



Discussion with the Wednesday Lunch Club

by: Jeffrey Schmid

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The below is a transcript of remarks, and portions may be incomplete or inaudible.

Introduction

I'm a public servant, so this is on your behalf. And like I said, the more you know and understand about what's going on with the Fed, the better things are. I know maybe some of you have questions about independence. I often say, I can get up here and talk for hours about how great the Fed is, how important it is to the American economy. And it's more important that you understand what it is and you express yourself about why that's important. Or if it's not, if you don't believe it's important, then we should talk and that's part of this process.

Let me give you a little bit of a sense of the 10th District. Two thousand people. We have banks in Denver, Oklahoma City and Omaha along with the headquarters of Kansas City, one of the 12 Reserve Banks throughout the country. Our primary business is really building and maintaining payment systems. We move about five or six trillion dollars of payments a day through the system. We also have a huge research business, and we transmit that to all of you. Hopefully you're connected. Use our website. We do the beige book. We do labor indexes. There's just a trove of information on our website that Joe's team creates. And then we have one of the, I think the largest portfolio of community banks that we supervise in the country. So, a ton of state member banks. And again, I'm really, I cut my teeth in community banking, so I love talking about the banking business at large.

Let me kind of give you a sense of what I do. I've really got two different roles. One is I sit on the FOMC, Federal Open Market Committee. That's a group of 19 people, seven board governors, 12 reserve bank presidents. This year some of the reserve bank presidents rotate the vote. I am a voting member this year. I've got three more meetings this year, September, October, and December this year. And it's really, the focus of that is the monetary policy process. So, Fed funds rates, monetary policy, economics around them, the whole decisioning about where short rates should be and where the economy's going. The other part of the role of the Fed is monetary operation. So, I just mentioned payments, safe and sound banks, research. That's all part of the monetary operations. And it's a real interest of mine. In fact, I would argue if you look at the tenure and background and most reserve bank presidents, you've got a combination of those that would be kind of academics in their background where

they would probably focus and really enjoy the monetary policy process. And then you've got a lot of practitioners like myself. The board in Kansas City was mostly interested in finding a leader that would actually understand how to operate a banking organization with a couple thousand people that are doing different things and how to make that bank, and the service that delivers high-performing. So we just launched a five-year strategic plan in the spring, really around the whole focus of how do you become and maintain yourself as a high-performing reserve bank. So we talk a lot about that in our role.

I'm kind of turning from my job to the economy. I'll just give you a few little tidbits, and then I'm going to throw this open to Q&A because that's probably the most enjoyable part of this day. I would say the economy is in a solid state. It's performing well.

I'm sure you all keep very close tabs on it, whether you be an investor, actively running businesses, understanding what path is happening in the economies that you do business in. You'd certainly be interested in your feedback if you feel otherwise because all these things are wrapped up into the data that we collect, which informs me when I go back to Washington relative to this whole policy conversation, that's getting obviously very interesting in a lot of ways. We have good momentum. I would say that the GDP numbers, while there's a lot of noise in the first quarter, they're probably running between 1.5 and 2.5 percent relative to kind of where we're headed in the second and third quarter into the new year. So most people would argue that's a pretty good pace.

Our focus at the table, as you all know, is a dual mandate. It's stable prices, so we focus our attention on what the inflation rate is and lots of baskets of goods. And then full employment. Years ago, Congress kind of changed that up for a single mandate to a dual mandate. And I would say that there's a lot of healthy friction that is created from that dual mandate. We're always trying to, what I call, balance what's happening in both the data that you get and both of those sets of information that you get as you go to the table and you try to decide where should rates be.

And so other than that, I would say employment and the labor force is still performing well. It's still pretty strong. I've got about a 4.2 percent unemployment rate. Some have thought that the last three prints on unemployment and job creation were a little bit cooler and softer than they would like. There were some adjustments that created a little bit of news with BLS, which is also interesting. But at the end of the day, what we're hearing, and the most important thing that we do is these tabletop exercises to really get a sense of where is your head with hiring? What do you see as far as inflation? And that real time is the data that we go to Washington with. So it's really a quite amazing process that the Fed has built over the last 111 years where you take a lot of technical data and then you form these networks where I think is where the reserve banks really perform well. You form these networks of conversation and then you try to make sure that you're getting that real time information from all of you as we move into those conversations. So that's a quick summary of the Tenth District, my job, what we're seeing in the economy. And once again, this has been great, and I'm looking forward to all of your really insightful and deep-seated questions. Thank you very much.

I think I'll try to say that I've worked so much at talking to a microphone. Like my golf game, I'm not very good, but I'm fast. I'll come back to you.

Q&A; Section

Question: Thank you for your comments. Do you see any danger of distortions appearing in the economy given that other central banks are covering interest rates even though they have higher inflation because the cost of service and debt is so high? And of course, that's putting pressure on the dollar as well. How do you have to take that into account?

Answer: Great question. The way I try to do this, because what you're trying to do at the conversation and economic table is trying to sort through a \$100 trillion global economy where the U.S. is \$30 trillion of it, right? So, the nature of our job is, while I think a lot of that data and a lot of the activities and actions that come in from around the world have a cause and effect, what we're most focused on is how is that effect creating disruptions in the U.S. economy? So, trying to synthesize that is certainly an element, but when you think about, like I said, when the Tenth District is as big as Russia's economy, it's a little less important about what Russia's doing versus what's the economy of the Tenth District doing relative to the \$30 trillion of activity within the U.S. Don't argue that it comes into play, but I wouldn't say that it disrupts the decision-making around the dual mandate a whole lot unless there's something that we see that could actually create a very negative shock to the U.S. economy.

Question: I have two questions, and I'm still trying to figure out how to ask the first one, but I'm curious, I feel like the Fed is under increased amount of pressure to look at more qualitative or me out in front of the data, and I'm wondering maybe that's more of a "heating and era" where the Fed is comfortable doing that. Do you think there's a will at the Fed to get out in front of data and be less data dependent right now, particularly in light of where we are politically?

Answer: Let me frame this in kind of where I cut my teeth professionally and then what I'm doing today. So probably the most frustrating thing coming from the private sector to coming to the Federal Reserve is you would normally in the private sector do a whole lot of forecasting. I mean, you really have to because, especially in the banking business, if you're trying to risk manage your business, you've got to be prepared for cycle change, anything that might disrupt the business flow. A great example is how rates went up so fast, and how the banking industry at large, maybe short of a couple banks that didn't risk manage well, they managed to kind of weave it into their banking organization and it didn't shock them to death, right? So it is frustrating to not do a whole lot of forecasting, but you really can't do a lot of that. You let the market do more of that, and what you're trying to do is use a lot of data sets and bring it forward as much as you can to the date you make a decision as possible. But I don't think it would be very effective for the Federal Reserve to try to broadcast or try to predict the future of it. We do a little bit of that with the SEP and some of the dot plotting. Some would argue that's a little bit of a prescriptive message to the markets, but by and large, you're really trying to get as much real time to that point and make decisions accordingly. It's very difficult to kind of push that out beyond that date.

Follow-up question: Yeah, that's going to make for interesting times. Yeah, you guys, if you have to stay data dependent. The other question is just with the data, and you talked about the network, if you're getting data from how good is that right now with all the backlash from the BLS right now and using antiquated data collection, could you be doing that a lot better than you are and you think that you're getting data as accurately and as timely as you are?

Answer: There is no perfection in this, I'll say that. But I would say that what you're doing is you're trying to synthesize some data collection that historically is collected from lots of sources, be it for public, private sector sources. And I would say that when the new administration came in and you kind of had this conversation about what are agencies doing and how are they doing it, I would say there's an opportunity going forward in three areas. One is that a lot of the conversations that I hear in Washington are, one, are you serving the public well? Can you define how that service is working and how you deliver it? Two is are you innovating? Are you using technologies that exist to actually deliver that service? And three, do you see any waste or abuse or fraud inside the system itself? So I would argue that there's a lot of opportunity, even in the artificial intelligence side, to try to pull more technology into some of these data sources and try to get it one more real time and try to eliminate a lot of the, what I would call, kind of the old survey mentality that a lot of agencies and other organizations have done. So I think there's opportunity, and I think that's where the conversation is on data collection.

Question: Jeff, first of all, thanks for being here. You didn't talk much about the, maybe it falls under monetary operations, under safety and sound, like all the Fed examiners who examine all the small banks that you mentioned. And here in this issue, of course, here in rural America, you said more community banks than anywhere else in the country.

One of the things that's happened since Dodd-Frank is those community banks are being bought up. That's not a bad thing for satin, you know, Director of Steve O'Neill would keep you happy, they're happy to have them in any basis. But with all the Dodd-Frank reforms, one thing that's happened is the big four or five banks have gained market share, markedly, significantly.

So, and I'm sorry, I don't think they're very service oriented, certainly for small businesses or people who are in rural America. So, how does the Fed think about that, and the player role in thinking about reform of the banking system, because, you know, their share of total assets has gone up, and I think for people that are big corporations, public companies, it's a great time to be a borrower, there's lots of money around, there's lots of equity, there's lots of debt, it's easy to finance. But for little companies, little towns, or for smaller businesses, I think it's a lot tougher. So, how does the Fed think about that?

Answer: Yeah, so I'll preface this by, this wouldn't be what the Fed thinks, this would be what I think, okay? So, I'll asterisk that. I love community banking; I think it matters. When I started my career as an FDIC examiner in 1981, there were 15,000 bank charters, there were 15,000 credit union charters at the time. Today there's about four [thousand] and four [thousand]. If I was going to write a book today, I'd say, "Where's the bounce?" Because you really do need an ecosystem of community banking, and what I think post Dodd-Frank did was, and we were talking a little bit about the table, I think there was so much angst about

what happened in OA that we kind of overshoot ourselves regularly. And I would argue that in today's framework, I wouldn't cut the supervision or the community of banks in the country at sizes. I would really re-categorize that as; are they complex or are they non-complex? And then you've always got to have the systemic group that you're keeping your eye on constantly. I mean, what happened in that SVB created a bit of a storm that thankfully the banks were risk-managed for, and they got through it. But I think if you start to think about taking away, let's say, a \$10 billion threshold and just saying, "I know billion-dollar banks that are super complex, and you have to regulate and supervise more aggressively than those that might have been around 100 years," and say, "That's very predictable. The business plan's predictable." So I think that, along with we're at a really interesting time. If you remember the old Paper Reduction Act that was done 30 years ago, well, we're in that cycle now. So it's every 10 years that regulations are actually reviewed to see, does this regulation make any sense? And I think you're going to see the industry, and actually I think the new head of supervision, Miki Bowman, who cut her teeth as a Kansas commissioner, a family-owned bank, she understands the issues. But I always say, if you get the time, there's a really fun movie called "Bank of Dave" on Netflix. And it's a true story about a bank in the UK. And this person was doing small-dollar loans and he wanted to get a bank charter, and it gives you a sense of what happened in the UK with mega banks basically controlling everything in the community banking ecosystem being basically gone and how they wanted to keep any competitors out. So we can't go there. We just got to figure out how do we start to inspire capital and talent to that community banking world because, frankly, it changed my life, and it changed most of the lives of the customers that I dealt with. So that's where my head is.

Question: Two questions. One is, where in the Fed rate process do you think about home prices and what influence does that have? And then the other one I'll just say, what's tariff doing to your thinking and analysis? I don't know. Maybe one's there.

Answer: So my focus on housing is on the affordability side. I would say that of all the things that the most recent inflation experience did was it really devastated the entry level of price home. Some argue that that entry level price went up 30 to 50% in about five years, six-year period. I used to work with Habitat for Humanity, and I would finance all day these most beautiful 1,400 square foot, two bedroom, two bath, and you could build them for about 110 bucks a foot. And I could finance them all day, plenty of people, plenty of demand. You can't start to build that house today for less than probably \$250 a foot. Or \$700 in Jackson, right? \$1,000. So that's a big issue. Now, we vote, and I actually, if you listen to the new Treasury Secretary, Scott Bessent, he actually talks about this as well. There are ways to try to fix that. One of the things that really, in my experience as a banker, there's so much friction in the capital stack of projects that take years to get over the, you know, you've got philanthropists, you've got really well-meaning organizations like the Federal Home Loan Bank, and I think that's a big issue in the capital stack because we've got to make sure that the inventory of new homes to that first time homebuyer is getting built or at least getting back on the track. But that, I think that's a much bigger issue to me than the relative rate on a mortgage. I mean, I was, we were talking at my table, my wife and I, the first mortgage we signed was 1986, the week after we got married, and it was 12.5%.

We know 12.5% is not a good place for raise, but the question is where is that equilibrium of both short rates and long rates relative to the housing market? I wouldn't argue that maybe there's room over time, maybe you hope you get, I know 5.5 sounds better than 6.5 on a mortgage rate, but at the end of the day, it's really the entry-level price of that house that's really been devastated for all Americans, especially young Americans that want to own a house. A quick one on tariffs, and you may have read this in my speech, but what's interesting to me is kind of getting back to this \$30 trillion economy that we have, it's a huge stew. And there's two things about tariffs that I think I've learned over the last five or six years. And one is, man, the American businessperson is super smart and they're super agile, and I think what happened during the COVID-19 experience and the supply chain shock, they really took that to heart, and they changed the nature, or at least they created optionality about where their supply chains come from. And I think that was actually a net positive for some of the things that we're seeing today in tariffs.

A tariff globally is just a little piece of a stew. I'm not even sure it's a big piece of meat or potato. I think it may just be some of the spice. And you really can't, I don't think you can really effectively tease out the effect of a tariff. There are so many behavioral things that happen between manufacturing and sale that especially the American businessperson is really good at trying to figure that out and pull it through. We may see, and actually this PPI number that came out was pretty strong in this last print. We've got a lot of data coming out late July, early September. So we'll see where things go with both labor and inflation. And I think September will be a really consequential meeting around that.

Question: Two questions. The first one is the balance sheet of the Fed that got built up real big in the regular session. My understanding has never really been taken down too much since then. Is there any concern about it? Is there discussion about it? Or is it just like the government debt is there? And that's my first question. My question has to do with the non-bank president board members in the Federal Reserve, the ones that are appointed politically. We just, I think, Trump just appointed one recently and he's trying to get another one who is eyeing him right now. Do those, what I'll call independent board members, are there any influential in the Fed decision making?

Answer: You're talking specifically about the Reserve Bank presidents? The 12th? Yes. So you've got the seven board of governors, and those are all appointed by the administration, and then confirmed by the Senate Finance Committee. The 12 bank presidents, we have nine member boards, and those boards are, I mean, I basically report and am hired by the board of directors, which Fred was a big part of that experience. So that actually is some of the beauty of the Fed structure, is you've got the nature of the seven governors who have permanent voting, and then you've got the rotation of Fed presidents. And what it does is it kind of brings, you can almost think about it as the Senate and the Congress. I mean, we're close to the people, we want to stay close to you, we want to bring forward what you're experiencing to the monetary policy table. They're a little bit closer to the legislative side of the heel and that type of thing. And so I think that's actually really healthy, and I think it's a really important part of the independence conversation, is the design of how that is created, and the nature of the conversation that

happens. You've got 12 plus seven, and every six weeks, we all submit our economic outlook, we all have opinions. Jay Powell is very collaborative about trying to have cross-conversations about what's happening, and at the end, what you hope is, collectively, you're getting the right decision at the table on policy rates and the economy. And I think the collaboration of the governors and the Fed presidents, I found, in a couple years I've been there, very constructive, very professional. The fact that we only focus on two mandates allows us to try to go into the room and kind of block out the noise, and I think that helps as well. I think that's maybe another positive about the independence factor where the Fed's concerned.

The second question, a balance sheet. Yeah, so the balance sheet's gone, I think it peaked a little over nine trillion. Today it's about six and a half trillion. It's still running down, albeit slower than maybe a lot of people, maybe including myself, would want. The big thing about the balance sheet right now is just this concept of abundance reserve. So there's a lot of liquidity in the system. So if you take the six and a half trillion dollar balance sheet, it's changed dramatically over the last 20 or 30 years. I mean, when I got out of college, the U.S. economy was about two and a half trillion. Today it's almost 30 trillion. So you've had the whole nature of what that balance sheet does in support of a 30 trillion dollar economy is pretty important. The reserves part is where the real conversation lies because of the six and a half trillion, we have about two and a half trillion dollars worth of just hard currency that is distributed around the globe. So just dollars around physical dollars, that's two and a half. And then you've got about three or so trillion in reserves, which is really the liquidity that kind of lubricates the system. And then you probably, then we're also the bank for the U.S. Treasury, and they're going to have, their general accounts are going to fluctuate between 500 million and a trillion. So that's really the composition of the balance sheet. So the big conversation is going to be, should we get leaner on reserves and should we ask the industry to be a little bit more accommodated to using things like the discount window more? There's been conversations about paying interest on reserves. Does that make sense from a monetary policy standpoint? There are good reasons for that.

And then the other thing I'll leave, and kind of back to the question on mortgage rates, we took some pretty unprecedented action in the '08-2020 cycle where we took a pretty large duration of both mortgage backs and U.S. Treasury. So actually, the duration on our balance sheet of the Fed is about eight years, and the duration at the Treasury's portfolio is about four or five. So we're almost double duration, and I would argue that the ten-year rate is probably about, it could be anywhere from 50 to 100 basis points higher if we have durations lower. So we have to be a little bit careful with the speed of the runoff and the REE and trying to do more duration, getting our durations down, because you've got to be a little careful what you ask for. If you lower rates real fast, you can de-anchor your inflation mechanism and you could have higher inflation and higher long rates. If you run the balance sheet down too fast, you could see the ten-year creep up. So that's why I say the yield curve is in, I think, a pretty good place relative to what's happening in the economy today, but I think there's really good argument to a smaller balance sheet.

Question: Quick question. Does not having the unanimous votes on rate policy decisions matter, or is that significant?

Answer: It's kind of a two-edged sword. Some would argue, and I don't dispel the argument, that if it's always unanimous, then all you get is the sped-speak. Then it's like, "Is there any controversy? Is there any friction? Is there any difference of opinion at the table?" And I can tell you that there is, but by the time you get there, you really have been able to talk it out through the 19 around the table. And so I think the nature, I'll put it this way, the monetary policy can come in two forms. One is a very blunt instrument. When inflation spikes to 7 or 8%, raising rates quickly, that's what you're supposed to do as a monetary policy entity, try to cap and drive that inflation underdown. Once you get some equilibrium in the economy, then it's more surgical. So I would argue today it might be harder to decide collectively on what policy rates should be because you're really at the margin now. Now you're really trying to figure out, like for instance, it's rough math, but for every 1% inflation over the 2% goal that we're mandated to, it costs the American people somewhere between \$200 and \$300 billion. That's the approximate cost of inflation on the goods that they purchase or on the pressure that they get on their wages. So 2% is a righteous goal, and we're not there yet. But there are some people that really focus on the labor force in a big way, and I think you're starting to see a lot more of that. We had two dissents in the last go-round, and we'll see kind of what happens in September as we try to deal with that kind of friction between labor and inflation.

Question: Wyoming is a leader in blockchain and crypto legislation, and we try to launch things through these special depository institutions, the SPDI banks, and we focus on crypto assets. And they have tried to get access to the Fed payment system, and the roadblock hasn't been the Kansas City Fed. Now, in the middle, it seems the new administration is more friendly to crypto assets, but I'd love to hear your views on crypto assets and how they fit into the Fed.

Answer: I have so many personal opinions of crypto, but let's - I'll try to simplify it over my mind. One is the true crypto business to me is a risk asset. I mean, if you believe that you buy and hold or trade that particular asset, I think it's fine. I mean, I don't know where you go from there relative to the master accounts within the banking system. I think the stablecoin legislation - now we have true legislation around conceptually what stablecoin is and what it can do. I would say this. Setting crypto aside, because frankly that's like trading baseball cards kind of stuff. If you love it, if you believe it, if you're in it, go ahead and do it. The stablecoin piece is I think you're going to see lots of disruption in the payments platforms in the country. So I'll give you a good example. FedNow has launched two years ago. That's the Fed's first new payment platform in 40 years. That's instant payments. So that's literally account to account. So once your bank adopts the FedNow rail, you'll be able to send money instantly to anyone. And so that's a payment disruptor. Then you have the other payment systems today, like everybody's really kind of very interested in, how do I disrupt the \$200 or \$300 billion in interchange fee that is actually going through the major credit card companies. And I think stablecoin, FedNow, those can be disruptors. I mean, you're going to see I think probably a couple of very large retailers. Let's take Walmart, for instance. They talk about well dollars. They talk about how in the future Walmart wants to have two forms of payments. They want an instant payment and they want currency. That's it. They send \$3 billion a year to Visa MasterCard. So they've been very public about that. They could launch a stable dollar. What's embedded in the stablecoin process to me, which is very interesting, is I'm having a lot of trouble understanding

the difference between a stablecoin and Venmo.

With Venmo probably being actually a safer rail because I think most, if not all, Venmo dollars are actually in deposit and shared accounts around the country in banks. Stablecoin will likely not be, but it could be if there's a master account development to stablecoin. So I think it's in the development stage, I think it's all a part of this conversation of how do we disrupt the payment systems that are costing the American people several hundred billion dollars a year. And I think possibly stablecoin could be a piece of that. And I think that's more payment driven than it is risk-averse driven the way I see it today. The other thing I think that the stablecoin mechanism can do, and you're seeing this more globally, is it could really disrupt the cost of foreign exchange between countries. I mean, if you've got Zimbabwe's got a hundred percent inflation rate, being able to accommodate cross-border payments, I mean, I think half of Walmart's stores are international. So the cross-border payment might have the best application today. But I think FedNow, this instant payment platform may end up being the platform of the future. We're seeing companies actually pay people every day because they can. So I think, give it some time, I think they may all find their place in the payment ecosystem.

Question: Can you talk about the magnitude of private credit outside the purview of the Fed?

Answer: Yeah, so private credit versus bank credit. And here again, I think there's a lot of reasons that we've seen that broke in private credit. Some of it could be regulatory burden that was created, and so it's just less friction to go to the private side. Some of it may be it's just harder today to actually form a public company. And so keeping it private and maybe there's less friction and less cost to actually do it. I think the conversation where the Fed is typically concerned around private credit is it's growing to enough to minimize size that what you worry about is if you get a shock, is there enough liquidity in that private credit system to actually not create a bit of contagion. And so I don't know if there's a solution to that. I know we track it. I know we try to relate it to the overall size of the banking system. We try to understand what the backstops are. A lot of that private credit actually comes back through the traditional credit systems of large banks. So we see we have insights into some of that because they're getting some of their financing from banks. But look, before I took this job, I was a pretty active investor in private equity, and I actually appreciate the nature of the private equity industry. And I think in most cases, a lot of those entities are even more conservative than bank underwriters. And I think they understand things like liquidity backstops. And so I think once you parse it, you probably get a little more comfortable that there's risk management inside that private credit system. But if you're also a private equity or type of investor, you probably also understand that liquidity isn't the number one thing that they're going to create if there's a shock. You're going to have to have patience in a shock. And most people are pretty wise, and there's tremendous limits for a reason before you can actually get into private credit or private equity. And I think that creates a little bit of a built-in safety system, I think.

Question: This is sort of a follow-up question. What about the regulation of non-banking financial institutions? I mean, I think, for instance, of BlackRock, who can't keep track of how many trillions of billions they're looking after, do you have

concerns about the growth of these entities, which are basically outside the Fed's purview?

Answer: Yeah, so I guess I'm a markets kind of guy. So I just think that there's a bit of a discipline that's created inside a lot of these entities of size. I think keeping your eye on the nature and the composition of these organizations and, again, kind of back to liquidity flows, backstops, I think that's all really important. I mean, we were having a conversation the other day about the '08 experience. And it seemed to me that - and I don't see necessarily that crypto is the same thing, but if you look - if you think back into the early 2000s and all the synthetics that were created around the mortgage business and then kind of the bailout of AIG and all those - what it came down to is we probably, in hindsight, wished we would have kept a little bit closer eye on those types of hybrid credits, because I think that was the fire that lit the storm and ultimately really created some serious problems within the mortgage business particularly. The other thing that I think we really need to try to figure out back to the community bank question is we got to figure out how to inspire the mortgage business to get back to the community bank industry. That's been consolidated.

I would say as a former banker, the most important transaction we ever had in the bank was a mortgage loan to a new family, because that built trust. And then because of that trust, we could actually help them build wealth and kind of protect their backside a little bit as a local bank. And it was in our best interest to make sure that that relationship stayed healthy versus having a mortgage loan being just like a bushel of corn, where it's a pure commodity. So I think if we can kind of push - try to figure out how to get mortgage lending back to the community bank system and actually have them service mortgages too, that would be a nice win. But I don't argue that there are certainly entities that are of size that you really have to understand what is the composition and how are they being run. But I would say the market is typically a pretty good regulator of that.

Question: I'm sitting in my chair thinking about international and the value of the dollar that's been falling. And then I'm thinking about the central bankers coming to visit Jackson, who are from emerging markets that are dollar-length and benefiting. And I'm trying to put it all together relative to the debt and the reserve currency conversation and the extent to which we need to fund it with the help of a lot of creditor nations, China being the first on the list. What would you share with us about any or none of that? The dollars are a good purview of the treasury, right? Unlike the financing of public debt.

Answer: I don't really track the dollar, the cycles of the dollar. It seems like it's fairly range-bound. And certainly, in the first six months of the new administration, there's been a lot of activity and action that's going to create some change, some training. Change relative to the dollar. I mean, I will say it, my small bankers P-brain is back to the back to a \$30 trillion economy that has a framework of trust. It has a framework of audit. It's not only the biggest, most successful economy in the world, but it has framework around it, as governments around it. I mean, you can't ever convince me that you're ever going to trade the dollar for the system in China. From a reserve standpoint. Plus, the theme this year at the Jackson Hole event is demographics. If you want to really understand the next 50 years, start studying things like fertility rates in different countries, the dynamic of China versus India, the migration of people in the U.S. from one state to the other, and where those economies are headed. Back

to Russia, Texas's economy is larger than the Russian economy. So the nature of just sheer size and scale, and then the architecture of what the American experience has built around that, you can't convince me that there's any risk to the dollar not being a reserve currency of the world. It makes total sense to me, but it's also a good path. And so, while the dollar is always going to trade in range, it's a very sound place to be here and globally.

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Jeffrey Schmid

President and Chief Executive Officer

Jeff Schmid is president and chief executive officer of the Federal Reserve Bank of Kansas City. He represents the Tenth Federal Reserve District on the Federal Open Market Committee, which sets monetary policy for the United States. Schmid leads a workforce of nearly 2,000 professionals engaged in the work of the central bank, including monitoring economic conditions, supervising banking institutions, and providing financial services to banks and the United States government. Through offices in Kansas City, Denver, Oklahoma City and Omaha, the Bank serves a seven-state region that includes western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming, and northern New Mexico. As Bank president, he hosts the annual [Jackson Hole Economic Policy Symposium](#), bringing together international central bankers, academics, and policymakers to discuss economic and financial policy issues. Among the Bank's accomplishments under his leadership is the implementation of a five-year strategy aligning the Bank's efforts in serving the Tenth District. It is focused on deepening and expanding talent investments, leveraging expertise in technology and artificial intelligence, maximizing regional connections and communications, and advancing value-added analytics. Schmid has more than 40 years of experience in banking and bank supervision. Prior to joining the Kansas City Fed in August 2023, he served as the president and CEO of the Southwestern Graduate School of Banking Foundation at Southern Methodist University's Cox School of Business, which focuses on bank leadership and strategic planning for community banks. Among his banking experience, he led Mutual of Omaha's entry into banking sector, serving as chairman and CEO of Mutual of Omaha Bank which served depositors and borrowers nationwide. Jeff is a graduate of both the University of Nebraska-Lincoln and the Southwestern Graduate School of Banking at SMU. He is a native of Nebraska. Explore his latest speeches, outreach and more on the [Office of the President page](#). See Jeff Schmid's 2024 financial disclosure form [here](#). See Jeff Schmid's updated 2023 financial disclosure form [here](#) (updated Oct. 21, 2024). See Jeff Schmid's 2023 financial disclosure form [here](#). See Jeff Schmid's previous financial disclosure form [here](#).