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Fed's Lacker Says a Strong Case Can Be Made for Higher Rates

By Michael S. Derby and Robin Howard

Federal Reserve Bank of Richmond President **Jeffrey Lacker** said Wednesday a good argument can still be made to raise rates at the U.S. central bank's mid-June policy meeting.

"I think a strong case can be made that short term interest rates should be higher right now," Mr. Lacker said in response to audience questioning at a speech in Charleston, S.C. He added that even with some signs economic activity might have softened over the start of the year, "I think the case is likely to remain strong" that rates should move up off of near zero levels by the June central bank meeting.

Mr. Lacker is a voting member of the monetary policy setting Federal Open Market Committee. He spoke as expectations about the policy outlook have been thrown into flux by unexpectedly weak data. Most Fed officials expect to see rates rise this year. Key officials had broadly pointing to the summer as the most likely time to increase the cost of borrowing in the U.S., but the economic data has suggested the Fed may hold off until later in the year.

Mr. Lacker has long suggested the economy is near ready for higher interest rates. He said he would approach the June Fed meeting with "an open mind" and suggested the economy's performance may have been weighed down by temporary factors.

Speaking with reporters after his speech—the formal remarks were devoted to educational issues—Mr. Lacker said that if the Fed holds off too long on raising rates, it can create risks for the economy. He added that a push higher in rates followed by a move down would not be the problem for Fed credibility some of his colleagues have said.

Mr. Lacker also said he expects U.S. growth to come in at around 2.5% this year, amid further job gains.

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