



Powell Sees More “Pain” Ahead, Admits ‘Soft Landing’ Is ‘Out Of Fed’s Control’

Description

USA: Did Fed Chair Powell just jump straight from ‘denial’ to ‘acceptance’ on his journey through grief at the death of ‘transitory’ inflation?



[Speaking on MarketPlace Radio this evening](#), Powell said the central bank has both the tools and resolve to bring down rapid inflation — though he acknowledged that **the path to lower price increases could be a painful one.**

Powell: So you can see that inflation is just way too high here in the United States. And by the way, the same all over the world, really, the global economies all around the world have been hit by a series of inflationary shocks and, pretty much, I just came back from a set of

meetings with central bankers from around the world, and **we're all facing the same kind of issues and the public are facing the same kinds of issues.**

Ryssdal: Worse here, though, worse here, to be clear, right?

Powell: Some places worse, some places better. We're facing different challenges, but then again our economy's more fully recovered, they may be just behind us in time. But what would I say to that person? So I would say that we fully understand and appreciate how painful inflation is, and that we have the tools and the resolve to get it down to 2%, and that we're going to do that. **I will also say that the process of getting inflation down to 2% will also include some pain, but ultimately the most painful thing would be if we were to fail to deal with it and inflation were to get entrenched in the economy at high levels, and we know what that's like.** And that's just people losing the value of their paycheck to high inflation and, ultimately, we'd have to go through a much deeper downturn. And so we really need to avoid that.

While many walked away from last week's Fed presser believing that Powell had taken 75bps 'off the table', some might argue that **his comments during tonight's interview just put it back on the table**

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Powell: "If things come in better than we expect, then we're prepared to do less, **if they come in worse than when we expect, then we're prepared to do more.**"

Ryssdal: Let me be clear, **75-basis points is "prepared to do more?"**

Powell: What you've seen is, **you've seen this committee adapt** to the incoming data and the evolving outlook. And that's what we'll continue to do.

Then he poured cold water on the idea of a 'soft landing' that so many asset-gatherers and commission-rakers are constant telling investors is likely:

"There are huge events, geopolitical events going on around the world, that are going to play a very important role in the economy in the next year or so," Mr. Powell said on Thursday.

"So the question whether we can execute a soft landing or not, it may actually depend on factors that we don't control."

Furthermore Powell comes clean on his "transitory" inflation epic-fail:

I have said, and I will say again that, you know, **if you had perfect hindsight you'd go back and it probably would have been better for us to have raised rates a little sooner.** I'm not sure how much difference it would have made, but we have to make

decisions in real time, based on what we know then, and we did the best we could.

Now, we see the picture clearly and we're determined to use our tools to get us back to price stability.

Funny that! We seem to remember a bunch of digital dickweeds screaming that this was anything but transitory in May 2021

US equity futures are falling on this news...



It seems Powell really does want to control inflation by crashing stocks... and if you doubt it, read on:

Ryssdal: I need you to roll with me on this last one. We've got a little game we play on the show. It's called "What is Jay Powell thinking in five words or less?" And I ask our Friday afternoon panelists when we have a big monetary policy topic come up, I say, "OK, what is Jay Powell thinking in five words or less?" And I would not be able to forgive myself if, sitting across from Jay Powell, I don't ask Jay Powell what Jay Powell is thinking in five words or less. I should tell you I did this with Obama and he blew it. He went on for like a minute. So, no pressure.

Powell: Five words or less. I'm gonna go with what I really am thinking is, **"get inflation back under control."**

Ryssdal: Oh, man. Boom.

"Boom" indeed!

And then Powell turned it up to '11' by conjuring Volcker...

Ryssdal: You talked a little bit about Paul Volcker at the last meeting, and you've talked about him before. You said you knew him a little bit, but the thing that really struck you about him was that he always did what he saw to be the right thing, in arguably more difficult economic times than you have right now. My question is: How sure are you that what you are doing now is the right thing?

Powell: Yeah. So that's a good point. **I do admire Paul Volcker.** I think everyone admires Paul Volcker now. So I'm not to be singled out in any way for admiring him, you know. He was a truly great public servant and person. **And the point was that he did what he thought the right thing was, and he was prepared to be unpopular for that, because he was looking at the medium and longer term, well, for the country.** And I don't have any, you know, I think **that's a good thing to keep in mind as you do public service jobs**, is don't think about what's popular, do what you think is right and let everything else take care of itself. I take it as a general principle. It doesn't provide any, it doesn't shed any light on the current situation. We have to make an assessment of what the right thing to do is in the current situation. **We know that what Paul Volcker did was right in his situation, and it's something like that might turn out to be right here.** But I don't think we know that. I think we have a lot to learn about what the path ahead looks like.

We are pretty sure that no one is "pricing-in" a Volcker-esque move in rates (or The Fed being able to bear the concomitant equity market carnage).

by Tyler Durden

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