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ECONOMY | CENTRAL BANKS

Activists in Jackson Hole Pressure Fed on Inflation, Endorse Yellen

For the fourth year, Fed Up gathers on the sidelines of the central bank's conference in Wyoming



Shawn Sebastian, right, co-director of the Center for Popular Democracy's Fed Up campaign, talked to Kansas City Fed President Esther George following a meeting between activists and Fed officials last August at Jackson Hole. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

By Ben Leubsdorf

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JACKSON HOLE, Wyo.—The liberal Center for Popular Democracy's Fed Up campaign has criticized Janet Yellen's Federal Reserve in recent years for raising interest rates, lacking diversity in its senior ranks and retaining a quasi-private legal structure for its regional reserve banks.

Green-shirted Fed Up activists again have set up shop outside the central bank's annual retreat in Grand Teton National Park. But this year, their critique of the Fed is paired with praise for Ms. Yellen and a demand that she remain the central bank's chairwoman for another four-year term.

"We have been critical of Janet Yellen," acknowledged Shawn Sebastian, Fed Up's co-director. "But the fact is that Janet Yellen's tenure is one where she's prioritized jobs and a tightening labor market," and resisted pressure from some corners to raise rates further and faster to fight inflation.

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"Considering the other people under consideration, there's just no question," Mr. Sebastian said.

On Thursday, the group organized a panel discussion in Jackson Hole with economists who back raising the Fed's 2% inflation target, arguing it would help workers in the form of a tighter labor market and help the central bank more effectively fight future recessions. Ms. Yellen has defended the 2% standard, which the Fed adopted in 2012 and echoes similar targets at other central banks, though she also said in June that setting the target is an important decision and "one that we will be reconsidering at some future time."

On Friday, the group plans a press conference to rally support for Ms. Yellen, whose term is up in early February. President Donald Trump has said he is considering whether to nominate Ms. Yellen for a second term as Fed chief or select someone else. He told The Wall Street Journal last month he is also considering Gary Cohn, the National Economic Council director and former Goldman Sachs president, and other candidates.

This is the fourth year that Fed Up activists have come to the Jackson Lake Lodge, home to an annual economic policy symposium organized by the Federal Reserve Bank of Kansas City that draws top central bankers from around the world. At last year's conference, a number of top Fed officials met with the Fed Up activists to discuss their concerns.

Thursday's panel discussion on rethinking the inflation target featured Josh Bivens, research director at the left-leaning Economic Policy Institute; Susan Helper, former chief economist at the Commerce Department; Gene Sperling, who was head of the National Economic Council in both the Clinton and Obama administrations; and William Spriggs, the AFL-CIO's chief economist.

Mr. Spriggs argued a 4% inflation target would give the Fed more room to manage policy, comparing the central bank to an airplane pilot.

"If you fly the airplane near treetop level, you don't have much room to make a mistake," he said. "One little mistake, and you're in the trees. Another little mistake, and you just crash. You want to fly higher to give yourself more room to understand, 'Am I in the right place?'"

Mr. Bivens said the time to consider a higher inflation target is now, before the next recession hits.

"We have not solved capitalism," he said. "We will have another recession."

All of the economists at the Fed Up event were supportive of the idea of a higher inflation target. Other economists, including many central bankers, oppose the idea and worry that changing the goal could undermine public confidence in it, making it harder to achieve over time.

The Fed's so-called dual mandate, established by law, is to pursue maximum employment and stable prices.

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