



FEDERAL RESERVE BANK *of* KANSAS CITY

December 12, 2025

*The following statement is from Jeff Schmid, president and CEO of the Federal Reserve Bank of Kansas City, regarding his vote at the Federal Open Market Committee's December 9-10, 2025, meeting:*

In my view not much has changed since the previous meeting of the Federal Open Market Committee just six weeks ago. The government has reopened and the flow of official data, though still incomplete, is slowly picking up. However, based on the data we do have and conversations with contacts in my district, I have not fundamentally changed my views on the economy relative to October. Inflation remains too high, the economy shows continued momentum, and the labor market—though cooling—remains largely in balance.<sup>1</sup> I view the current stance of monetary policy as being only modestly, if at all, restrictive. With this assessment, my preference was to leave the target range for the policy rate unchanged at this week's meeting.

In the short time since our October meeting, I have had a chance to travel the 10<sup>th</sup> District, and I continue to hear concerns about inflation. My conversations suggest that we are at risk of moving away from a situation where, to quote former Chair Alan Greenspan, "inflation is so low and stable over time that it does not materially enter into the decisions of households and firms."<sup>2</sup>

As we look back over the past few decades, one of the greatest economic policy successes for the Fed, for the country, and perhaps for the world, has been the decline in worries about inflation. The decline has had real consequences, allowing greater certainty and better planning. Analysis suggests that a fall in perceived inflation risk has been a major contributor to

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<sup>1</sup> See "[Maintaining the Balance in Monetary Policy](#)," remarks delivered at *Energy and the Economy: The Geography of Energy Flows* in Denver, Colorado. November 14, 2025.

<sup>2</sup> See Alan Greenspan, "[Transparency in Monetary Policy](#)," remarks delivered at the Federal Reserve Bank of St. Louis Economic Policy Conference. October 11, 2001.

the downward trend in long-term interest rates in recent decades. Any increase in inflation uncertainty could unfortunately reverse some of these gains, potentially increasing long-term interest rates, including on U.S. government debt. Though I believe our credibility on inflation remains intact, I don't think we can be complacent.

With inflation pressures still evident, my preference would be to keep monetary policy modestly restrictive. Discussion of the restrictiveness of policy is often wrapped up in the academic conversation around the neutral interest rate, or  $r^*$ . I say academic, because the neutral rate is a theoretical concept, it is not observed and has no real-world equivalent. That said, theory and models can highlight important influences that might shift the neutral rate over time. But theories are best when they are simple, and the world is complex. In the end, I will judge the restrictiveness of monetary policy by how the economy evolves, both in the data and based on what I'm hearing from contacts. Right now, I see an economy that is showing momentum and inflation that is too hot, suggesting that policy is not overly restrictive.