

THE BROOKINGS INSTITUTION
FEDERAL RESERVE GOVERNOR LISA COOK: THE OUTLOOK FOR THE
ECONOMY AND MONETARY POLICY

November 3, 2025
Washington, D.C.

WELCOME AND MODERATOR:

DAVID WESSEL
Director, Hutchins Center on Fiscal and Monetary Policy
The Brookings Institution

FEATURED SPEAKER:

LISA D. COOK
Board Member
Board of Governors of the Federal Reserve System

WESSEL: Good afternoon. I'm David Wessel, director of the Hutchins Center on Fiscal and Monetary Policy here at Brookings. I want to welcome everybody in the room and online. We're very pleased to welcome Governor Lisa Cook back to Brookings. She's been here before, and we're especially pleased to have her given that this is such an interesting time in the economy and in monetary policy. As you may know, but I'll remind you, Governor Cook has been confirmed twice by the US Senate and is serving a term as a Federal Reserve governor through 2038. There are some people that are trying to throw her off the Fed. They're not represented here today, but so far, the courts have kept her there, and she's still very much an active Fed governor, and so we're welcoming her today to talk about the economy and monetary policy. After her remarks, I'll join her on stage. I have some questions for her, and then we'll turn to the audience. So with that, Governor Cook.

COOK: Thank you, David. I appreciate the opportunity to speak again at the Brookings Institution. It is always an honor for me to return to the place where I held my first job as an aspiring economist. I had the good fortune to be a research assistant for the imminent economist and public servant, including as Vice Chair of the Fed, Alice Rivlin.

Early in my career, it was a formative, if not transformative, experience for me, and I remain grateful to her and to the Brookings Institution. Today I would like to speak to you about how I see the US economic outlook evolving specifically through the lens of the dual mandate given to the Federal Reserve by Congress to promote maximum employment and price stability.

Then I will discuss how my assessment of the outlook guides my thinking on monetary policy. I will start by acknowledging that due to the government shutdown, it is a challenging time to give an outlook speech. Federal statistical agencies, including the Bureau of Labor Statistics, the Census Bureau, and the Bureau of Economic Analysis have not produced many of the data I regularly use in assessing the economy, such as monthly employment data from BLS and the PCE price index from BEA.

The longer the shutdown lasts, the more data could be disrupted. However, we are not flying blind; the staff at the Federal Reserve and I use a wide variety of data from administrative sources and various private sector providers to continually evaluate the state of the economy in real time. That practice has become essential in recent weeks given the lack of official releases.

These data include alternative measures of inflation, labor, market activity and production, and spending. For example, states continue to report data on

unemployment claims and online job boards, and provide data on available positions. Various firms provide pricing data on a variety of products and services, including housing and vehicles, and offer information on credit card spending, the moods of consumers and businesses, and manufacturing and service sector output. In my first speech as governor in 2022, I encouraged the use of more high frequency, real-time data from the private sector, and I think this has borne fruit. Of course, the Reserve Banks in the Fed system are a rich source of statistical and anecdotal data, some of which are documented in the Beige Book report policymakers receive before each meeting.

In addition, I find broad outreach to business leaders, workers, nonprofits, and families around the country essential in understanding the state of the economy. I will rely on this outreach, these alternative data sources, and the latest available federal data when discussing my outlook today.

First I will turn to inflation. Based on the available data for September, it is estimated that the PCE price index rose 2.8% in the 12 months ending in September, significantly above our 2% target. Core inflation, which excludes the volatile food and energy categories, was also estimated to be 2.8%.

Both of these readings are as high or higher than their readings a year before. Propped up by an increase in tariff affected goods prices. My outreach to business leaders suggests that the pass-through of tariffs to consumer prices is not yet complete. Many firms have adopted a strategy of running down than inventories at lower price levels before raising prices.

Others have reported waiting until tariff uncertainty is resolved before passing increases on to consumers. New car models, clothing lines, and other products will be coming onto the market, and that process will continue to provide firms with an opportunity to level set prices. As such, I expect inflation to remain elevated for the next year.

Nonetheless, the effect of tariffs on prices in theory should represent a one-time increase. It is encouraging that most long-run inflation expectations, including from the New York Fed Survey of Consumer Expectations, are low and stable at this juncture when excluding tariffs. 12-month core PCE inflation through September appears to be about a half percentage point lower at about 2.3%, suggesting that underlying inflation has continued to make progress toward target.

My assessment is that inflation is on track to continue on its trend toward our target of 2% once the tariff effects are behind us. The big caveat is that tariff

effects must prove not to be persistent, and that monetary policy remains appropriately focused on achieving that goal. This is a point worth dwelling on for just a moment.

The FOMC's firm commitment to its inflation mandate is imperative to ensure that inflation does remain in check, as I do expect in my baseline forecast. So let me be clear, I am committed to reaching our 2% inflation target. Moreover, I will be prepared to act forcefully. If the tariff effects appear to be larger or last longer than expected, or if other evidence emerges that higher levels of inflation are becoming entrenched in expectations.

I will now turn to the labor market. We have less official data on the labor market, but the latest available indicators imply that the labor market remains solid, though gradually cooling. The unemployment rate edged up over the summer from 4.1% in June to 4.3% in August, a relatively low reading one would expect to see in a healthy economy.

To put 4.3% in perspective, the average unemployment rate over the 50-year period preceding the pandemic was 6.2% since August. More recent labor market indicators such as UI claims, job postings, and individuals' assessments of job availability signal little change to the August reading—at most, a small uptick. Taken together, the slightly rising unemployment rate indicates the labor market is softening but only modestly so.

I would be remiss if I did not mention slowing in payroll gains observed over the summer. In most cases, a sharp slowing in payrolls would suggest increasing slack and would generally be accompanied by an increase in the unemployment rate. However, in this instance, the slowing in payrolls can mostly be explained by a coincident decline in population growth due to immigration policy. Because they are currently driven by fluctuations in population growth, the payroll numbers do not provide a definitive signal about labor market slack. Therefore, it would be prudent for us to consult the other indicators I already mentioned.

It is important to recognize that there appear to be worsening outcomes for vulnerable and low-to-middle income (LMI) households. In the labor market, youth and black unemployment rates, both of which tend to be more cyclical than total employment, have steadily risen since this spring. Through the latest readings in August, the deteriorating labor market experienced by these two vulnerable groups mirrors other emerging strains and some households' financial health and balance sheets. Among LMI households, we have observed large increases in delinquencies, especially last year, and there is some evidence

that their spending has stagnated, in particular compared to the robust spending growth of their higher income counterparts. This is sometimes called a two-speed economy, when the well-off are doing well, and LMI and vulnerable households are not.

Monetary policy works by affecting conditions for the entire economy and is not well suited to produce specific outcomes for specific groups of people. Ultimately, I believe delivering on our dual mandate goals will produce the best outcomes for all Americans. Nonetheless, it is important for policymakers to monitor the two-speed economy.

Understanding the challenges faced by so many Americans underscores the reasons why we need to get monetary policy right. Vulnerable and LMI households are the ones who will be the first and most hurt if the labor market were to suddenly deteriorate or if inflation were to remain too high.

To turn to economic activity, recent readings are consistent with solid overall growth. Output has been supported by household consumption that is held up better than expected earlier this year. Yet what has been more striking is the strength of business investment. Business investment has been driven by investment in high-tech equipment and software, seemingly mostly related to AI.

As I have mentioned in previous speeches, that suggests to me that there is reason to be sanguine about future productivity growth. I see AI as a general-purpose technology, on par with the steam engine and the personal computer, that has the potential to transform the economy and boost productivity. I expect the sector to continue to provide support to output growth over the next few years, at least.

In the very near term, I see the federal government shutdown as weighing on activity this quarter. Furloughing federal workers and forgoing government purchases of goods and services, including those provided by contractors, directly lowers output in the public sector. And spillover effects to the private sector are worth considering.

Potential delays in government payments, permits, inspections, insurance provision, and other functions could slow certain spending and investment activities. And some small business contractors with very little cushion may never be paid and may ultimately close their businesses. I see both sets of effects as being largely temporary.

It is anticipated that they would unwind in the following quarter after the shutdown ends. In summary, after a temporary slowdown due to the government shutdown, I expect the economy to grow moderately over the medium term, supported by an AI productivity boom. I see the labor market as still solid, but I am highly attentive to downside risks. I see inflation as remaining somewhat elevated due to tariff effects and subject to upside risks.

Having articulated my outlook, I will turn to my current view of monetary policy. At the FOMC meeting last week, I supported the committee's decision to lower the target range for the Fed funds rate by a quarter of a point, to three and three quarters percent to four percent.

I viewed that decision as appropriate because I believe that the downside risks to employment are greater than the upside risks to inflation. I view the latest reduction in the Fed funds rate as another gradual step towards normalization. I see the current policy is remaining modestly restrictive, which is appropriate given that inflation remains somewhat above our 2% target.

At last week's meeting, I also supported the decision to conclude the reduction of aggregate securities holdings on the balance sheet on December 1. The long-stated plan had been to stop balance sheet runoff when reserves were somewhat above the level the committee deemed consistent with ample reserve conditions. In the several weeks ahead of our latest meeting, signs, such as an increase in repo rates relative to administered rates, did emerge implying this standard had been reached. These developments were anticipated as the size of the balance sheet declined and supported the decision to cease runoff. Looking ahead, policy is not on a predetermined path. We are at a moment when risks to both sides of the dual mandate are elevated. Keeping rates too high increases the likelihood that the labor market will deteriorate sharply. Lowering rates too much would increase the likelihood that inflation expectations will become unanchored. As always, I determine my monetary policy stance each meeting based on the incoming data from a wide variety of sources, the evolution of my outlook, and the balance of risks. Every meeting, including December's, is a live meeting.

Thank you again for the opportunity to return to Brookings. I look forward to our conversation, but before I answer your questions. I would like to briefly address an issue that may be on some of your minds. As many of you know, I am involved in an ongoing legal case. There are a number of people in this room and in this building who have reached out and been supportive in many ways.

I am beyond grateful for this support and multiple briefs filed by my very skilled legal team. Questions related to this case and its potential impact on the Federal Reserve have been addressed at length. Because the case is ongoing, it would be inappropriate for me to comment further today. I can say that it is the honor of my life to serve on the Board of Governors of the Federal Reserve System.

I will continue to carry out my sworn duties on behalf of the American people. I would be happy to address any questions you may have about my economic outlook. Thank you.

WESSEL: Thank you, Governor Cook. I wanted to pick up a little bit on your conversation about the December—I'll get to the December meeting in a minute—the last meeting of the FOMC. You did support the majority opinion. You made clear that you see the risks to the unemployment mandate as being greater than the risk to the inflation mandate.

But as you know, there are arguments on both sides, and I wonder if you could tell us, how did you think about this? How do you respond to the people who say inflation is well above target? We're not going to get to 2% in the next couple of months. The labor market has been better than we expect. So let's not cut interest rates now. And other people who say if tariffs are one-and we're closing, approaching our target and the labor market softening, we should have cut more. So how did you weigh those arguments to come to the decision that you did?

COOK: So I would take a step back and say that we have to meet the two mandates we have.

One is the employment mandate, and the other one is the price stability mandate. And certainly we're in a situation where these two are in tension. So I weighed the evidence with respect to the employment mandate. We see some softening in the labor market. We don't see extensive softening in the labor market.

We see progress towards inflation again. The tariff effects are adding about half a percentage point to inflation. So, I see us moving in the right direction. So given that we are likely moving in the right direction, I thought a 25 basis point cut was appropriate. But again, December is a live meeting, and I'm attentive to all the indicators that I mentioned and many others.

So it's a balancing act, and it always is.

WESSEL: What, so is there anything particularly you're watching for, to decide what to do in December?

COOK: I am, I'm looking at, at everything. There's not one particular thing. I look at a wide variety of data and look at the labor market, look at prices.

Certainly we want to see if tariff effects are persistent, to see if firms are waiting to raise prices, to see what they've done with inventory. So there's a lot to look at. There's a lot to anticipate with the December meeting coming up,

WESSEL: You made the point in your remarks that you have less than the usual amount of government data, right?

You have some private data, in the metaphor generating machine that seems to exist at the Federal Reserve Board, we now have competing metaphors on what to do in the fog. Chair Powell said, What do you do if you're driving in a fog? You slow down. Governor Waller said the fog might tell you to slow down. It doesn't tell you to pull over to the side of the road. You still have to go. So I'm wondering to what extent are, does the fact that we don't have as much data as usual lead you to be more cautious about moving rates? And to what extent is it irrelevant?

COOK: So, as a former econ professor, I think this is a great teachable moment about government data and sources that are alternatives to government data.

We use a lot of government data, and I said something about that in my speech, from BLS, from BEA, from the Census, from many different sources. But we also use a lot of alternative data from Indeed, ADP, Coality that used to be CoreLogic, from Zillow, from so many different, alternative data sources.

You'll remember at the beginning of the pandemic, we were watching OpenTable reservations very closely. So all of that is important to take into account. So the limitation is this, though, that many of those data sets, for example, ADP, are benchmarked to BLS data. So they're extremely important. And I spend the first two weeks of any econ class, actually any class I teach, on data sources and how to use data.

So I think that this is an important lesson about where we obtain data from, how we use them, and so on. And the Federal Reserve Banks, as I said, are a very rich source of data, whether we're talking about surveys or data collection. Or, contacts with our partners, with anybody in the economy.

WESSEL: So does the absence of government data lead you to be more cautious, or is it just you can get enough of a picture without it? How does it influence?

COOK: I think as the shutdown goes on, it will become more difficult. We don't have the latest unemployment data. Certainly we received some CPI data, but this will become more difficult going forward.

WESSEL: And I understand at least from the press accounts that ADP has kind of stopped supplying all the data. Is that a problem for you guys?

COOK: Well, ADP I think is coming out with its monthly data on Wednesday. So we will, we will use whatever is available, but I'm not a part of those data negotiations. I had a hard enough time negotiating data when I was a professor at Michigan State, so, you know, I'm not trying to get in the middle of this.

WESSEL: No, come on. You don't have enough controversy in your life.

Well, let me pick up a little bit on your comments on AI. It sounded like, you know, there's a big argument going on about AI. Is this the next big thing, the steam engine, the personal computer, the internet. Or is it a bubble? And we're going to be disappointed. You sounded like you're on the optimistic side, that you think that over the next decade or so we'll discover that we had a nice increase of productivity growth from AI. Is that, am I reading you correctly?

COOK: I think for the most part, but let me state it clearly. I think that generative AI has the potential to help increase the arrival rate of ideas. And as I've said, in 20 years of working on the economics of innovation before I got to the Fed, this could be a game changer with respect to productivity growth.

I want to be very careful. We don't know how it's going to play out. You saw the National Academies report that had vastly different estimates of what the effect of AI is going to be on the economy. So I'm still skeptical, but I am also very attentive to the potential for AI to have large and negative labor market consequences.

So I'm, I'm watching all of it, but I instinctively see the potential with respect to innovation.

WESSEL: But, so bottom line, you think AI is a big deal. We don't quite know all the effects it's going to have, but--

COOK: Right.

WESSEL: Is that fair?

COOK: Yes. Yes. I think, I mean, given the way it's been used and the way all of us use it, whether we want to or not, because some search engines include it, whether, we want it or not, I think we're all being forced to use it and become more familiar with it.

And I think there are many levels of potential there.

WESSEL: And do you think that having a view about the potential for AI to increase productivity has a role to play as you make monetary policy decisions? Or is it kind of exogenous?

COOK: No, I think it absolutely does. If we can get more stuff out of the economy with fewer inputs, it seems like it should have a positive effect on inflation in the long run. I mean, the problem with thinking about the effects of AI, one of the problems, is that we don't know the sequencing of events. We don't know when these ideas will arrive. And I'm talking about we don't know when there will be widespread adoption.

WESSEL: Hmm. One of your roles at the board is to chair the committee on financial stability. And I wonder if you could talk about, where do you see the risks in financial stability now as we look over this pretty interesting environment we're in? I want a little preview of the financial stability report.

COOK: Okay. So you're asking the chair of the financial stability report, or the chair of the Financial Stability Committee, where the risks are?

WESSEL: Yeah.

COOK: They're everywhere. They're everywhere. They're under every rock, and the rocks we haven't gotten to yet. So I mean the history of financial stability concerns is that the last episode is not going to predict the next episode, so you have to be attentive to everything.

You have to be attentive to layered leverage, for example, to private credit. And we're certainly attentive to those, and we're mainly concerned about vulnerabilities and risks to the financial system, and that's what we stay concerned about.

WESSEL: So, you mentioned private credit. Private credit still a relatively small slice of business credit, but it's been growing very rapidly.

COOK: Very rapidly.

WESSEL: And we know that sometimes things that start small and grow rapidly turn out to be a problem. How are you thinking about private credit? What are the things you're watching there? What should we be thinking about?

COOK: One of the things I'm thinking about is opacity and again, layered leverage, where these agreements exist. And, we are always trying to get more data to be able to understand these interconnections between the financial system and private credit. But yes, we're worried about anything that grows as rapidly as private credit has.

WESSEL: And if you were making a list of the top three or four things that you're watching that have potential to cause some financial instability, would private credit be on the list? Are there other things you'd put on the list?

COOK: Um, the financial stability report comes out--

WESSEL: I know. I'm trying to give you--

COOK: --comes out Friday.

WESSEL: I'm trying to help you, trying to help you get a little attention to it, you know, by telling people what page to look at.

COOK: 54. So there, okay, so I hope I don't get screamed at about this, but I think one of the most interesting things is that market participants believe that the most important concerns have changed completely in the last six months.

WESSEL: Interesting.

COOK: Yeah. So, so that's what you should look on--

WESSEL: What to, to what?

COOK: At page 54. Page 54, David.

WESSEL: Yeah. Let me ask you one final question before I turn to the audience. We all spend—I shouldn't say we all; people in this building spend—a lot of time thinking about the federal debt, the size of the federal debt, the trajectory of the federal debt. The amount of, the size of treasuries, the amount of treasuries that the Treasury has to sell.

And I'm wondering how much do you think about not only short-term fiscal, which is obviously has something to do with GDP growth, but how much are you thinking about the long-term fiscal thing when you think about what the future of monetary policy is?

COOK: So, I'll just echo part of what you're saying, that we've, various governors and the chair and previous chairs, have expressed concern about the trajectory of debt. So we don't typically wade into fiscal policy, but I think the trajectory is something that has been worrisome and that is not recent. So, certainly hope that that changes in the near future.

WESSEL: Great. All right. I'm going to turn to the audience. There are a couple of conditions I'm going to make. Okay, two or three questions. So Governor Cook can pick and choose. We are not going to entertain questions about Governor Cook's personal finances or the fine points of the legal thing, so you can ask them, but I'm going to tell you we're not going to answer it.

Let me start over here. If you wait for a mic, identify yourself and ask a question. Don't give a speech.

Audience question: Thanks, David. I'm Jonathan Pingle. Governor Cook. I was just curious if, one thing you could do is just flesh out a little bit more your assessment of the risks to the labor market.

I mean, you mentioned that non-farm payroll employment gains had stepped down. We are all aware of the slowing in population growth, but at the same time, the unemployment rate has risen along those months, U-6 by even more. Continuing claims are back up near the expansion peaks. I mean, I'm just kind of trying to get a sense... You were pretty clear on inflation, but if you could talk a little bit more about where you see the seriousness and severity of the risk to the labor market at the moment.

WESSEL: Thanks. Over here.

Audience question: Hi, Melissa Lawford from The Telegraph. I was wondering if you are concerned that there could be an intersection between those private

credit risks that you mentioned and what you were talking about with the two-speed economy. You know, for, I'm thinking about things like subprime auto lenders. If we see a lot of low-income households default on debt, does that connect with the strains that we could see in the private credit market?

WESSEL: Thanks, right there.

Audience question: Andrew Ackerman with the Washington Post. I guess I wanted to ask about regulatory policy that's been that's been loosened a bit or is loosening and what your views are on that, if you support those initiatives or it's something you just kind of defer to Miki Bowman on. Thanks.

WESSEL: Okay. We have three good questions there.

COOK: But you told me I could pick and choose.

WESSEL: Yeah, but I also didn't tell you that if you skip one, I might follow up. Okay. So the labor force--

COOK: Okay. Right. So again, we consult lots of data, real-time data on the labor market. For example, hiring is slowing. So, we see this from Indeed, from job postings. So, we're looking at a panoply of data, and these are real time. We're not waiting on the unemployment report. So, there's reason to be concerned because there's a slight uptick in the unemployment rate over the summer. We saw that and we will keep watching it, but I think that there are many job market indicators that are available in real time that we are consulting.

WESSEL: My impression is, I think you said this, but if not, others have, that the labor market hasn't deteriorated as much as we had feared, at least not so far. Is that, is that your reading?

COOK: Yeah. Right.

WESSEL: But we're, we don't know where it's going.

COOK: Exactly.

WESSEL: So the question about is there an interaction between private credit and the fact that low-to-moderate income people are straining, and a lot of subprime borrowing there. Do you think there's an issue there?

COOK: Certainly we're watching this closely because, you know, these are subprime borrowers, and I mentioned in my remarks, that these households had seen some stress, especially last year.

So yes, we're watching this very closely. And you know, we're watching it closely. We can't generalize about two or three firms. We can't, but we can certainly keep looking to make sure that it's not more general. So that's what we're doing.

WESSEL: And it sounded to me from what you said before is where your focus is to what extent is the private credit system interacting with the banks so that-- ,

COOK: The financial system yes. Right. Yeah.

WESSEL: And so--

COOK: I'm worried about how that is often obscured.

WESSEL: Right. Yeah. Right, right. And, there have been some changes, proposed changes to regulatory policies and cutbacks in supervision. Do you have views about that, or are you deferring to the vice chair on that mostly?

COOK: Well, certainly I would like to show deference to the vice chair for supervision. She's just newly in this position, and I certainly support our regulatory mandate and I'd like to make sure that it is carried out to the fullest extent possible.

WESSEL: It's the gentleman over here. Is there someone else? Raise your hand so we can get the mic going your direction. Over there in the back.

Audience question: Uh, Hamid, very quick question. Many--

WESSEL: Can you identify yourself?

Audience question: Yeah. Hamid [inaudible], a former IMF staff retired from the front. I was wondering, many countries around the world look to the US Federal Reserve as a model of central bank independence, and they draw lessons from it for conduct and monetary policy. How, what do you think that means for these countries looking ahead? Thank you,

WESSEL: Howard.

Audience question: Hello, Howard Schneider with Reuters. There's an interesting aspect to the debate right now regarding--

WESSEL: You could stand up, Howard.

Audience question: Oh, okay. Well, that's too formal!—regarding financial markets with, with one argument that, you know, equity markets are strong, corporate bond spreads are narrow. Lots of indicators that policy isn't weighing too hard on the financial sector. And other arguments that are starting to be made about stress in certain parts of private credit, in lower income markets. Subprime auto got mentioned at the chair's press conference. And that there may be some stress underlying all this that's getting masked and perhaps not, as apparent to the Fed. I'm wondering how you come down on that and whether the read from financial markets is that policy is maybe not as restrictive as one might think or not.

WESSEL: There's another one.

Audience question: Hi, Michael Redmond from Medley Advisors, and I was just curious what you think about the interaction between immigration policy shifts and housing supply and demand, in particular housing inflation.

COOK: Okay. So, should I just start, I'll start in order. With respect to Fed independence, I'm not going to say much, but I support it.

Alright, financial conditions. So yes, there is this tension with respect to, you know, onset valuations being quite high risk, premium being towards the low end, the historical low end, of their ranges. But I still see monetary policy is being moderately restricted. So until conditions change, I don't think that they're too loose or too restrictive. But I will again rely on the incoming data when there's a decision to be made. And, you know, I think it's even more important to be timely and make sure that I'm using the current up-to-date incoming data in December, the December meeting.

WESSEL: And immigration and what role it plays in housing and stuff.

COOK: So I am, when I'm thinking about immigration, I'm typically thinking about the labor market and the, what I said in the speech, sort of the, the demand side and the supply side. And that's why we're not seeing labor market slack. So I think that that's the major role that I see immigration policy playing.

WESSEL: Can I ask you to just give us some insight into, before you have a FOMC meeting--

COOK: Mm-hmm.

WESSEL: What are the kind of things that you do to prepare? What is this like, is it, you sit there and read all the memos that the staff writes and they get paid by the word, or how does it work?

COOK: So I'm really going to contest that last point. Okay. You know, I wrote this paper, I wrote this paper on incentives for Soviet inventors in the 1960s that led to this productivity slowdown, and they were paid by the word. That is, that is an absolute bad policy. Absolute bad policy. So we're put in study hall.

I know, okay, there are a lot of staff members who are here. We're put in study hall for about a week and a half before every meeting. So our calendars are cleared. We have lots of briefings. I spend a lot of time interacting with people in the private sector, with businesses, with nonprofits, with families, to hear from them, and financial institutions, of course, hearing from them about the current state of the economy. We receive a lot of aggregate data and a lot of analysis of aggregate data. What I want is the mortar between the bricks. I want to hear what the stories are, what should I be looking for? So, because these data, of course, appear with a lag, the aggregate data appear with a lag.

So that's what I am typically doing. So before the blackout period, I'm scurrying to make sure that I have these conversations. But I also am constantly reading research papers, the same research papers that I would've been reading as a professor, but I'm also reading more applied research, research from the various reserve banks. But I'm trying to figure out at every juncture what's going on in the economy and how that would affect my outlook.

WESSEL: So how does this work? You just like go through the phone book and call Mabel and John Smith and say, how's it going?

COOK: Phone book. What's the phone book?

WESSEL: How do you, how do you have this interaction with ordinary businesses and people?

COOK: Well, I used to, before current events, I used to just like get lost in Virginia and walk into a diner and just listen to people talk about how they

experience inflation. I can't do that anymore. But I interact with everyday people, and we have a lot of engagement that goes on at the Reserve Banks.

So I go to the reserve banks as much as I can. So they're calling up people. And their Rolodex, which I think is of the same vintage as a phone book, and we have lots of contacts. We, they, have lots of contacts in Federal Reserve Bank. So, they connect us before every FOMC meeting.

And sometimes again, I go out to these various places and meet people where their businesses are.

WESSEL: Was the question over here? The mic's coming.

Audience question: Thank you. Kemi Osukoya from the Africa Bazaar Magazine. My question relates to inflation. You mentioned the current inflation is being propelled by the tariff-affected goods and that these affects should be temporary. What indication? Will the Fed monitor to determine whether these tariff effects have become persistent?

And how quickly would, how quickly will policy respond if they start feeding into broader inflation expectation?

WESSEL: Thanks. Back.

Audience question: Hi, I am Amara Omeokwe with Bloomberg News. I just wanted to push you a bit on the labor market because you described it as still solid, and you described the slowdown in payrolls as mostly attributable to immigration policy. So could you just unpack where you see the risk coming from? I know this was asked, but could you just unpack where you see the risk coming from, and how likely you think it is that those risks will actually materialize?

WESSEL: You want tot take those two?

COOK: Sure. So with respect to tariff effects, we are certainly watching this extremely closely and we're looking at different product categories to make sure that we understand how tariffs are affecting those product categories. We're asking business leaders and small businesses how tariffs are affecting, actually, we're asking everybody, so we're asking nonprofits and families those same kinds of questions.

So, you are asking how quickly they will play out. It depends on what firms do. I mean, will they wait to wait to raise prices all on January 1st? We don't know. So this is something that we're watching very closely. We're also watching inflation expectations very closely. So, that's the New York Fed Survey of Consumer Expectations. It is Morning Consult. I mean, lots of the Conference Board. Lot of indicators of inflation expectations. Now the Michigan Survey is quite different from the others because inflation expectations rose and they've stayed elevated in the Michigan Survey. But in that sense it's an outlier.

But we'll continue to monitor this. But I mean, the others, Morning Consult, the New York Survey of Consumer Expectations, are more in line with market-based expectations like the five year forward rate. So I think that we are, I think those are more consistent, but we keep watching all the data.

We have lots of elements of the dashboard, so we keep watching these and as I said in my speech, I would be ready to act if this turns out to be much more persistent.

WESSEL: Great. And then, Amara's not satisfied with your answer on the labor market. So how, how serious are the risks to the labor market, and how worried are you that the labor market's disintegrating here?

COOK: I'm worried about the labor market because of something that we know is a statistical regularity of the labor market. It can turn very quickly, it can deteriorate very quickly. There can be non-linear effects. So I'm watching this very, very carefully. And again, I think you all are asking me for one particular series, but we look at a panoply of them, look a lot of them and there have been announcements of layoffs, for example.

But the announcements have to feed their way into the data for us to actually see them. They can't be just announcements. So sometimes, for example, the Challenger Gray and Christmas data are, you know, their announcements of layoffs, but they may not materialize. And in certain sectors we've heard these announcements, but again, they have to feed through the economy. We've also heard threats of employers, for example, saying that if you don't learn the AI tools, then you're going to be dismissed. You're going to be laid off. So we have to see that taking hold. That could just be a public threat and to get people to adopt these tools or for some other reason. But we have to pay attention to the actual layoffs, for example.

WESSEL: So it sounds to me on these two questions, I want to make sure, I understand one, you're watching inflation expectations, but so far you don't see a problem there. But if you see a problem, you're prepared to act.

COOK: Yeah. Right.

WESSEL: And on the labor market, you're saying, yes, there's some softening. But it doesn't feel like you're saying there's a three-alarm fire yet, but you're aware that there's a risk of that?

COOK: Absolutely.

WESSEL: All right. I'm going to close with one if you don't mind.

COOK: I'm going to say again, there are risks to both sides of the dual mandate, and this is a teachable moment. Like one day if I ever get back in the classroom, I don't want to do so too soon. Just this is a teachable moment because the dual mandate is in tension.

WESSEL: Right, right.

COOK: And there are risks to both sides. So I'm attentive to both sets of risks, and I will keep monitoring the labor market data we have, the inflation data we have and that, that we will obtain. And I hope that will be soon.

WESSEL: I want to close by asking you, I hope you don't mind, a personal question.

You accepted a nomination to be—no, it's safe, don't worry!—you accepted a nomination to be a member of the Federal Reserve Board. You had a nice teaching job at Michigan State. You had, I can only imagine, was an unpleasant confirmation hearing. And now you've had this controversy. And I wonder what you say to young people about going into public service, are you glad you did that? And despite all the stuff that's gone on, and how would you, how would you say to some young person about, is it worth all the scrutiny and everything?

COOK: I would say that it is definitely worth the scrutiny that your motivation—okay, let me start at a different place. People are motivated to do different things in their lives, and I think that I've been motivated to do public service given my family's history, for example, in the Civil Rights movement and my participation in it myself, and then I had to learn to have a thick skin if I

thought the principle was worth pursuing. And I think that independence, as you were saying, is something worth pursuing.

And I think that you have to have the skills first. And that's what I have to come back to with a lot of young people who ask me the question. You have to have the skills first. You have to be competent first so that you make yourself available in this labor pool. To possibly be asked at some point, and there's no guarantee that you'll wind up as a Fed governor or in the NFL, or anything like this. So you have to be prepared first. You and I have been working on mentoring economic students to do all kinds of work, not just monetary policy, just to go to grad school.

So I am still committed to doing that, still committed to mentorship, and I know it's difficult for them to watch and to take me seriously when I say it is worth doing, but I think this too shall pass. So I will continue doing this work on behalf of the American people. I pledge to them, and we have to do this in federal jobs, that I will execute this charge given by Congress to protect them via the dual mandate. And that's what I'm going to continue doing and that's what I would encourage them to do as well.

WESSEL: Great, so please join me in thanking Governor Cook.