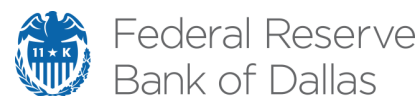


Academic Advisory Council

Meeting Minutes



March 27, 2026

Council Attendees:

Donald Kohn, Brookings Institute (Council Chair)

Gabriel Chodorow-Reich, Harvard University

Olivier Coibion, University of Texas at Austin

Julia Coronado, MacroPolicy Perspectives LLC

Troy Davig, Symmetry Investments

Klaus Desmet, Southern Methodist University

Wenxin Du, Harvard University

Daryl Fairweather, Redfin

John Haltiwanger, University of Maryland

Chinhui Juhn, University of Houston

Karin Kimbrough, LinkedIn

Ellen Meade, Duke University

Nathan Sheets, Citigroup

Guest Attendees:

Philip Jefferson, Federal Reserve Board of Governors

Gary Kelly, Southwest Airlines

Chad Syverson, University of Chicago

Federal Reserve Bank of Dallas Staff Attendees:

Lorie Logan, Tommy Alsbrooks, Karel Mertens, Robert Coronado, Emily Greenwald, Mike Schetzel, Rebecca Zarutskie, Deborah Kilroe, Anthony Murphy, Pia Orrenius, Chris Otrok, Alex Richter, Mark Wynne, Guhan Venkatu, Alex Chudik, Scott Davis, Alejandro Dieguez, Jim Dolmas, Mike Plante, Fang Yang, Anton Cheremukhin, Ricardo Reyes-Heroles, Elizabeth Souder, Christa Deneault, Samuel Dodini, Owen Kay, Tucker Smith, Reid Taylor, Tyler Atkinson, Ron Mau, Theresa Rincker

Discussion of Productivity

The Council meeting began with a presentation on recent U.S. labor productivity trends. During the discussion, Council members noted that average productivity growth has consistently exceeded the low 2015-2019 trend of 1.6 percent, averaging 2.2 percent per year since 2019. Some members

observed that this improvement appears linked to a resurgence in economic dynamism, evidenced by a higher quits-to-layoff ratio and increased business formations, and were skeptical of attributing this resurgence to AI, because as a general-purpose technology (GPT), history suggests that it would need more time to diffuse throughout the economy before showing up in productivity measures. The Council then reviewed several recent studies on AI's labor market impacts that show widespread AI adoption but minimal immediate impact on wages, employment, or productivity over the past three years, with AI appearing to complement rather than replace workers.

The Council then examined firm entry and business dynamism as drivers of innovation and productivity. Some members emphasized that firm entry both results from innovation and induces it further, so it is a strong leading indicator of productivity growth. The Council noted a significant surge in business registrations since the pandemic, particularly in high-tech sectors and among businesses mentioning AI in applications, as well as substantial growth in non-store retail. For existing companies, new GPTs usually spur investment, and then a “shakeout” period, where some firms successfully adopt and expand, while others contract and exit. These diverging trajectories underly headline productivity numbers, complicating their interpretation. Council members noted that effective adoption appears to require in-house development and intangible investments specific to business needs, which will take considerable time and effort.

Discussion of Inflation Expectations

The Council then examined whether today's inflation environment resembles the 1970s, a period for which a common interpretation is that geopolitical shocks on an economy with unanchored inflation expectations generated persistent inflation.

Council members considered evidence that current inflation expectations may be unanchored. While short-run expectations from investment professionals (such as the Survey of Professional Forecasters) spiked during the pandemic before settling back near pre-pandemic levels, surveys of firms and households showed much larger spikes that settled around 4 to 5 percent, significantly higher than pre-pandemic levels. Members discussed the idea that during periods of low, stable inflation, households pay little attention to FOMC objectives, specifically, its 2 percent price stability target, and instead form expectations based on recurrent purchases like gasoline and food. But, during periods of high inflation, households become attentive to FOMC objectives while simultaneously observing the Fed miss its 2 percent target.

Some Council members expressed concern that the combination of a geopolitical supply shock and unanchored expectations could create conditions like the 1970s, citing the visibility and magnitude of supply shocks, heightened consumer inflation expectations, and increased geopolitical uncertainty. The Council noted important differences between today and the 1970s, including that the U.S. has more diversified energy sources, is now a net oil exporter, and appears to lack the demand-driven inflation that was present in the 1970s.

General Discussion on the Economy and Issues Relevant for Monetary Policy

The Council assessed each side of the dual mandate, and multiple members noted that inflation was their primary worry. Members highlighted that core PCE inflation remains elevated and stable, or possibly rising, ahead of potential price impacts from the Iran conflict. While there was some optimism on the trajectory of housing inflation, members noted sticky services prices and potential demand-side pressures from AI data center investments. Regarding the labor market, Council members' assessments varied. Some members characterized the labor market as weak, noting that hiring is trending down with limited churn, momentum is concentrated in select industries, and job seeker confidence is low. Other members expressed cautious optimism, noting that the Job Openings and Labor Turnover Survey (JOLTS) data suggest the economy remains in a relatively tight position on the Beveridge Curve, total layoffs remain stable, and the unemployment rate appears consistent with long-run estimates.

Members discussed the possible economic impacts of the Iran conflict, considering scenarios ranging from a benign outcome to a prolonged war that could significantly impact global growth and push prices substantially higher. Members noted that Asia and Europe face the greatest exposure to these risks, while the U.S. appears better positioned due to more diversified energy supplies. The Council noted that supply shocks are difficult to address with monetary policy and expressed concern about repeated supply shocks. Some members expressed concerns that the effects of the conflict may extend beyond energy markets, for example, fertilizer shortages could cause food price increases.

The Council discussed central bank independence and credibility, and it noted that independence matters only to the extent that central banks pursue their monetary policy objectives and communicate effectively. Some members expressed concerns about independence concerns around the Federal Reserve's supervision and regulatory functions. Other members noted that the supervisory and regulation function of the Federal Reserve differs from other central banks, so it is not a concern for monetary policy independence. Beyond regulatory independence, members raised concerns that the methods and timing of FOMC communication are important to its credibility.

Members expressed concern about the survey-centric nature of U.S. economic data, noting that the methodology developed over 25 years ago faces major challenges from funding cuts and workforce losses at BLS and Census Bureau. Members also noted that payroll data is particularly difficult to interpret due to population changes from immigration enforcement, stating that labor market flows data are more reliable for current labor market assessments.