Michael S Barr: Opening remarks - "Fed Listens"

Speech by Mr Michael S Barr, Member of the Board of Governors of the Federal Reserve System, at a Fed Listens event, hosted by the Federal Reserve Bank of Kansas City, Omaha, Nebraska, 24 June 2025.

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Thank you, President Schmid, and thank you to the Federal Reserve Bank of Kansas City for hosting this event.[1] The Federal Reserve, with its system of 12 distinct regional Federal Reserve Banks and the Board of Governors in Washington, D.C., was designed to ensure that monetary policy was a national decision with input from all parts of the country. The work of the District Reserve Banks, and events like this one, make sure that a wide range of views can inform President Schmid, me, Federal Reserve Chair Jerome Powell, and all of our colleagues on the Federal Open Market Committee (FOMC) as we come together in Washington to set monetary policy.

Let me spend just a moment on the economy and the outlook. The economy is currently on a sound footing, with low and steady unemployment, and disinflation having continued at a gradual, albeit uneven, pace toward our 2 percent target. Looking forward, however, I expect inflation to rise due to tariffs. Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence. At the same time, tariffs may cause the economy to slow and unemployment to rise. There is still considerable uncertainty about tariff policies and their effects. Monetary policy is well positioned to allow us to wait and see how economic conditions unfold.

The broad objectives of monetary policy are clear and have been mandated by Congress-maximum employment and stable prices. Our strategy for getting there is laid out in the Fed's policy framework, which we plan to update later this year. And setting that strategy to reach our goals is informed by outreach like the session today.

Monetary policy decisions affect everyone. Stable prices are important for families and businesses to be able to plan for the future, and for sustainable and healthy labor markets. When we get it right, we can help foster broad and inclusive employment gains that benefit the American people. Our decisions play a role, for example, in the prices for agricultural commodities that are particularly important for businesses and consumers in this region. These decisions affect the labor market, including the challenges that businesses can face in finding qualified workers, which I know is a bigger issue in Nebraska, with lower unemployment than in some other places. But the Federal Reserve's role is a limited one-most of what affects the economy are the individual decisions of households and businesses.

The primary tool for monetary policy is short-term interest rates, which in turn can affect longer-term rates that you, your customers, and people in your communities pay to finance land and equipment and other inputs. Credit has always played a particularly important role in agriculture, so I know that interest rates matter a lot in this part of America. Let me emphasize that real-world rates are significantly affected by other forces in the economy, but Fed policy does play a role.

Monetary policy sometimes requires tradeoffs-a stance of policy that is necessary to lower inflation, for example, may also lower aggregate demand and slow the economy. Crucial in balancing our economic goals is determining how policy decisions affect households and businesses, which is why we are here to listen to you.

Businesses also have to balance their goals. Producers need to judge the strength of demand for their products and services, the trend in costs for their inputs, and the expected future costs for credit. These and other factors affect how businesses see tradeoffs as they make decisions about expanding operations and hiring. Workers need to balance their prospects for their wages keeping up with inflation or whether it's worth moving to find a better job. Your experience, and the experiences of your customers and the other people you serve, is an important input into the strategy the Fed will decide on for our long-term monetary policy framework.

We are going to consider everything we've learned in the past five eventful years since we last updated our framework, and we have learned a lot. But we can't do it without you, because you are who we serve. And so, since listening requires that one stop talking, I am going to wrap up by thanking everyone from the Omaha area and across the 10th District for agreeing to be part of today's gathering. I look forward to hearing what you have to say.

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[1] The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.