United States Senate

WASHINGTON, DC 20510–0609

January 30, 2022

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell:

I write to again urge the Federal Reserve to closely consider its impact on the nation's economy and workers. In my October 27, 2022 letter to you, I warned that aggressive rate increases could endanger the jobs market and cause an economic recession. Recent data saw those predictions come true. Accordingly, the Fed should pause before taking any additional action that would throttle an already fragile economy.

As you know, the Federal Reserve's dual mandate is promoting maximum employment and maintaining stable prices. It was essential last year to curb record-high inflation. It was paramount we keep energy costs, grocery bills, and other everyday prices low to preserve workers' purchasing power. This is why Congress passed, among other pieces of legislation, the Inflation Reduction Act, the CHIPS + Science bill, and the Ocean Shipping Reform Act. These long overdue investments will lower the cost of health care, prescription drugs, and energy, while improving domestic supply chains and galvanizing domestic manufacturing.

Still, inflation remained stubbornly high, which drew the attention of the Fed , which took historic action: raising interest rates 4.25 percent in 2022 – the largest annual increase in over 40 years.[1]

That tightening of monetary policy has lowered inflation as we start 2023. The Producer Price Index has returned to pre-pandemic levels.[2] The month to month change in the consumer price index actually **decreased** by 0.1%. Apartment rental demand was lower in the last quarter of 2022 - the first time since 2009 - resulting in more supply in the housing market.[3] Inflation is at its lowest level since October 2021, and economists widely believe inflation is already or will

[1]https://news.yahoo.com/we-have-more-work-to-do-the-complete-story-behind-the-feds-historic-shift-in-2022-114004343.html
[2] https://www.bls.gov/charts/producer-price-index/final-demand-1-month-percent-change.htm#
[3] Apartment Demand Turns Negative for the First Time Since 2009 | RealPage Analytics

soon be under control.[4] As you stated in the December 14, 2022 press conference, "the full effects of our rapid tightening so far are yet to be felt."[5]

On the other hand, economic growth is increasingly slowing.The job market appears to be softening. Every day brings a new headline of a different company announcing layoffs, culminating in tens of thousands of layoffs. U.S. home sales fell to a 12-year low last month.[6] Retail spending posted its biggest drop in a year. Industrial production decreased in December.[7] As Vice Chair Brainard stated last week, despite a low unemployment rate, declines in monthly payrolls indicate a cooling labor market.[8]

Further interest rate hikes will only make it more expensive for small businesses to fund their operations. It will also put a drag on consumer spending, which accounts for two-thirds of the economy. At the same time, widespread concern of a recession continues to weigh on the economy because 20% expect to layoff employees.[9]

As you know, maximizing employment is every bit as important as maintaining price stability. Further rate hikes risk tipping the economy into recession. While recessions hurt everyone, they especially impact the most vulnerable among us. Unemployment may be low at the moment, but many workers are still struggling as wage gains have not kept up with prices. Almost 63% of Americans are living paycheck to paycheck, and can ill afford to lose their job.[10] Importantly, the consequence of job loss and displacement is long-lasting.

As I mentioned in my October letter, high inflation warranted a response by the Federal Reserve. However, the Federal Reserve must keep sight of both mandates. Failure to do so risks triggering a recession and hurting American workers. Given this, I urge the Federal Reserve to proceed with caution and consider halting rate increases.

Sincerely,

John Hickenlooper
United States Senator

[4] https://www.cnbc.com/2022/12/23/why-everyone-thinks-a-recession-is-coming-in-2023.html
[5] https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20221214.pdf
[6] https://www.reuters.com/markets/us/us-existing-home-sales-lowest-since-2010-price-growth-slows-2023-01-20/
[7] https://www.federalreserve.gov/releases/g17/current/default.htm
[8] https://www.federalreserve.gov/newsevents/speech/brainard20230119a.htm
[9] Nearly 20% of US Firms Expect to Reduce Headcount, Survey Shows - Bloomberg
[10] https://www.cnbc.com/2022/12/15/amid-high-inflation-63percent-of-americans-are-living-paycheck-to-paycheck.html