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“Supply Factors and the Evolution of the Economy”

2025 Razin Economic Policy Lecture
Georgetown University

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The views expressed today are my own, not necessarily those of my colleagues on the Federal Reserve Board of Governors or the Federal Open Market Committee.

Key Takeaways

1. Supply improvements have played an important role in helping to support economic activity to date, while bringing inflation down. Key drivers have been increases in labor supply, and sustained growth in output per hour.

Recent work by Boston Fed researchers illustrates the importance of positive supply developments since the second half of 2022 in the disinflation process.

2. Looking ahead, Collins expects supply factors will continue to play a key role in the economy's evolution. This includes both the potential for continued productivity gains as well as some economic headwinds from new supply developments, such as reduced population growth and an increase in firms' input costs from tariffs.

Collins notes that "It will be difficult to determine the net effect of these supply developments." However, she expects that the negative supply effects will weigh on the economy this year.

3. Output has remained on a solid, if slower, trajectory … but the outlook for both economic activity and inflation remains clouded by significant uncertainty, as well as competing risks.

The labor market remains at or near full employment. Inflation – though significantly down from its 2022 peak – is still elevated. And recently announced large and broad-based tariffs could raise inflation at least over this year, while slowing the pace of economic activity.

4. Periods of high uncertainty like we are seeing now can also have negative demand effects, as households and firms become more hesitant to spend.

Indeed, Collins notes that a "wait-and-see" attitude has become commonplace among stakeholders in her Fed District.

5. Collins sees monetary policy as currently "well positioned to address a wide range of potential economic outcomes in this highly uncertain environment," with competing risks. She believes that "maintaining the current monetary policy stance seems appropriate for the time being."

Given the likely evolution of inflation and real activity and the related risks to both, policy could face challenging tradeoffs. Setting appropriate policy will potentially require balancing competing objectives and will depend on the economy's actual and expected distance from the FOMC's full employment and price stability mandates.

6. Collins notes that "…policy should help guard against the risk that price-level increases related to tariffs destabilize inflation expectations." Further monetary policy normalization will importantly depend on having sufficient confidence that the tariff induced inflation will not persist, and on the stability of longer-run inflation expectations.

"It may still be appropriate to lower the federal funds rate later this year. But renewed price pressures could delay further policy normalization, as confidence is needed that the tariffs are not destabilizing inflation expectations. With elevated inflation, the signal would have to be compelling to take preemptive actions against the risk that activity weakens by more than expected."

My thanks to Professor Vroman for the introduction, and Chair Ludema and Dean Sobanet for their warm welcome. It is a great pleasure to be back at Georgetown. And the Razin Prize and lecture is, of course, near and dear to my heart. Let me especially acknowledge Assaf Razin, the distinguished international economist, and thank him for being here with us, as we honor the memory of his son Ofair, for whom I served as dissertation advisor before his passing in 1996.

Let me also congratulate Tracy Xu on winning the 2025 Razin Prize for the best research paper by an advanced graduate student – with congratulations as well to her advisor, Professor Mukoyama. Tracy's paper explores the impacts of restrictions on labor mobility in China and the resulting potential mismatches between labor supply and demand, with implications for productivity and output. My remarks today will focus on a very different economy and part of the world, but will also explore the importance and impact of supply-side developments.

I will begin with two important disclaimers. First, I always mention that my remarks are my own and may not reflect the views of colleagues at the Board of Governors, on the Federal Open Market Committee, or at other Reserve Banks.

Second, I'd like to acknowledge that any discussion of the economy today must take into account the evolving policy landscape. Here, I'll refer to Federal Reserve Chair Jay Powell's comments last Friday,[1] observing that the new administration is in the process of implementing substantial policy changes related to trade, immigration, fiscal policy and regulation. It is not the Fed's role to comment on policies for which we are not responsible. "Rather," he said, "we make an assessment of their likely effects, observe the behavior of the economy, and set monetary policy in a way that best achieves our dual-mandate goals" from Congress.

Economic Conditions

With that in mind, let me turn to the economy. First, the big picture: output appears to be still on a solid, if slower, trajectory; and a broad set of indicators suggests that the labor market remains at or near full employment. However, inflation – though significantly down from its 2022 peak – has remained elevated. And recently announced tariffs, which are large and broad-based, are likely to raise inflation this

[1] Chair Jerome H. Powell (2025), "Economic Outlook," speech at the Society for Advancing Business Editing and Writing Annual Conference, Arlington, Virginia, April 4. https://www.federalreserve.gov/newsevents/speech/powell20250404a.htm

year, while slowing growth. It is an understatement to say that the outlook for both economic activity and inflation is clouded by significant uncertainty, as well as competing risks – as I'll discuss shortly.

Understanding how the economy has evolved is critical for assessing its likely trajectory. While both the demand side and the supply side have played important roles in the aftermath of the pandemic, in my view, supply-side factors are often underappreciated. And so, my remarks today will highlight key supply-side dimensions – first, their role in how we got to where we are, then their likely impact going forward, and finally the implications for appropriate monetary policy. I'll refer to several charts along the way to help illustrate my main points.

Figure 1 sets the stage for my discussion. On the left, it shows the evolution of the unemployment rate – a good indicator of overall labor market conditions. The right panel shows the Fed's preferred measure of inflation, calculated using the personal consumption expenditures (PCE) price index. The blue line is 12-month total (or "headline") inflation; the green line is the Fed's 2 percent target; and the red line is "core" inflation, which excludes the volatile – though obviously important – categories of food and energy.

As the figure highlights, unemployment increased sharply at the onset of the pandemic. But unlike in previous downturns, it also dropped quickly, as the economy reopened. Eventually, the unemployment rate fell below the level that I would consider consistent with price stability. More recently, it has moved up and – as I noted earlier – now appears to be in line with full employment conditions. Regarding prices, inflation surged in 2021 as demand outstripped supply. But as demand and supply have come into better balance over time, inflation has declined notably – though it's not yet back to the Fed's 2 percent target.

Positive supply developments were essential to the healthy economic conditions early this year. We can see this by looking at real GDP, where trend growth has been notably faster in recent years than it was in the years leading up to the pandemic. The solid line in **Figure 2** shows the evolution of real GDP since 2018, including the sharp pandemic drop and the subsequent rebound. It's interesting to see that at the beginning of 2019, the median estimate of Federal Open Market Committee (FOMC) participants was for real GDP growth to average 1.9 percent per year over the long run – this pace is illustrated by the blue dashed line.[2] However, actual output growth has clearly exceeded that rate.

Since the economy is arguably at full employment now – and was likely near full employment in the years immediately prior to the pandemic – it stands to reason that GDP is close to its potential and was similarly close to its potential in 2018. If so, trend GDP growth over this period was about 2.4 percent, as shown by the red dashed line. This is half a percentage point faster per year than the pace

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[2] See the March 2019 FOMC Summary of Economic Projections (available at: https://www.federalreserve.gov/monetarypolicy/files/FOMC20190320SEPcompilation.pdf).

expected in 2019. Two key factors have contributed to this faster pace: an expansion in labor supply and a pickup in labor productivity growth. These are themes I'll turn to now.

As **Figure 3** shows, an expanding labor supply has resulted in appreciably greater payroll employment gains. As with output growth, I'll make a reasonable assumption that employment growth is close to trend now and was close to trend right before the pandemic. If so, then from 2018 to 2024, trend growth averaged about 130,000 jobs per month, as shown by the red dashed line. This is a significantly faster rate of job creation compared with the average pace of about 90,000 jobs per month that prevailed from 2007 to 2018, shown by the dashed blue line.

While a lot more could be said about the developments behind these labor supply gains, I'll just mention a few key points. Increased immigration was a very important factor, which helped to offset slower domestic labor supply growth stemming from the aging of the native population and pandemic-induced early retirements. Higher labor force participation, especially among 25- to 54-year-olds, also played a key role. It's worth noting that this rise in prime-age labor force participation was evident across racial and ethnic groups and was especially pronounced among women.[3]

The second factor supporting faster trend economic growth has been a step-up in labor productivity growth. The solid line in **Figure 4** shows one measure of labor productivity: output per hour worked in the nonfinancial corporate sector. Before the pandemic, this measure grew an average of about 1.2 percent per year, as shown by the blue dashed line.

In fact, concerns about anemic productivity growth were widespread from the mid-2000s onward.[4] But as the red dashed line shows, trend growth in output per hour in the nonfinancial corporate sector appears to have risen notably, possibly above 2 percent, since the end of 2019.[5]

The figure also highlights the large swings in productivity early in the pandemic recovery. The initial productivity surge largely reflects the much greater contraction in output experienced by customer-facing industries (which typically have lower pay and productivity). In this respect, the surge mostly

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[3] For additional details on these labor supply developments, see among others, Garcia-Jimeno, Camilo, and Luojia Hu (2024), "Female Labor Force Participation in the Post-pandemic Era," Chicago Fed Insights, July; Foote, Christopher L., (2024) "Quantifying the Recent Immigration Surge: Evidence from Work-permit Applications," Federal Reserve Bank of Boston Research Department Working Papers No. 24-15; and Edelberg, Wendy, and Tara Watson (2024), "New Immigration Estimates Help Make Sense of the Pace of Employment," Brookings Institution, March 7.

[4] See, for example, *The Rise and Fall of American Growth*, by Robert Gordon.

[5] Measures of output per hour paint somewhat different pictures of the recovery in productivity since the pandemic across different segments of the economy. However, the trend appears to have been faster in the important nonfinancial corporate sector, which accounts for a large portion of the value added of the economy.

captures a temporary shift in the composition of output across industries. This effect was likely compounded by some firms overreacting to the pandemic shutdown, by making excessive layoffs.[6] As the economy reopened and workers were rehired, these effects waned. However, as the chart shows, labor productivity has continued to expand at a fairly strong pace.

At this point, it is not entirely clear which forces are driving these productivity gains – or how persistent they will prove to be. **Figure 5** shows two of the factors that likely played a role**.** The pace of new-business formation, shown in the left panel, has picked up noticeably. This type of business "dynamism" has been connected to innovation and productivity gains.[7] In addition, as shown in the right panel of **Figure 5**, job turnover – as measured by the quits rate from the Job Openings and Labor Turnover Survey (JOLTS) – increased appreciably as we came out of the pandemic. While some of the increase in quits in late 2020 and early 2021 may have resulted from workers leaving the labor force, the sharp rise later in 2021 and in 2022 likely reflects improved employer-employee matching.[8]

Firms have also increased their use of automation and other labor-saving technologies. Initially, this was driven by a need to sustain production amid severe labor shortages. In earlier conversations with contacts around New England, I heard examples of shifts to new business processes and incorporation of more established technologies. But more recently, I have been hearing about experimentation related to artificial intelligence (AI) – and there seems to be increasing optimism about potential production enhancements from these technologies. Indeed, more firms are now moving from researching and testing to actual implementation, and I will have more to say about this in a moment.

So far, I have illustrated the supply improvements using different linear trends. However, I did this for simplicity – there is no reason to assume linearity.[9] History has shown that there are periods when productivity growth steps up more quickly – and that could certainly happen again.

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[6] For further details on productivity early in the recovery, see, for example, Gordon, Robert J., and Hassan Sayed (2022), "A New Interpretation of Productivity Growth Dynamics in the Pre-Pandemic and Pandemic Era U.S. Economy, 1950–2022," NBER Working Paper 30267.

[7] For further details, see, for example, Decker, Ryan, and John Haltiwanger (2024), "High Tech Business Entry in the Pandemic Era," FEDS Notes, April 19; Decker, Ryan, John Haltiwanger, Ron Jarmin, and Javier Miranda (2014), "The Role of Entrepreneurship in US Job Creation and Economic Dynamism," *Journal of Economic Perspectives* 28(3): 2–24.

[8] By early 2024 quits rate had returned to their pre-pandemic range, possibly suggesting that job reallocation might play a smaller role in productivity growth going forward.

[9] Indeed, some of the supply-side improvements have likely occurred more recently. In particular, work permit applications surged in 2023 and 2024 as shown in Foote, Chris (2024), "Quantifying the Recent Immigration Surge: Evidence from Work-permit Applications," Federal Reserve Bank of Boston Working

The supply improvements, especially those related to productivity, also appear to have supported economic activity through other channels. In particular, they likely contributed – at least prior to the recent financial market turbulence – to positive market sentiment, as reflected in high stock prices and tight credit spreads by historical standards.

These developments, in turn, resulted in financial conditions that did not exert undue restraint on the economy – despite monetary policy that has been restrictive since 2023. These generally accommodative financial conditions – along with lingering support for households from pandemic-era fiscal policies and firms' healthy balance sheets – helped to maintain private spending in the face of higher interest rates. With only modest restraint from monetary policy given these tailwinds, together with the supply-side improvements I have discussed, GDP growth has been healthy amid declining inflation.

Turning to inflation developments, disinflation was particularly pronounced in 2023, then slowed somewhat in 2024. This is highlighted in the left panel of **Figure 6**, which shows the 12-month percentage changes in total and core PCE prices. Recent work by Boston Fed researchers breaks out the contributions of supply and demand factors to inflation and illustrates the importance of supply developments during this period.[10]

The right panel of **Figure 6** plots 12-month core PCE inflation and the 12-month percent change in the supply-driven component of inflation, as estimated by my staff. The figure shows that during 2022, negative supply effects – such as supply-chain bottlenecks – likely contributed more than 3 percentage points to a core PCE inflation rate that was running above 5 percent. But in 2023, the easing of these bottlenecks and the improvements in productivity played an important role in the inflation decline.

In 2024, the supply-chain constraints had largely waned, and supply and demand were in much better balance. The limited disinflation during this period was likely due to the lingering effects of large pandemic-related shocks still working their way through the economy.[11]

Paper 24-15. Moreover, labor productivity gains have been more pronounced recently, as illustrated in Figure 4.

[10] The analysis uses disaggregated data on PCE prices and quantities to decompose inflation readings into supply and demand factors, as well as a remaining "idiosyncratic" component. This statistical approach is based on the notion that when demand increases, prices rise because people want to consume more – but when supply contracts, prices rise because firms cannot produce as much. See Leiva-León, Danilo, Viacheslav Sheremirov, Jenny Tang, and Egon Zakrajšek (2025), "Inflation Factors"; Leiva-León, Danilo, Viacheslav Sheremirov, Jenny Tang, and Egon Zakrajšek (2025), "Parsing Out the Sources of Inflation," Federal Reserve Bank of Boston Current Policy Perspectives 25-5.

[11] Shelter inflation, which tends to adjust slowly to new rental market conditions, is a prime example. Rents of tenants renewing existing leases have taken a long time to catch up to the higher 'market rent' levels paid by tenants who have moved. This dynamic contributed importantly to persistently elevated

Summarizing – and Looking Ahead

The developments that I have described so far have resulted in an economy that has been at or near full employment. And the stability of the unemployment rate in recent months suggests that the economy has been growing near trend. But inflation has remained somewhat above the Federal Reserve's 2 percent target. In this context, if inflation expectations remain well-anchored, a policy stance that continues to exert some (modest) restraint on demand should preserve healthy labor market conditions, while ultimately helping to facilitate a return of inflation to target. But as I emphasized at the outset, the announcement of broad-based new tariffs will push up inflation, while slowing growth. Furthermore, high continuing uncertainty – especially about trade and other policy developments – is significantly clouding the outlook.

Looking ahead, I believe that supply factors will *continue* to play a key role in the evolution of economic activity and inflation. Starting with real activity, I see the potential for both positive and negative supply effects.

On the negative side, one factor that will slow the pace of economic activity is the restraint on supply from slower population growth tied to reduced immigration.[12] Higher tariffs will also act as a negative supply shock, as domestic firms that rely on imported intermediate goods will see an increase in costs.[13] The likely result will be lower output, and reduced hiring and capital expenditures. It is premature to assess any potential offsetting implications from onshoring.

On the positive side, as I mentioned earlier, many companies remain optimistic about the potential productivity gains from automation and increased use of AI-based technologies. While it is too early to quantify the potential benefits of these technologies, some early signs are worth highlighting. For instance, the growing focus on automation is evident from the notable recent rise in the number of AI-related mentions in publicly listed companies' earnings calls. The left panel of **Figure 7** shows overall references to automation as a share of total words in these earnings calls. The right panel highlights a

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shelter inflation readings. Recently, however, we have seen a significant moderation in housing inflation, which suggests that this catch-up process may have run its course. Of course, while shelter inflation has fallen, shelter prices themselves remain high.

[12] This negative labor supply effect could take some time to materialize as there is currently still a substantial backlog of work permit applications from immigrants already in the country. For more details, see, for example, Edelberg, Wendy, and Eileen Powell (2025), "Work Permit Applications Suggest Prior Immigration Is Still Pushing Up Labor Supply – for Now," Brookings Institution, March 13.

[13] See Barbiero, Omar, and Hillary Stein (2025), "The Impact of Tariffs on Inflation," Federal Reserve Bank of Boston Current Policy Perspectives 25-2. The work highlights the importance of this intermediate imported goods channel in some sectors such as pharmaceuticals, hospital services, food services, and motor vehicles.

few industries where mentions are particularly elevated – starting with information (the blue line), professional, scientific and technical services, and most recently, retail (the red line).

Industries with more frequent mentions of AI investments and adoption also appear to have experienced somewhat higher growth in real output per hour over the 2022–2024 period. This is illustrated in **Figure 8**, which depicts the correlation between mentions of AI on the horizontal axis and productivity gains on the vertical axis, by industry. The industries I just highlighted are the three dots at the top right of this chart.

In addition to productivity enhancements, there could be further supply improvements from other developments. These could include changes in corporate tax policy and deregulation that raise the supply of capital and potentially lower costs for some firms.

It is challenging to determine the *net* effect of these supply developments, especially because at this point, we still do not know all the details of government policy changes and their impacts. Some of the more positive developments may be realized over time. However, I expect that in the near term, the negative supply effects I have discussed will weigh on the economy.

In addition, *demand* developments could mirror the timing of these supply-side effects. In particular, financial market support to households and firms should wane in the near term, especially if the recent tightening of financial conditions, from lower stock prices and wider credit spreads, continues.[14] Furthermore, and importantly, periods of high uncertainty like we are seeing now can also have negative demand effects, as households and firms become more hesitant to spend. Indeed, a “wait-and-see” attitude is now prevalent among stakeholders in the New England region.

Quantifying this effect is difficult, although it is clear that current levels of economic- and trade-policy uncertainty, as shown in **Figure 9**, are very elevated by historical standards.[15] In this chart, the left panel shows a measure of overall policy uncertainty, while the right panel shows a measure focused on trade policy uncertainty, which has reached an all-time high. And while lower taxes for businesses and households could boost demand, this effect is likely to play out over a longer horizon.

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[14] In this context, it is also worth noting that firms’ cash holdings have returned to more normal levels, and many businesses will need to refinance existing debt at higher interest rates.

[15] These data are based on work by Scott Baker, Nick Bloom, and Steven J. Davis that quantifies newspaper coverage of policy-related economic uncertainty along several dimensions. The most recent data are for March 2025. For more details, see, https://www.policyuncertainty.com/index.html.

The Outlook

Thinking about supply and demand developments together, I see the potential for demand to slow more than supply. This would result in GDP growing below an already slowing trend in 2025, and the unemployment rate rising somewhat. And we should expect reduced GDP growth early this year from the import surge to get ahead of tariffs, which should start unwinding and boost GDP over the next few months. Over the medium term, as demand and supply improve, there could be more scope for faster growth. But more adverse scenarios for real activity cannot be ruled out.

Turning to price developments, core PCE inflation should increase this year, before gradually reverting to the Fed's 2 percent target over the medium term. I see this high inflation as mostly tied to the expected impact of tariffs, given announced increases that are larger and more broad-based than anticipated.

While we do not know exactly how the tariffs will play out, a scenario with an effective tariff rate somewhat above 10 percent would raise the core PCE price level by a cumulative 0.7 to 1.2 percentage points with most of the effect likely occurring this year. If correct, this would result in core PCE inflation possibly running well above 3 percent this year.[16] This estimate is based on analysis by my staff that incorporates tariff effects on both directly consumed imported goods, and imports used in domestic production. These imported intermediates account for 44 percent of total U.S. imports in final consumption, which are used by a wider range of domestic producers than many realize.[17]

There is, of course, considerable uncertainty around these estimates. The administration's policies are still evolving. The ultimate impact of the tariffs will also depend crucially on the degree to which firms pass increased costs on to consumers – and the extent to which our trading partners retaliate.

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[16] However, I'll note that a survey of small and medium-sized businesses by Fed staff at the end of 2024 suggested that pass-through of tariffs into prices of goods and services may take some time – respondents indicated up to two years – and may not be completed by the end of this year. The survey was conducted before the new administration took office and before the announcement of tariff details. See Andrade, Philippe, Alexander Dietrich, John Leer, Raphael Schoenle, Jenny Tang, and Egon Zakrajšek (2025), "Small and Medium-sized Businesses' Expectations Concerning Tariffs, Costs, and Prices" Federal Reserve Bank of Boston Current Policy Perspectives 25-7. Available at: https://www.bostonfed.org/publications/current-policy-perspectives/2025/smb-expectations-concerning-tariffs-costs-prices.

[17] For instance, final goods account for most of the imports for garments, and about a third of the imports for new motor vehicles. But imported intermediates account for about 90 percent of imports for hospitals and nursing home services.

Recent inflation data have already been somewhat elevated despite some moderation shown in this morning's March CPI numbers. **Figure 10** highlights some evidence suggesting that recent PCE price increases have been greater in goods categories that are more likely to be impacted by tariffs. The figure shows the change in one-month inflation rates from January to February for different PCE goods and services categories on the y-axis, with the categories ranked by their direct tariff exposure on the x-axis. The figure highlights that PCE inflation increased more in February in those categories with greater direct tariff exposure.[18]

Monetary Policy

Against this backdrop, I see monetary policy as well positioned to address a wide range of potential economic outcomes in this highly uncertain environment. The current federal funds rate should continue to exert some restraint on the interest-sensitive components of demand, such as residential and business investment. It should also have a stronger effect on some households now that the labor market and households' balance sheets have normalized. And the 1 percentage point easing of the policy rate near the end of last year should avoid undue restraint, helping to preserve labor market conditions that are still healthy overall.

But in the near term at least, policy also will have to manage risks to the outlook, which I see as moving further to the upside with respect to inflation, and to the downside with respect to economic activity. In particular, policy should help guard against the risk that price-level increases related to tariffs unmoor longer-term inflation *expectations*.

One important feature of the pandemic inflation episode was that longer-run inflation expectations remained well anchored, which contrasts with the 1970s experience, as shown in **Figure 11**. Stable inflation expectations supported the disinflation we have seen to date amid healthy labor market conditions. The stability of longer-run inflation expectations will be an important determinant of monetary policy going forward. While most long-run inflation expectations measures remain well behaved, the recent increase in the Michigan Survey measure (the red line) is an exception and bears careful watching.

Maintaining the current monetary policy stance seems appropriate for the time being, as we learn more about the scope of the changes in government policy and their impact on the economy. Given the likely evolution of inflation and real activity and the related risks to both, policy could face challenging tradeoffs. Setting appropriate policy will potentially require balancing competing objectives and will

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[18] The figure shows the direct impact of the tariffs, and not potential additional indirect effects from imported intermediate inputs because the direct effect is likely to show through first.

depend on the economy's actual and expected distance from the FOMC full employment and price stability mandates. It might still be appropriate to lower the federal funds rate later this year. But renewed price pressures could delay further policy normalization, as confidence is needed that the tariffs are not destabilizing inflation expectations. With elevated inflation, the signal would have to be compelling to take preemptive actions against the risk that activity weakens by more than expected.

I caution that my outlook could change considerably as events unfold over the coming weeks and months. Monetary policy will need to remain nimble as we continue to focus on achieving both the price stability and employment dimensions of the Fed's dual-mandate goals from Congress.

Concluding Observations

With that, let me conclude with a few observations. Being here for the Razin Lecture of course brings back memories of advising Ofair on his dissertation, and more generally of my time on Georgetown's faculty, from 1992 to 2007, including work with Fed economists.

The Federal Reserve Board, where I meet with colleagues on the Federal Open Market Committee eight times a year, is not far from here, but being part of the Fed System has expanded my understanding of the central bank's roles and the breadth of its activities. With the eyes of a relative newcomer, I have been impressed by the expertise, dedication, nonpartisanship, and public service orientation of the Fed's people. They are truly engaged by the opportunity to help Americans benefit from a vibrant economy that works for everyone.

One strength of the Fed's long-standing structure of 12 Reserve Banks is its on-the-ground presence – not just in Washington, and on Wall Street, but in rural areas, in large and small cities, and across the country. And our senior policymakers are appointed to their roles in different ways, which makes the Fed representative of the country and accountable, while also providing the room to make sometimes-hard choices in the long-term public interest.

You're familiar with the interest-rate decisions we make, and hopefully with some of the extensive economic research that informs them. We augment that research and analysis with active engagement across our regions, listening to all types of stakeholders. That deepens our understanding of economic conditions, to better pursue our mandates from Congress for price stability and maximum employment.

The Fed's work also includes supervising some of the nation's banks for safety and soundness, which is crucial to ensure a stable, secure financial system we can all rely on. And our community development activities include research and convening that help illuminate challenges and opportunities for economic resurgence in areas that might be struggling.

The Fed also has a key role in ensuring that the nation's currency is available to meet the public needs. We operate electronic systems that clear and transfer trillions of dollars of transactions every day, safely and securely. And we innovate to increase efficiency – including developing new infrastructure, like the FedNow instant payments system[19] we built to help make real-time payments available to all banks and all consumers over time.

In sum, I appreciate the opportunity to say a bit about how the Federal Reserve fits into our country's framework of economic policymaking and financial stability. My Boston Fed colleagues and I are grateful for the opportunity to serve the public, and embrace the challenge of supporting a prosperous economy.

Thank you again for hosting me. Congratulations again to Tracy Xu, and really to all of you at Georgetown for your impactful work. And thank you for joining me in honoring Ofair Razin today.

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[19] Federal Reserve Board - FedNow® Service