



KC Fed president: We're trying to make sure the economy 'has a fighting chance'

David Earl

June 24, 2020

As a regional Federal Reserve Bank president, Esther George is in the room when the nation's central bankers plot a course for the U.S. economy.

Those conversations usually happen in Washington, D.C., several times a year in a great, big conference room at the Federal Reserve's Constitution Avenue headquarters.

These days, the leading central bankers in the U.S. are adjusting to pandemic life like the rest of us — using video conferencing to make "unprecedented" decisions about the nation's economy.

"I don't say that lightly," George said during a KETV NewsWatch 7 interview. "When you look back just a little over a decade ago to the great financial crisis, we were also using the word unprecedented."

George called the Fed's actions responding to the coronavirus crisis dramatic and necessary. The central bank is buying corporate securities and offering loans to local and state governments while also embarking on efforts to bolster smaller business as part of its Main Street Lending Program.

When the final bill comes due, it could amount to trillions of dollars. The swift actions have earned the central bank praise from some in Congress, along with President Trump.

But the critics are vocal.

"Congress has abdicated its control and responsibility for what really are programs that go beyond just maintaining the liquidity of the economy, but actually involve substantial amounts of

lending to firms that are likely to be insolvent," George Selgin, an economist at the free-market advocate Cato Institute, said to Politico in an April interview.

As far as the current landscape goes, Esther George said she does see signs of stabilization across the U.S. economy.

"We see people spending more, we've seen people come back to work," she said.

But George, like other central bankers, is watching the COVID-19 case count closely. She said a true recovery can't begin until the virus is under control — an effort that will take scientists, not bankers, for breakthroughs.

"While we're waiting for those solutions to come on the health front, we can try to make sure the economy has a fighting chance to get back on its feet," she said.

George is watching unemployment, wages and consumer confidence across the states served by the Kansas City Fed: Nebraska, Kansas, western Missouri, Colorado, Oklahoma, Wyoming, and portions of New Mexico.

What she sees on those fronts she'll report to the Federal Open Market Committee as it makes interest rate decisions.

The FOMC's June meeting ended with central bankers forecasting rates near zero through at least 2022, a sign it will take longer to dig out of the economic hole caused by COVID-19 than it did to fall in.

And this financial crisis has exacerbated issues of income inequality, according to Federal Reserve Chair Jerome Powell.

"The burden has fallen most heavily on those least able to bear it," he said in May.

In this March 3, 2020 file photo, Federal Reserve Chair Jerome Powell speaks during a news conference to discuss an announcement from the Federal Open Market Committee, in Washington. The Federal Reserve said Friday, April 24, it had \$85.8 billion in loans outstanding last week in three of the programs it rolled out last month to protect the economy during the coronavirus pandemic.

George sees that, too, citing COVID-19's economic fallout as affecting young people, women and minorities disproportionately.

"We know from experience the road back can be a long one for them," George said. "So that will inform the Federal Reserve in thinking about how healthy the labor market is going forward."

