses work, the way business decisions are made by people in the economy, all of that is incredibly useful. In terms of making a career in it, you know, absolutely encourage people to do that. It is a, I think it's an enormously rewarding career and I think of the people, the career people here at the fed who are economists who, they're working on, you know, basically on public policy and the question is always, what's the right thing? How do we use our tools to best serve the people that we serve? It's a very, very rewarding, incredibly fascinating job and area, so, I really think it's-- I'd encourage people to take as much Econ as they can, and if you can make a career out of it, that's

great. I think we of course survey our employees and I think people generally get a lot of satisfaction out of public service. So, and many economists do public service, so thanks.

SARAH GUNN. Thank you. Our next question comes from Stephen Feldstein, principal and AP economics teacher at Sinai Academy in Brooklyn, New York. Unfortunately, Stephen wasn't able to join us this evening, so I'll read his question.

CHAIR POWELL. Okay.

SARAH GUNN. Since the financial crisis of 2008, central banking experienced drastic changes. What policies and tools do you think should be taught in the introductory economics class?

CHAIR POWELL. What policies and principles should be taught in an introductory class. Well, let me repeat that I would, I think everybody, every student should try economics and take introductory macro and micro, because I think you will find it's more interesting than the first two pages of the textbook might make it appear. I have to say, so the textbooks that I see today in use, and I did, particularly my early days here at the fed, I went through a lot of textbooks, they're really good. And I think they're very good at, what you want is for intro courses, you want people to take away an understanding of how the whole economy works, the macro economy, and also how firms set prices, how people make decisions in the economy and I think that the modern textbooks are, they seem to be much better and much more user friendly than the ones we used. There's, for example, the graphics and things like that are really good, and also the-- I don't know, I just found them very clear where it was, it felt like you know, more challenging to kind of get through the textbooks that we had, this was 50 years ago, when I was a, I guess I was a freshman in college in 1971, so more than 50 years ago. So, anyway, so you mentioned central banking has experienced significant changes, and I'll just address that for a

second. So, many things about central banking haven't changed, our dual mandate hasn't changed, we still use our tools to foster maximum employment and price stability. We did though, make some changes in, during the pandemic and one, sorry, during the global financial crisis really, and that is, our main tool, of course, is interest rates. We lower the, our federal funds rate to support economic activity when the economy is weak and we raise it when inflation is building up and when the economy is strong. But in global financial crisis, the negative shock was so big, we cut rates to zero and the economy still needed more support. So we needed new tools and we invented two of them. One of them was to buy longer term treasury securities, quantitative easing, and the point there was to lower long-term, when you buy, when you buy something, you raise the price of it, when you raise the price of bonds, the interest rates go down. That's the way bonds work. And so, lower long-term rates supported the economy and that was the point of quantitative easing. We also started using forward guidance, so if you credibly tell market participants that you will hold rates low for longer than they think, then rates will move down in the economy now, and support economic activity now. So we used forward guidance-- so those are two things. The other thing I'll point to is just transparency. When I was in college, central banks were a lot about mystery and keeping everybody on the back foot and so about, it's got to be 35 years ago or so, a bunch of economists sort of made the case that actually, it's much better to be transparent because if financial market-- we work through, you know, financial markets in the sense that markets react and financial conditions get looser or tighter and they become less or more supportive of economic activity. That's how our policies work and affect people's spending. So with more transparency, the argument was made, markets do that right away, if they actually understand what you're going to do, they don't even wait for the meeting. They know how the fed is thinking, they know what the fed will do, and financial conditions will

change now. So for example, we actually raised interest rates for the first time in March of 2022 in this cycle. But, we started talking about raising rates in November. And by the time we actually did raise rates in March, the two-year treasury, which is a good indicator of where policy is going, had already gone up 200 basis points, over two percent, so in effect, financial conditions [inaudible] well in advance of our actions, and that's a byproduct of this, that's something that's really changed. I don't have anything specific for you, on you know, on exact principles, but I will say that the intro level textbooks that I've seen these days are quite good, and I shouldn't name them because you know, it's a very competitive field, I don't want to-- get into that.

ROBIN CAPPETTO. Thanks, Chair Powell. The next question we have is from Sam Kim, a clinical assistant professor at Georgia State University. Unfortunately, Sam cannot join us this evening, so I'll read his question. There is still a big discrepancy between textbooks and practices of central commercial banking. How can the fed help narrow that gap?

CHAIR POWELL. Interesting, so it takes, when we do innovations it takes time for textbooks to catch up, right? And I mentioned some of those, so the quantitative easing and forward guidance, you know, it'll take a couple of editions for those to be well-entered into the, you know, all of the textbooks. Another one, and we monitor this, we actually did an analysis and published it, and we're there to help, by the way, we actually have a, you know, we have people who work on helping textbooks get updated and helping teachers understand the latest things. The other thing is the way we, so when we want to tighten policy, we raise the federal funds rate, which is just an overnight funds rate, but what happens is when we raise that rate, interest rates, financial market prices all over the economy and all over the world react to that. So, corporate bond rates and mortgage rates and everything goes up, equity prices may come

down, other prices may move around and that's really how it works. So what's the mechanic by which we raise the federal funds rate? So the federal funds rate is just the price, is the yield on reserves and as many of you know, it used to be that we kept reserves scarce, so by, so when we added reserves, interest rates would go down, because you know, there were more reserves and they weren't as scarce. Whereas if we pull reserves out, interest rates would go up. So that's the way we did it for a long time. We don't do that anymore, now we have these administered rates. So, and I would say that's the number one thing that textbooks really haven't caught up, and they still talk about reserve scarcity and things like that. These are little things, though again, I think the principles that are in the textbooks I've seen are quite well-done. But it's an interesting question.

SARAH GUNN. Thank you. Our next question comes from Matt Jaques, teacher at Marquette University High School in Milwaukee, Wisconsin. Matt?

MATT JAQUES. Hello Chairman Powell, welcome from Marquette University High School in Milwaukee, Wisconsin. My question comes from my AP economics students who would like to know when you were taking undergraduate macroeconomics, what was your favorite topic to study? Thank you.

CHAIR POWELL. I, that's a hard question because for me, that was literally 52 years ago. There's a lot of water under the bridge since fall of 1971. A particular topic from macro that I found interesting, oh man, let me answer now what I think is, I really can't go back that far, but I can tell you today, that a particularly interesting area for people who want to study is labor economics. So the, one of the great things about the labor market is there's a lot of data. I think the best data we get for things, GDP's really hard to track, really hard to accurately track GDP. We do, our economists, not here at the fed but the people who do that, they do a great job. It's

very hard to get it right. Labor economics, you get wages, you get job creation, you get job openings, you get all this data. So, it's very, very interesting and of course it's one of our two mandates. So, I think it's a fascinating thing to watch the way the labor market evolves and sometimes in very unexpected ways, so I would, I don't know if that's, that's probably not much in your basic macro textbook. I'm really struggling to find something from macro in fall of '71 that I remember. Maybe you can give me a list of five and I'll pick one? I don't know. Can we do this multiple choice? Overall though, I found micro quite interesting to tell you the truth, as well. Micro is I think for many students, micro makes more sense than macro. For my daughter for example, she really liked micro, it was mostly math and it made sense, you know, how do firms price things, you know, pricing your marginal costs and things like that was very intuitive to her. And then she took macro and decided not to major in economics. Despite my urgings. None of my three children majored in economics. So I can't help you with a specific one on that, but.

ROBIN CAPPETTO. Thank you. Next we have a question from Penelope Santos Bates, a teacher and department chair at Queen Anne's County High School in Centerville, Maryland. Penelope, are you with us? Okay. I'll read the question for you. What do you like to do in your free time? Do you like sports? And, who's your favorite teams? Sports you cheer for?

CHAIR POWELL. You know what I like to do in my free time these days is work. That's a bad answer. I know, I'll get to a better answer, but I do spend a lot of time, there's quiet time at home on the weekends where I can really read, you know, more of the background stuff. So for example, read about AI and things like that. And you know, so that's when I do that. So that's for me very enjoyable. In terms of fun, I would mention several things; I have two little grandchildren, two little grandboys, grandsons, a few hours from here and my wife and I love to spend time with them, two and a half and one, well not quite one, nine months. Also spending

time with friends. In terms of my own amusement, you know, I'm an amateur musician, emphasis on amateur, but I play the guitar and I play a lot. I play with friends and stuff like that. I also play sports. In terms of you know, I play various sports and try to stay fit. In terms of teams, you know, I have to say, like many people, I stopped following the local Washington team, but now that they've changed hands, now that the team has changed hands, I'm back to being a fan of the Commanders. I'm very supportive of the new ownership and what they're trying to do and I'm back to being a Commanders fan. Thank you.

SARAH GUNN. Alright, our final question comes from a teacher in the room, Alesandra Bakaj is an AP coordinator and instructional lead teacher for Arlington Public Schools in Arlington, Virginia. Alesandra?

ALESANDRA BAKAJ. Thank you, Chair Powell. Other than taking micro and macro, what single piece of advice would you give high school students, particularly seniors, and as they embark on their next chapter?

CHAIR POWELL. Great question. So, I actually have a couple of thoughts on that if I can not limit myself. Of course. They all sort of fit together, but-- One thing is just life is a really long game, and you know, you're 22, you're getting out of college let's say, and you don't realize that most of your life is probably ahead of you. So one thing is just keep learning. You know, most of what you need to know and will know, lies ahead of you, not behind you. And when you go to your 10th and 20th college reunions, you can really tell who's still learning stuff. Who is still focused on keeping up with this world. I mean the world changes so quickly these days. Not just technology, it's amazing how different the world is than the one that I graduated from in 1975 from college in. So you've got to keep learning, keep reading, keep thinking, that's one thing. Another one is, expect a lot of yourself, think big. I think there so much opportunity, set

high standards for yourself and believe in yourself. Many, many people struggle with really believing in themselves and they feel when they do succeed, they feel-- people call it imposter syndrome, I don't really deserve this. I mean you need to believe in yourself. The other thing is, I'll shut up eventually on this, but the other thing is this, it's not a problem to change your life or your job or your mind about things, in fact, if you're not doing that, then you're probably not doing the first thing, which is keep learning. And so, I mean I'm someone who had, I went into law school, went to law school because I didn't know what else to do and I practiced law for a while, I liked it. But then I thought, something else would be more so I went into investment banking, then I went into private equity, in the middle of that I served in the federal government, like three or four times I've gone into the federal government for public service, and now I will have spent you know, 16 or 17 years in the federal government. So, I think you should think of yourself as flexible and able to do different things and be confident that you can actually take something new on and do it. And it's a very, some people are going to want to have one job and that's their security and they really want to do that, that's great. But, if you're a person who wants to do different things, you can do that and you shouldn't feel, you shouldn't feel bad about changing your mind or changing your career and things like that. So, that's what I'd say. I certainly did it, I mean.

ROBIN CAPPETTO. Well, thank you Chair Powell, thank you everyone, and thank you so much for joining us today. We appreciate the meaningful dialog and importance of economic education. Resources to help aid our conversation we've had today are available on our social media channels and our website. And just a reminder, October is Economic Education Month and the Federal Reserve Education Group has events planned throughout the month to celebrate

it. More information is available on our website. And have a great evening. Thank you for joining us.