Weekly Commentary

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Powell doubles down

Only a few days after Federal Reserve Chair Powell vowed to subdue inflation in a hawkish press conference following the March 15-16 Federal Open Market Committee meeting, he took a more forceful stance last Monday at a conference of the National Association for Business Economics.

Saying that policymakers will "take the necessary steps to ensure a return to price stability," he let it be known a larger hike could be in the offing. "In particular, if we conclude that it is appropriate to move more aggressively by raising the federal funds rate by more than 25 basis points at a meeting or meetings, we will do so." Economists, investors and media no longer need to infer from the FOMC dot plot that officials might raise rates above the long-term target of 2%—as Powell said as much. "If we determine that we need to tighten beyond common measures of neutral and into a more restrictive stance, we will do that, as well."

One thing seems certain, the labor market is not in need of the Fed's help. Initial jobless claims for the week ended March 18 fell to their lowest level since 1969, down 97% from the pandemic cycle peak in April 2020. If anything, it is contributing to the inflation problem with wage increases. In so far as that is the case, Powell will be watching.

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