

# [***Interview With Minneapolis Federal Reserve President Neel Kashkari***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BV1-RD21-JCS1-6001-00000-00&context=1516831)

Fox News YOUR WORLD WITH NEIL CAVUTO 4:15 PM EST

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**Body**

NEIL CAVUTO, FOX NEWS ANCHOR: All right, with all these inflation fears and market rates backing up, not a big surprise that mortgage rates would be following that, the 30-year-fix rate now up to 7.10 percent, highest it`s has been in more than four months.

What to make of that and these growing expectations that rate cuts that the markets were planning on might be getting pushed back further and further and further?

A gentleman who would know is Neel Kashkari. He`s the Minneapolis Federal Reserve Bank president.

Neel, very good to have you.

NEEL KASHKARI, PRESIDENT, FEDERAL RESERVE BANK OF MINNEAPOLIS: Good to see you, Neil.

CAVUTO: Let me ask you first about what`s happening on the mortgage front.

I know that that seems like a jarring number to some. I don`t know if I ever told you what my wife and I paid for our first mortgage.

(LAUGHTER)

CAVUTO: But I have told the nation I think about 2,000 times.

(LAUGHTER)

CAVUTO: But it was a lot higher. And I know it`s what you get used to.

And people now were getting used to much lower rates, and it`s putting a stall, some say a stop, to the housing industry. Do you agree with that?

KASHKARI: I don`t agree with that.

One of the surprises for me is how resilient housing, the housing market broadly, has been in the last couple of years, while we have raised interest rates. As you noted, mortgage rates are now above 7 percent. I would have thought that that would have slammed the brakes on the housing market.

What we have seen is, the single-family home market has slowed down. The multifamily market or apartment building market has kept up much stronger. And if you look at construction employment, construction employment has continued to climb throughout this period when we have been raising interest rates.

So, actually, it`s a little bit of a head-scratcher for me. How is it that housing has been as resilient as it has been? And I think part of the answer is, for the 10 years or so after the financial crisis, we simply didn`t build enough units, homes or apartment buildings, to keep up with our population growth.

And that demand is still built up there that we`re trying to work its way through.

CAVUTO: Yes, that whole -- there`s limited supply and the demand for that.

Having said that, there`s not more supply likely to come on the market right now. If you`re a home seller and you`re looking at this environment, you`re going to hold off, right? And that limits choices for potential buyers. So how do you see that Mexican standoff going?

KASHKARI: Well, every person -- we hear this a lot, that, well, people aren`t selling their homes because they have locked in a low mortgage rate and they don`t want to buy a new home and have to go get a more expensive mortgage.

CAVUTO: Right.

KASHKARI: And that makes a lot of sense.

But that also means that`s one fewer buyer in the market. So how that washes out is a little bit unclear to me. Ultimately, we know what we need to do. We need to get inflation back down to 2 percent. Once we do that or we get closer to it, we`d be in a position to start dialing back some of our interest rate increases.

And then you would expect that to flow through to cheaper mortgages for American families.

CAVUTO: Let me ask you a little bit about this.

Given some of the inflation numbers we have seen and the robust economic numbers we have seen in other areas, market rates have been backing up, over which the Fed has no direct control. It can jawbone about them one way or the other, but no direct control.

And I am wondering now whether this has pushed off those expected rate cuts to either late next year or maybe not at all this year.

KASHKARI: Well, the data is going to guide us.

We have been surprised, in a concerning way, about the first three months inflation data this year. The second half of last year, we saw a lot of progress as inflation fell back towards our target. That gave us a lot of optimism that maybe 2 percent inflation is around the corner. And now things seem to have stalled out.

So, my view is, we just need to sit here and be patient until we see the data and hopefully get convinced that inflation continues to fall back down. The good news is, as you indicated, the economy continues to be strong, GDP growth is strong, consumer spending is strong, and the labor market is strong.

So we`re in a good position from which to take our time before we decide where to go with interest rates.

CAVUTO: Take your time until next year?

KASHKARI: Well, I mean, potentially.

I had dialed in -- in March, I had dialed in two interest rate cuts this year, two 25-basis-point cuts. That was before some of the data that we have seen. I`m in the view of, we need to wait and see, be patient as long as it takes until we get convinced that inflation is on its way back down to 2 percent.

CAVUTO: So, to be clear, you had factoring in on -- that`s the whole dot plot, where all you guys get together and compare where you see rates going or what you ideally like to see, two rate cuts.

Are you down to one right now? Are you down to none? What?

KASHKARI: You know, I -- we don`t have to make that decision until June. So I`m going to hold off making that decision, but certainly the data that we have seen since...

CAVUTO: Maybe you can just -- maybe you can just whisper it in my ear right now or whatever.

(LAUGHTER)

KASHKARI: I will whisper it in -- during commercial.

No.

CAVUTO: All right.

KASHKARI: We need to see the labor market data and the inflation data, as well as spending.

CAVUTO: Neel, how much does all of this spending in Washington complicate things? Because that is in itself inflationary, not exclusively. But it doesn`t help your cause, does it?

KASHKARI: It complicates things.

What -- we know that a lot of stimulus was part of the driver, not the only driver, but a contributor to the high inflation that we have seen. And when I go out and I look at where is investment taking place, where is construction taking place, we know, for example, the spending on infrastructure, the spending on new chip plants, all of that on the margin is inflationary.

Is it big enough to move inflation at the national economy level? That`s a little bit unclear. But we are a little bit at cross-purposes, where you have some programs that are really well-meaning and, for good reason, that Congress is focused on. At the meantime, we`re trying to get demand down in the economy.

So there are some complications that we`re having to navigate right now.

CAVUTO: I know you don`t like to wade into ***politics***, Neel. And everyone likes to say the Federal Reserve is above ***politics***. But it has moved in election years in the past, presidential election years. It`s not immune to doing so.

But we do know that President Trump had a very change -- a big change in how he thought of Jerome Powell and doesn`t think much of him now, probably, if he became president, wouldn`t reappoint him to head the Federal Reserve.

So how much does this environment weigh on you guys?

KASHKARI: You know, in some sense, it makes things easy, because the higher the political heat gets turned up from either party, the more we all know we just need to focus on our goals that Congress has given us.

Congress told us, go achieve maximum employment and stable prices that we define as 2 percent inflation. We call it our dual mandate. And the higher the temperature gets, the more we all just hug the data and hug the dual mandate. That`s the only way we can figure out how to navigate this.

CAVUTO: But people will hug that data through the prism -- but people will hug that data through the prism of their own political point of view, not all the time, but sometimes, right?

There are a lot of people who are supporting Donald Trump who say that any cut in interest rates right now would be unwise and would only be meant to help Joe Biden. How do you answer that?

KASHKARI: Well, I would just suggest to those folks that look at the data that we talk about. We talk about what data we`re focused on all the time. We talk about what data we`re looking at.

And look at the data. Is it matching what we`re saying that`s motivating our actions or our inactions? Ultimately, I think that that`s going to be the proof. Are we walking the walk that we laid out?

CAVUTO: Do you -- when you see some of the names that have been raised or hinted at to be the next Fed chairman, they`re outsiders or people who are not presently serving on the Federal Reserve right now.

And I just think, with Art Laffer being among them and a host of other former Trump administration officials, do you get concerned about that? Do you ever say, geez, where am I on this list?

KASHKARI: You know, I -- that`s not my job to consider who`s going to get appointed or whatnot.

I will say that any appointee from any president ultimately has to get confirmed by the United States Senate. And I think senators on both sides of the aisle have said the Fed picks are really important and that they give them careful scrutiny and consideration.

And so I have actually got a lot of confidence in our process that good people will continue to get appointed to the Fed regardless of who`s president.

CAVUTO: We have two term limits on presidents. It seems limitless for Fed chairmen. Do you think two and done is good enough?

KASHKARI: You know, I think Alan Greenspan served for more than two terms and I think did a very good job during his term.

CAVUTO: You`re right.

KASHKARI: Ben Bernanke served two terms. I think it`ll be up to the president to make the right call.

CAVUTO: All right, that`s a very -- very threading-the-needle answer. That was -- that was well-played, Neel.

(LAUGHTER)

CAVUTO: Very good seeing you again. Thank you very much.

KASHKARI: Thanks for having me, Neil.

CAVUTO: All right, Neel Kashkari, oddly spells his name N-E-E-L, but I`m the I-L.

But we Neils are always fighting over that. No, we`re not, actually. I just noticed that.

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