



Whose Recovery?

A National Convening on Inequality, Race, and the Federal Reserve

August 27-28, 2015
Jackson Lake Lodge, Wyoming

ABOUT **FED UP: THE NATIONAL CAMPAIGN FOR A STRONG ECONOMY**



Fed Up is a coalition of organizations across the country, campaigning for the Federal Reserve to adopt pro-worker policies for the rest of us. The Fed can keep interest rates low, give the economy a fair chance to recover, and prioritize full employment and rising wages.

www.whatrecovery.org

ABOUT THE **CENTER FOR POPULAR DEMOCRACY**



The **Center for Popular Democracy** works to create equity, opportunity, and a dynamic democracy in partnership with high-impact base-building organizations, organizing alliances, and progressive unions. CPD strengthens our collective capacity to envision and win an innovative pro-worker, pro-immigrant, racial and economic justice agenda.

www.populardemocracy.org

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ABOUT **POLICYLINK**



PolicyLink is a national research and action institute advancing economic and social equity by Lifting Up What Works. PolicyLink connects the work of people on the ground to the creation of sustainable communities of opportunity that allow everyone to participate and prosper. PolicyLink shares its findings and analysis through our publications, website and online tools, convenings, national summits, and in briefings with national and local policymakers. PolicyLink's work is grounded in the conviction that equity—just and fair inclusion—must drive all policy decisions.

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ABOUT **PERE**



The **University of Southern California Program for Environmental and Regional Equity (PERE)** conducts research and facilitates discussions on issues of environmental justice, regional inclusion, and social movement building.

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The Fed Up Coalition	2
Introduction	3
Conference Agenda	5
Coalition Priorities	6
Teach-In Fact Sheets	10
PolicyLink Equity Briefs	29
Appendix	57
Sources	82



Activists from Action United protest outside of the Philadelphia Federal Reserve in March 2015.

The Fed Up Coalition

In the Federal Reserve's Twelve Regions

- 1 Community Labor United
- 2 Make the Road New York
New Economy Project
New York Communities for Change
- 3 Action United
Pennsylvania Working Families
- 4 Common Good Ohio
- 5 Action North Carolina
- 6 Rise Up Georgia
- 7 Action Now
- 8 Missourians Organizing for
Reform and Empowerment
- 9 Neighborhoods Organizing
for Change
- 10 Communities Creating Opportunity
Kansas People's Action
- 11 Texas Organizing Project
Workers Defense Project
- 12 Alliance of Californians for
Community Empowerment
Working Partnerships USA

Across the Country

Center for Popular Democracy

AFL-CIO

Campaign for America's Future

Center for Community Change

Credo Action

Daily Kos

Demand Progress

Demos

Economic Policy Institute

National Employment Law Project

PolicyLink

Working Families Organization



Introduction

The Federal Reserve is arguably the nation's most powerful economic actor. Its policy decisions have an enormous impact on each of our lives and on the course of our national economy. Those decisions play a key role in determining whether wages will rise for working families or whether they will stay flat; whether millions of unemployed and underemployed workers can find good jobs; and whether we will finally start to close the unjust wage gaps between the rich and the rest of us, between people of color and white Americans, between women and men.

But, for far too long, our communities have been isolated from the Federal Reserve's policy choices. Monetary policy has been left up to the bankers and the economists, with the public largely shut out and confounded by its seeming complexity. The consequences of this disengagement have been profound. For the past 45 years, with only a few exceptions, the Federal Reserve has set policy that benefits banks and harms borrowers, helps employers and hurts workers, and privileges the voices and needs of corporate elites rather than those of America's working families.

That's finally beginning to change.

Fed Up is the national campaign for a strong economy. All across the country, we are bringing the voices of regular people inside the marble walls of the Fed's banks, calling on officials to build a strong economy where everybody who wants to work can find a good job. In the twelve Federal Reserve districts around the country, from Boston to San Francisco and Minneapolis to Atlanta, we are building coalitions of community leaders, workers, consumers, faith leaders, and elected officials who reject the notion that America must forever be afflicted by racial inequality and economic insecurity.

Seven years after the Great Recession began, most of us continue to struggle. Wages are still lower than they were in 2000. Millions of workers have left the labor force, discouraged by the lack of good jobs. And there aren't nearly enough full time jobs to go around, especially for African Americans and Hispanics: One in five Black workers and one in six Hispanic workers are unemployed or underemployed. The unemployment rate for Black workers is higher now than it was during the worst months of 2009 for white workers; Black America is still stuck in a Great Recession.

While most families know that the economy is still weak, officials at the Federal Reserve appear to see things differently: they are getting ready to declare victory, and raise interest rates. Fed officials have said that in the fall or winter of 2015, they are going to *intentionally slow down economic growth*, so that the economy will produce fewer jobs and lower wages for workers.

By raising interest rates, the Federal Reserve will make it more expensive for us to pay our credit card, student loan, car, and mortgage payments. That means we will have less money in our pockets to buy the goods and



The Fed Up Coalition at the Federal Reserve in Washington DC before meeting with Chair Janet Yellen and her colleagues.

services we need. And that will have a terrible ripple effect throughout the economy: businesses will earn less revenue, so they will lay off workers (or avoid hiring new workers) and they won't be able or willing to give workers any raises. With bad job prospects and stagnant wages, working families won't earn enough to buy the goods and services they need, which starts the whole cycle again.

If this sounds like a terrible idea, that's because it is. But, unfortunately, it is exactly the goal that Federal Reserve officials are trying to achieve when they raise interest rates: they are trying to slow down the economy so that there are fewer new jobs and workers have less power to negotiate raises. Fed officials are going to raise interest rates because they believe that workers' wages are now rising too quickly.

Why would Federal Reserve officials do that? Why would they think that the economy has returned to health and should be slowed down? One reason is that Federal Reserve officials spend most of their time talking to wealthy bankers, corporate executives, and other people who are doing very well in this economy. From their perspective, the economy is healthy: unemployment is almost nonexistent and high incomes are getting even higher.

This skewed reality is a result of the fact that the Federal Reserve's governance is dominated by corporate and financial executives. Although it is a government agency—and our nation's central bank—two-thirds of the leadership of the Federal Reserve's twelve regional banks is selected by private sector commercial banks. That's right: big Wall Street banks get to pick one layer of leadership for the Federal Reserve (the "Directors") and those people go on to select the regional "Presidents" who set monetary policy for the entire country.

It is no wonder that, for too long, the Federal Reserve has prioritized the needs of banks and the richest members of society. Fed officials almost never hear from working families who are struggling to build a decent life for their children, working hard every day and never feeling like we're getting ahead.

There is an alternative.

Federal Reserve officials can change their perspective and change their methods of governance. They can open their ears to the perspectives and opinions of people who are struggling, not just people who are thriving. They can open their eyes to the dreams of parents across the country who want to build a secure and dignified life for their children. They can commit themselves to an economy where prosperity is shared, where community investment is valued over corporate profits. They can recognize that Black lives and livelihoods matter. And they can acknowledge that the labor market is nowhere near healthy.

Since the 1980s, the top Federal Reserve officials have gathered in the remote national park of Jackson Hole, Wyoming for their annual policy conference. Bankers, economists, and other members of the financial elite pay \$1000 each to talk about what policies the Fed should adopt in the coming year. This year, as if to highlight the disconnect between their perspective and the actual challenges faced by the American economy, the topic of the Fed's symposium is "Inflation Dynamics and Monetary Policy." Of course, inflation has not been a problem in America for 35 years. Instead, we are suffering from stagnant wages and widening inequality.

Fed Up has come to Jackson Hole to offer a different perspective. We've come here to identify the real challenges facing our country, lay out a vision for a more just and equitable society, and tell Federal Reserve officials that we expect them to represent the public interest and build an economy that works for all of us.

AGENDA

Whose Recovery?

A National Convening on Inequality, Race, and the Federal Reserve

Jackson Lake Lodge, Wyoming, August 27-28, 2015

Thursday, August 27

8:00 to 9:00	Breakfast
9:00 to 9:15	Welcome and Introductions
9:15 to 10:45	Opening Teach-In: <ul style="list-style-type: none"> ■ Fed Up and the National Campaign for a Strong Economy (#1)
11:15 to 12:15	Press Conference
12:30 to 1:30	Lunch
2:00 to 3:30	Teach-Ins: <ul style="list-style-type: none"> ■ Do Black Lives Matter to the Fed? (#2) ■ The Most Important 2016 Elections You've Never Heard About (#3)
4:00 to 5:30	Plenary Teach-In: <ul style="list-style-type: none"> ■ Reversing the Inequality in Our Economy and Our Society (#4)
5:45 to 6:45	Group Activity
7:00 to 9:00	Dinner

Friday, August 28

7:30 to 8:45	Breakfast
8:15 to 8:45	Invocation for a Moral Economy
9:00 to 10:30	Teach-Ins: <ul style="list-style-type: none"> ■ The Fight for \$15, Full Employment, and the Fed (#5) ■ Toward a Fair Workweek: How the Fed Can Stabilize the Labor Market (#6)
11:00 to 12:30	Teach-Ins: <ul style="list-style-type: none"> ■ Wall Street, Our Cities' Budgets, and the Fed (#7) ■ Who's Afraid of High Wages? A History of the Inflation Bogeyman (#8)
12:30 to 1:45	Lunch: Repeat of Teach-Ins #2 and #3 <ul style="list-style-type: none"> ■ Do Black Lives Matter to the Fed? (#2) ■ The Most Important 2016 Elections You've Never Heard About (#3)
2:00 to 3:00	Closing Assembly: How Do We Build A Fed That Works for Us?
4:00 to 6:00	Activities in Grand Teton National Park

Description of Teach-Ins

- #1: Fed Up and the National Campaign for a Strong Economy:** This teach-in will serve as an orientation to the Federal Reserve, the Fed Up campaign, and the upcoming two days. We'll discuss why the Fed matters, how it impacts the economy and our lives, and what we can do to change its policies.
- #2: Do Black Lives Matter to the Fed?:** The Federal Reserve makes policy choices based on its assessment of the health of the economy. But the health of the economy looks very different on Wall Street, and even on Main Street, than it does on Martin Luther King, Blvd. In this session, we will talk about how a weak economy harms Black communities in particular, facilitates discrimination, and produces enormous racial disparities. And we will explore what genuine full employment for all communities would look like.
- #3: The Most Important 2016 Elections You've Never Heard About:** Did you know that major commercial banks play a central role in selecting the Federal Reserve's leaders? And that corporate executives dominate its governance? This teach-in will uncover the mysterious and opaque governance structure of the Federal Reserve, the revolving door between Wall Street and the Fed, and the secretive process for selecting regional bank presidents. Together, we will develop a strategy for making the Fed more transparent and ensuring that serves the needs of the public, not the richest members of society.
- #4: Reversing the Inequality in Our Economy and Our Society:** This plenary session will feature leaders from around the country discussing the growing problem of inequality, the impact of austerity politics, and what we can do to change course.
- #5: The Fight for \$15, Full Employment, and the Fed:** This teach-in will feature a discussion of the Fight for \$15 and how full employment and Fed policies are crucial to building an economy with rising wages. We'll discuss how the tightness of the labor market impacts workers' abilities to win higher wages and the importance of wage-targeting as a tool for the Fed to get us to genuine full employment.
- #6: Toward a Fair Workweek: How the Fed Can Stabilize the Labor Market:** Too many working families struggle with part-time jobs that are unstable, unpredictable, and unfair. These costs are particularly heavy for working women. Here we will talk about how the Fed's metrics overvalue part-time employment, about workers' fight for full and fair employment, and about how the Fed can help us create gender equity and better lives for our families.
- #7: Wall Street, Our Cities' Budgets, and the Fed:** When the economy collapsed, the Federal Reserve bailed out Wall Street banks with trillions of dollars in emergency lending. But in the years since then, our city and state budgets have been decimated, forcing cuts to crucial services and investments. This teach-in will explore an innovative new proposal for the Federal Reserve to lend money directly to cities and states so that we can re-build our communities, make the economy stronger, and escape the high-cost debt traps that Wall Street banks have caught us in.
- #8: Who's Afraid of High Wages? A History of the Inflation Bogeyman:** Why do Fed officials want to raise interest rates? Many of them are afraid of inflation. This teach-in will discuss the dynamics that contributed to high inflation in the 1970s and how those times were different from today. We'll discuss why the Fed has a mistaken view of the wage/inflation tradeoff, and why targeting higher wages would strengthen the economy for working families.

Coalition Priorities

Create a Strong & Fair Economy

1. **Good Jobs for All:** The Federal Reserve should publicly commit to building an economy with genuine full employment, instead of being satisfied with the current levels of un- and underemployment. This means promising to keep interest rates low until the economy has reached full speed and is producing millions of new jobs and higher wages for workers across the economic spectrum. The Fed should target real wage growth that is higher than economy-wide productivity growth, in order to combat inequality and boost workers' share of income, which has eroded over recent decades. Full employment is also necessary to increase the cost of destructive discrimination that raises the unemployment rates for communities of color, particularly Black workers, and lowers the labor force participation for women. The Fed should target a significant reduction of the unemployment gap for Black workers and a rise in labor force participation of women as signs that the labor market is approaching full employment.
2. **Investment in the Real Economy:** The Fed should use all available legal powers to invest in the real economy and create good jobs in our communities. Under its quantitative easing program, the Fed supported the economy by purchasing bonds and financial securities, which had the side effect of inflating asset prices. Now that that program is over, it should explore the possibility of using its legal authority to purchase state and municipal bonds. Zero interest rate lending to cities and states would help them reduce their debts and invest in public works projects—like renewable energy generation, public transit, climate change adaptation, and affordable housing—that will create good jobs and strengthen our communities.
3. **Research for the Public Good:** The Fed's central staff should work with community groups to conduct research and produce reports about the effects of local, state, and federal laws and proposals to raise the minimum and tipped minimum wage, enact paid sick days, guarantee fair workweeks, and implement other policies to strengthen the economy by expanding the middle class. It should study the costs and risks of persistent and growing income and wealth disparity within the economy. And it should explore whether the 2 percent inflation target is still appropriate, or whether the Fed's dual mandate would be better served by setting a higher target that facilitates lower unemployment, tighter labor markets, and a better ability to combat liquidity traps.

Create a More Transparent & Democratic Federal Reserve

4. **Ensure That Working Families' Voices Are Heard:** Fed officials should be hearing from working families and the public, not just business executives. Regional presidents should regularly meet with community-based groups, labor unions, faith leaders, and other representatives of the public in advance of the Federal Open Market Committee meetings, in order to gain a more complete perspective on the economy. Representatives of the public should be invited to come address the FOMC during a portion of its meetings (which would not conflict with the FOMC's need for candid deliberation during other portions of its meetings).

- 5. Fed Officials Should Actually Represent the Public:** The Federal Reserve Act mandates that the Class B and Class C Directors of the 12 Regional Federal Reserve Banks around the country should “represent the public,” with due consideration to the interests of labor and consumers, among other groups. Yet only 2 of the 108 current directors represent labor organizations and only 13 represent non-profit organizations or academia. The other 93 come from financial institutions and corporations. This year, the Fed’s Board of Governors should appoint genuine representatives of the public interest, including labor and consumer advocates, to the Class C seats on all 12 regional boards of directors.
- 6. Create a Legitimate Process for Selecting Fed Presidents:** In early 2016, the five-year terms of office of all 12 regional presidents will end. Decisions about the governance of the Federal Reserve are too important to happen in secret: democratic legitimacy requires that the Fed establish a transparent, inclusive process for deciding whether to reappoint any of the 12 presidents and choosing their replacements. It should include:
- A public schedule for the process, including for interim steps in the process;
 - The opportunity for members of the public to serve on the search committees;
 - A public set of criteria that will guide the decision-making;
 - Publication of the names of candidates under consideration;
 - Mechanisms for members of the public to submit questions and receive answers from potential candidates; and
 - The use of public forums where the public can discuss issues of monetary policy and Federal Reserve governance with the search committee, candidates, and other officials.



Workers gather in New York City for the Fight for \$15, April 2015.

Federal Reserve officials can change their perspective. They can open their ears to the opinions of people who are struggling. They can open their eyes to the dreams of parents across the country who want to build a secure and dignified life for their children. They can commit themselves to an economy where prosperity is shared, where community investment is valued over corporate profits. They can recognize that Black lives and livelihoods matter. And they can acknowledge that the labor market is nowhere near healthy.

Do Black Lives Matter to the Federal Reserve?

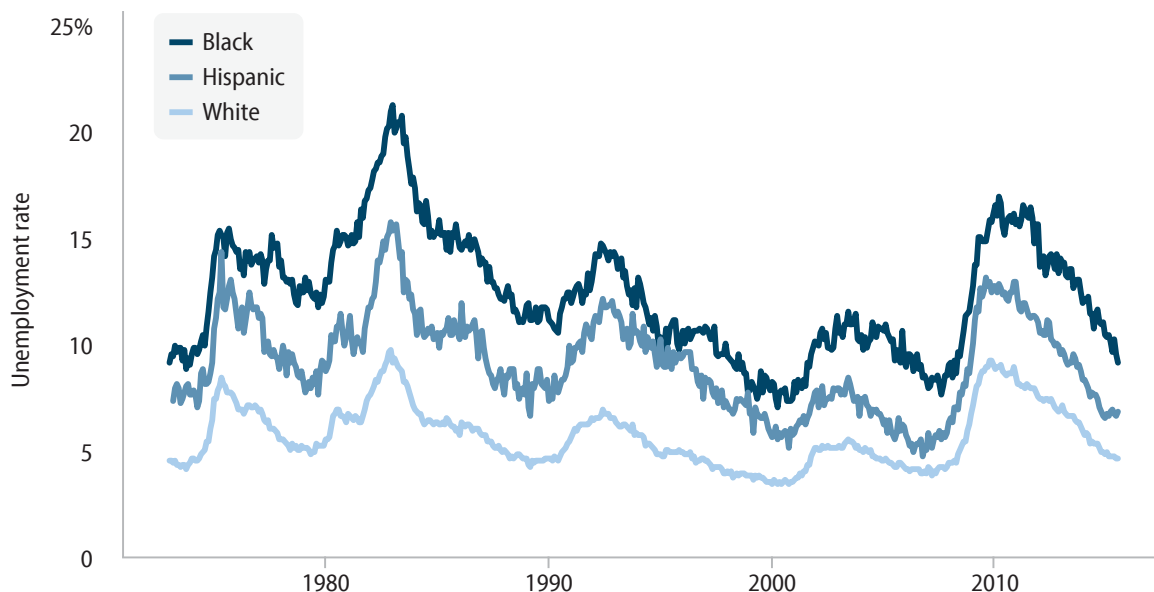
The Problem: In Ferguson, Missouri last summer, and throughout the past year, local and coordinated movements of Black communities have demanded an acknowledgement of the simple truth that Black lives matter. This truth needed to be asserted again and again, for Michael Brown, for Akai Gurley, for Eric Garner, for Sandra Bland, and for many, many others, because the idea that Black lives matter was a statement in defiance of the prevailing practices and systems of policing.

The racist state violence targeting Black people for abuse and extrajudicial execution is distinct from the damage done by economic policies that exploit, ignore, and discard Black communities, but economic disenfranchisement destroys Black life as well. Widening economic disparities result in infant mortality rates and life expectancies for Black people in the United States that are worse than some third world countries.

This slow, unseen, economically-driven destruction of Black life is due to a confluence of many factors that are out of the Federal Reserve's control, including the lasting legacies of slavery and Jim Crow and the continuing impacts of racist policing and mass incarceration. But the Federal Reserve can make a massive impact by fostering a true full employment economy with a tight labor market, which will have an enormous impact on Black livelihoods and black lives.

What the Federal Reserve has to do with it: Black communities have been left out of the economic recovery. African-American unemployment rates continue to exceed the national unemployment rates at the height of the recession, the unemployment rate for African-Americans is still higher than it was before the recession, and Black workers' wages have dropped \$0.44 over the past 15 years. To claim that the economy is healthy and has fully recovered requires ignoring the lives of tens of millions of Black Americans who are still struggling.

Unemployment rate of workers age 16 and older by race and ethnicity, 1973–2015



Source: Bureau of Labor Statistics' Current Population Survey, public data series

Choosing to raise interest rates prematurely and halt gains in unemployment sacrifices the very real needs of Black Americans for the sake of a theoretical chance of inflation that has not manifested itself. If the Fed chooses to target a higher unemployment rate than necessary, Black Americans will bear a disproportionate burden because high unemployment rates facilitate racial discrimination. When there are too many qualified job candidates for every job, employers can arbitrarily limit their labor pool based on unnecessary educational requirements, irrelevant credit or background checks, or straightforward bias.

A tight labor market, by contrast, makes it much harder for employers to succumb to prejudices and skip over qualified workers simply because of bias. When the number of job seekers matches the number of job vacancies, African Americans, Latinos, women, gays and lesbians, injured veterans, and formerly incarcerated workers finally get their due in the work force.

The late 1990s, when unemployment was at about 4 percent, bear out this thesis. During that uncommon era, Black unemployment was 7.6 percent, and the ratio of Black family income to white family income rose faster than at any other time in the past 50 years, except during the high Civil Rights era.

As the guardian of monetary policy, the Federal Reserve has a number of tools for encouraging a tight labor market, and one of those tools is to keep interest rates low. By keeping rates low, the Federal Reserve creates a hospitable environment for job growth by lowering the borrowing costs for consumer and business spending—including hiring new workers. By contrast, raising rates deliberately suppresses spending by consumers and businesses. In the process, it slows job growth, holds down wages, and unnecessarily maintains racial disparities.

With so many workers still struggling, there is no need to cut off this recovery prematurely. Inflation remains below the Fed's already-low two-percent target, unemployment and underemployment are too high, and wage growth and labor-force participation are too low. The Federal Reserve should not raise interest rates in 2015. Doing so would cause tremendous harm to the aspirations and lives of tens of millions of working families, and would disproportionately hurt African Americans.

What the Fed Can Do: The best thing the Fed can do for Black communities is simple: don't raise interest rates in 2015 and don't raise interest rates until wages begin to rise at the same rate as productivity gains. Members of the Federal Reserve System have downplayed the impact they can have on the livelihoods and lives of Black people, but if the Fed lets the labor market tighten, Black communities will benefit disproportionately: make no mistake, the Fed has the power to dramatically improve the livelihoods and lives of Black Americans by keeping interest rates low, letting unemployment in Black communities fall, and letting wages grow.

- The Fed should not increase interest rates until all communities experience a recovery, including communities of color. The Fed should go beyond returning to the status quo for Black Americans prior to the recession—which still has yet to be reached—and pursue full employment targeting wage growth of at least 3.5%.
- The Fed should recognize the disproportionate impact of a tighter labor market on communities of color and the role it can play in reducing the racial income gap.
- The Fed's metrics of economic health—including unemployment, wage growth, involuntary part-time employment, and labor force participation—should be disaggregated by race. Any estimation of "recovery" or "full employment" should include gains for communities of color.

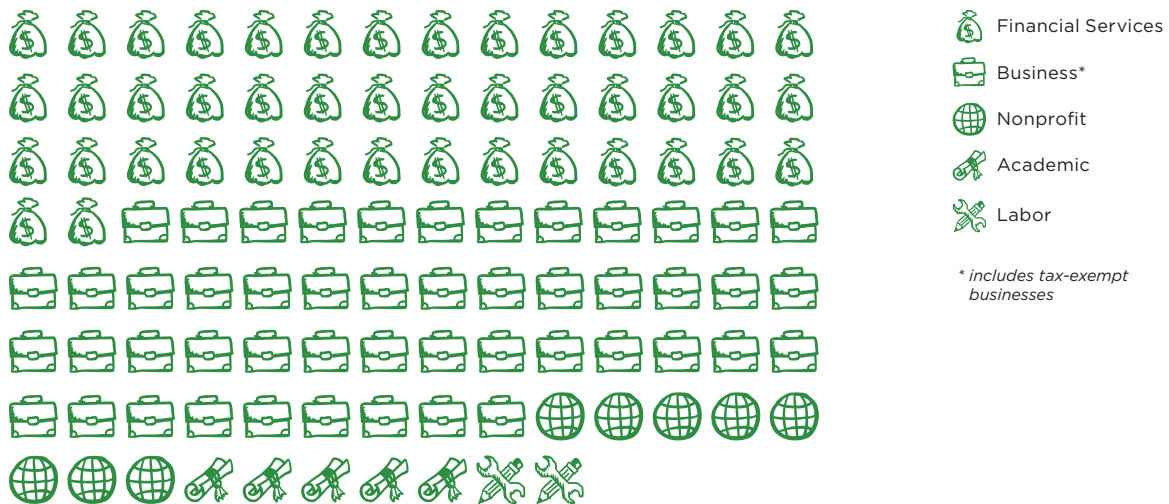
The Most Important 2016 Elections You Haven't Heard About

The problem: The 12 presidents of the Federal Reserve Banks serve on a rotating basis on the Federal Open Market Committee (FOMC), giving them enormous power over monetary policy and economic outcomes. The FOMC is the body that makes decisions about slowing down or speeding up the economy and includes 5 regional Fed presidents, plus the Federal Reserve Board of Governors. In theory, presidents of the regional banks should make up less than half of the FOMC, but during most of the Obama administration, regional bank presidents held 50 percent or more seats on the FOMC.

In early 2016, the terms of all 12 regional Bank presidents will expire, and presidents will either be re-appointed or replaced. Despite the remarkable power this group of 12 have over the nation's economy, the selection process has always taken place in a behind closed doors. In other words, the public has neither input into nor information about the various candidates and their approach to the economy.

There is some evidence that the regional bank presidents on the FOMC are more unsympathetic to workers than their publicly appointed peers. A 2009 analysis by the staff of the House Financial Services Committee found that 97 percent of dissents that aim to slow the economy—possibly at the expense of job growth—come from regional presidents.

Professional Affiliations of the Regional Fed Board Members

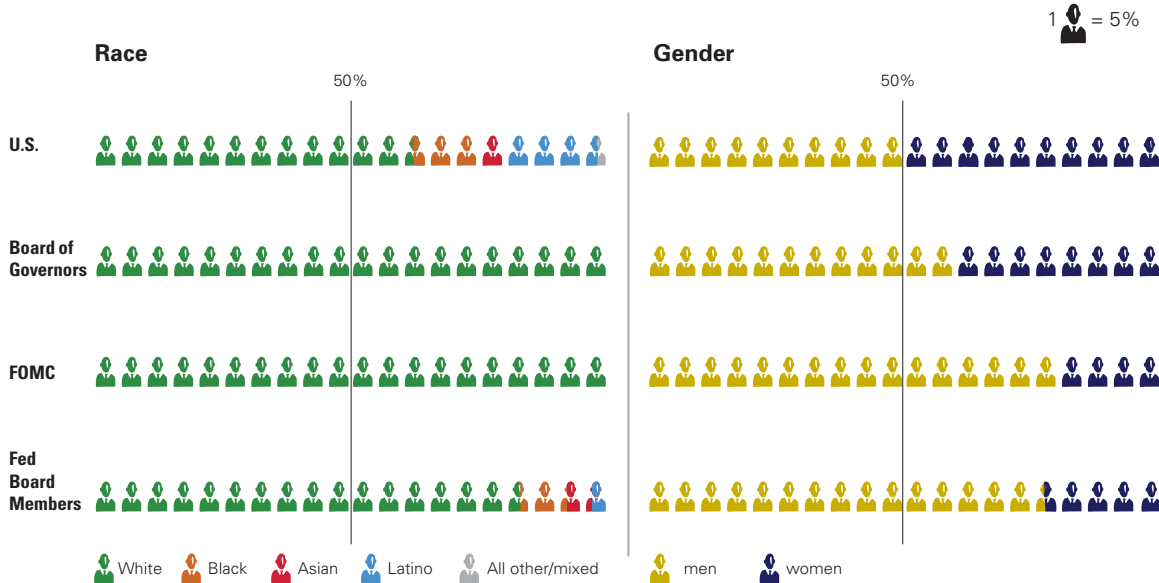


Source: Federal Reserve System, Regional Boards of Directors

In addition to more frequently protecting the interests of financial and large corporate enterprises, regional Bank presidents do not represent the communities in which we live. Currently, 10 of the 12 regional presidents are men, and 11 of the 12 are white. Since Bank presidents are usually white men with a background in banking, they contribute to a lack of diversity on the FOMC; presently, the foremost economic decision-making body in the country is entirely white.

The relative homogeneity of the regional presidents reflects a lack of diversity among the regional Bank directors as a whole. In 2011, a Government Accountability Office (GAO) report found that Board Directors were disproportionately white and male, and that labor and consumer groups were

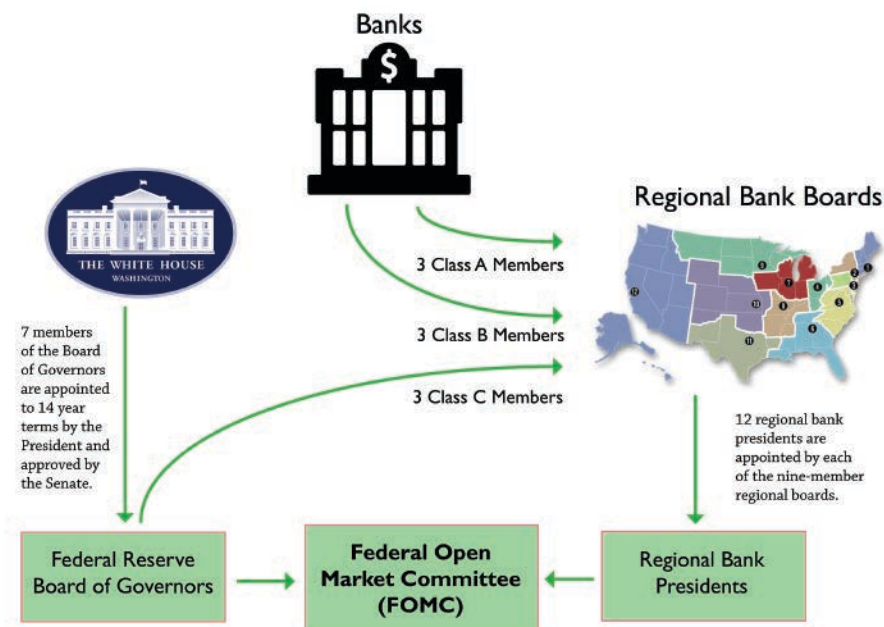
Representation in the Federal Reserve System's Decision-Making Bodies



underrepresented. An analysis conducted earlier this year found that of 108 Reserve Bank directors, 87 percent represented the financial and commercial sector, while only 2 directors represented labor organizations and no directors represented consumer organizations. There are 27 women on regional boards today, only a slight improvement from the 18 women who served on regional Boards at the time of the GAO's analysis five years ago. And, 12 directors are people of color, which is actually lower than the 15 who sat on regional Boards in 2010.

What the Federal Reserve has to do with it: Unlike Federal Reserve Board Governors, who hold permanent voting positions on the FOMC, regional presidents are not subject to Senate confirmation. Instead, regional presidents are chosen by directors of the regional Reserve Banks.

The Federal Reserve's Decision-Making Process



The Fed does not inform the public about the list of candidates being considered, the criteria for consideration or selection, or the identity of search committee participants who present the pool to directors. Although the Fed sets a clear timeline for expiration of presidential terms every five years, presidents are frequently re-appointed without so much as a press release to announce their selection for a fresh five-year term.

While it's impossible to know for sure who executive search firms are considering, it seems clear they seldom look far to find candidates. Since 1990, 17 of the 25 regional bank presidents have either served on the board of a bank or been employees of the bank before being selected as president.

When the public is shut out of the process and banks and corporations overwhelmingly dominate its makeup, the conventional wisdom that reigns in the Fed ignores inconvenient data (such as the lack of inflation), creative and unprecedented measures are reserved for failing financial institutions (not failing communities), and the Fed's impact on communities of color is minimized and ignored.

What the Fed Can Do: In early 2016, the terms of all 12 Federal Reserve Bank presidents will expire. Re-appointments and new selections alike should be disclosed, justified, and deliberated over in the same manner that new selections are.

Decisions about the governance of the Federal Reserve are too important to happen in secret. Democratic legitimacy requires that the Fed establish a transparent, inclusive process for deciding on appointments (whether re-appointments or replacements) of the 12 presidents. It should include:

- A public schedule for the process, including for interim steps in the process;
- The opportunity for members of the public to serve on the search committees;
- A public set of criteria that will guide the decision-making;
- Publication of the names of candidates under consideration;
- Mechanisms for members of the public to submit questions and receive answers from
- The use of public forums where the public can discuss issues of monetary policy and Federal Reserve governance with the search committee, candidates, and other officials

Presently, the foremost economic decision-making body in the country is entirely white and chosen in secret by Reserve Bank Directors, 87% of whom represent the financial and commercial sector. Who will they make decisions for?



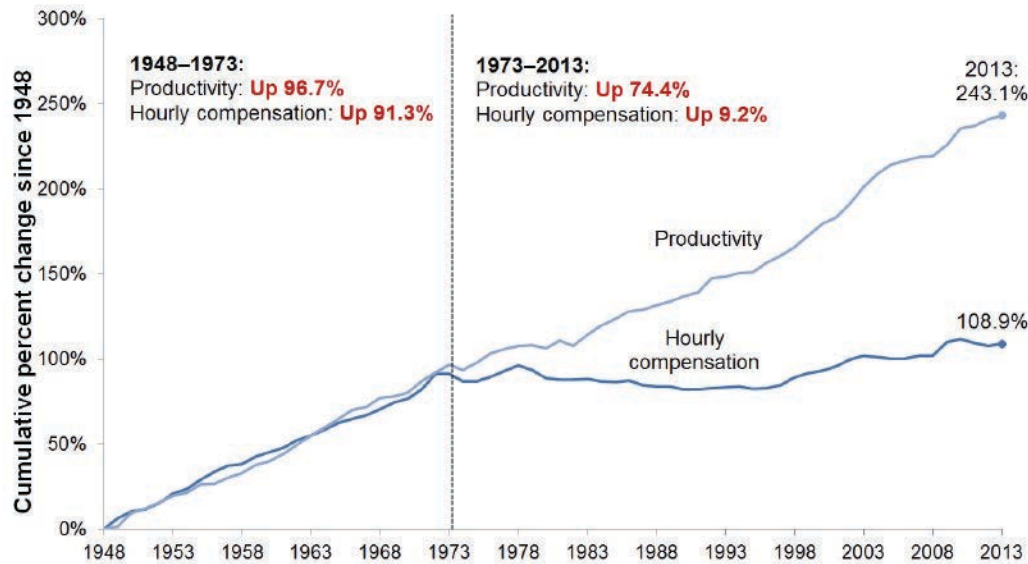
Workers in New York took to the streets in one of the largest protests for economic justice in history.

In a tight labor market workers have more power to choose better jobs, negotiate raises, and organize for better conditions. When the Fed tolerates high unemployment, it chooses the balance of power between workers and the 1%. And workers lose.

The Fight For \$15, Full Employment, and the Fed

The problem: In the three decades following World War II, workers reaped the benefits of our labor: as we became more and more productive, our wages went up as well. Productivity growth grew by 97% and wages basically kept up, growing by 91% over the same period. But since 1979, that equation has changed. Although productivity has continued to climb, hourly wages for the majority of American workers have been flat or falling.

The Growing Split between Productivity and Hourly Compensation, 1948–2013



Source: EPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data

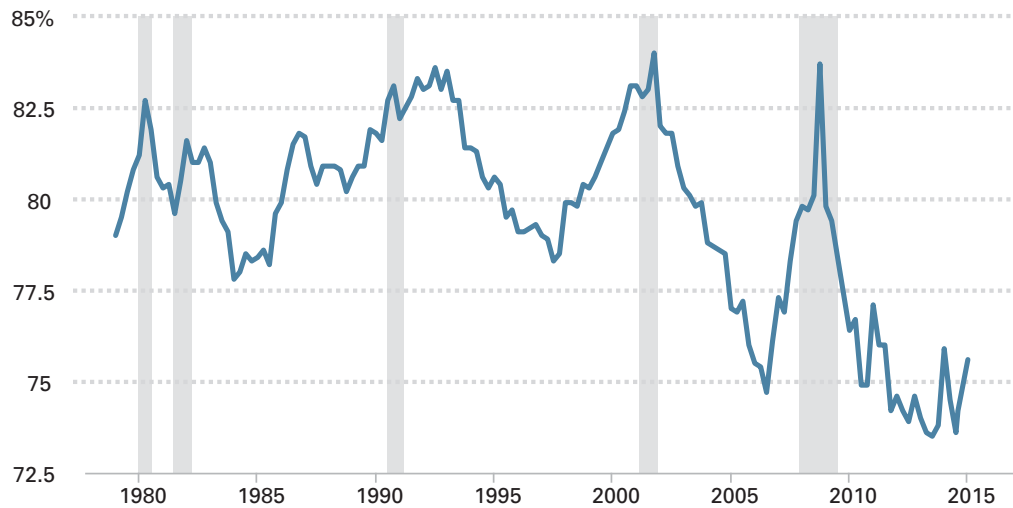
Since the 1980s, financial deregulation, declining unionization, and anti-worker globalization have combined to push down middle- and working-class incomes, even as corporate profits and CEO pay skyrockets. After the recession began in 2007, the gap between productivity and wages grew further. Only one group—top earners—have real wages today higher than before the recession began. Even workers with college and advanced degrees have seen dramatic wage losses.

The minimum wage is one tool that governments have to respond to slow wage growth. Unfortunately, federal minimum wage increases have not kept pace with inflation. Since 1968, the real value of the federal minimum wage has fallen, even though workers are more productive: If the federal minimum wage had kept pace with productivity since 1968, it would be \$18 today; instead, it is \$7.25 and has not been raised in six years.

Brave workers in cities across the country have led the Fight for \$15, transforming our national dialogue. High minimum wages that were once dismissed as a naïve dream are now law for workers from San Francisco to Chicago, for fast food workers in New York, and soon for all workers in Washington, DC. Even in more conservative cities like Kansas City, workers have won tremendous minimum wage victories. States and localities have acted where Congress has not, accounting for modest improvements in wage growth among portions of the population. From 2013–14, the bottom 10th percentile of workers were some of the only workers to see increases in their wages, mainly because of minimum wage increases in states where nearly half of American workers reside. The Fight for \$15 has proven that smart organizing, moral clarity, and brave leadership from working families can yield rapid and life-changing victories.

Workers' share of corporate income hasn't recovered

Share of corporate-sector income received by workers over recent business cycles, 1979–2014



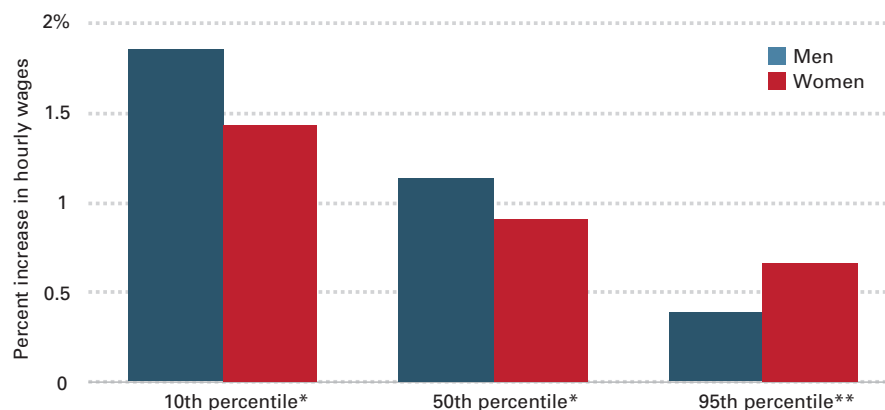
Note: Shaded areas denote recessions. Federal Reserve banks' corporate profits were netted out in the calculation of labor share.

Source: EPI analysis of Bureau of Economic Analysis National Income and Product Accounts (Tables 1.14 and 6.16D)

What the Federal Reserve has to do with it: When the Federal Reserve sets interest rates low, it stimulates the economy, resulting in more employment and higher wages. When the Federal Reserve raises rates—as they're discussing now—the economy slows down and employment and wages drop.

Wages are largely a function of supply and demand: when there are not enough jobs and too many unemployed workers, employers can offer very low wages. Workers who need to feed their families or pay the rent will be forced to accept low wages and won't be able to complain about bad schedules, mistreatment by the boss, or dangerous working conditions. When unemployment is high, employers can easily replace any workers who ask for raises or improved conditions. But when unemployment is low and there are many job openings, the opposite is true. In a "tight" labor market, workers have more power: they can negotiate raises by threatening to take a different job, they can pick and choose between job offers, and they can organize to improve working conditions.

Effect on hourly wage growth of 1 percentage-point decline in unemployment, by wage percentile and gender



* Estimates for men and women are not statistically significantly different.

** Estimates for men are not statistically significant.

Note: Regression of hourly wages changes on contemporaneous unemployment rate, lagged value of productivity growth, timeperiod dummy variables, and lagged value of inflation.

Source: EPI analysis based on method described in Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, *The State of Working America*, an Economic Policy Institute book published in 2012 by Cornell University Press

That's why full employment is so important for all us, even if we already have jobs. When the Fed tolerates high unemployment, it chooses the balance of power between workers and the 1%. Truly tight labor markets translate into real wage gains because workers have the power to win raises. When unemployment was very low and labor markets were tight in the late 1990s, workers had bargaining power for the first time in decades. As a result, wages rose for workers across the economic spectrum and the racial wage gap closed significantly.

Shockingly, some Federal Reserve officials believe that this kind of wage growth is a bad thing. Instead of trying to create a very tight labor market that would facilitate wage growth and reduce inequality, many policymakers at the Fed start worrying when they begin to see wage growth. They worry that rising wages will trigger inflation, by raising costs for businesses.

But, because the Great Recession was so big and the economic recovery has been so weak, we still haven't created enough jobs to create a tight labor market. Although the unemployment rate has fallen significantly, it is largely the result of workers who have given up looking for work or are working part-time, and therefore aren't counted as unemployed. We know that the labor market is not tight because wages aren't rising: workers still don't have the bargaining power to demand higher wages from their bosses.

As a result, there is no evidence of the upward pressure or acceleration of wages. The Fed zealously watches its (already low) 2 percent inflation target, and many of them believe they need to raise interest rates and slow down the economy even before 2 percent inflation occurs. Because the Fed has not established a target for wage growth, its leaders are planning to slow down the economy now, even before workers have benefited from a tight labor market and higher wages.

What the Fed Can Do: We need higher wages. Fed policymakers must begin to look at wage growth as a good thing, not a bad one. Because long-term wage stagnation and the Great Recession have left so many workers in worse shape than before, the Federal Reserve should define a full economic recovery as one in which workers reap the benefits of their labor. The Fed should not slow down the economy until workers' share of total business income return to at least its pre-recession level and wages are growing with productivity. Since the economic recovery began, nominal wage growth has remained stubbornly below 2.5 percent, which is lower than the productivity growth trend, and lower than expected for the Fed's 2 percent price inflation target.

While Fed policymakers often hear arguments that they should slow down the economy before their inflation target is reached, this approach would ensure a weak labor market and low wages. Instead, the Fed should wait to see real wage growth exceed productivity before tightening interest rates. History shows that concerns about a wage-price spiral are completely overblown. Until nominal wage growth is at 3.5 to 4 percent, moving to contract economic growth is not reasonable. The Fed should set wage targets that correspond to 1.5 to 2 percent productivity growth, allowing wage growth to exceed productivity growth and helping working families recover from decades of wage stagnation and inequality.

And workers around the country should take inspiration from the Fight for \$15. Just like we can demand living wage jobs with dignity, we can demand that the nation's central bank put the needs of working families first. The Fed should create an economy that works for all of us.



Toward a Fair Workweek: How the Fed Can Stabilize the Labor Market

The Problem: The shock of the Great Recession, combined with the lack of employee bargaining power in the workplace, and the rise in new scheduling technologies, has dramatically changed the conditions of our work and the implications of what it means to be underemployed. Today 75 million people, or three in five Americans are paid by the hour, including more than 61 percent of all women in the workforce. With neither appropriate legal protections nor a tight labor market to motivate better practices, employers are shifting the risks associated with scheduling onto workers. Many hourly workers have little or no input in their schedules and very few workplace protections, resulting in schedules that vary wildly week-to-week. More and more, workers have to be available to work 24/7, just to get a few hours per week. A third of workers have a fluctuating monthly income and 42 percent of them cite irregular work schedules as the cause of that instability.

Hourly workers—particularly in quickly growing industries like retail, food service, and healthcare—often get their schedules just a few days in advance and it is not uncommon for employers to require them to call in with just a few hours’ notice.

These emerging trends in scheduling have profoundly changed workers relationship with the time they have to give to their employers and the sacrifices they must make in order to get their wages. Unfair workweeks make it very difficult to take classes, get another part-time job, find appropriate child care, or schedule doctor’s appointments.

The impacts of involuntary part-time work and unpredictable scheduling fall disproportionately on women. Nationwide, more than 38 million women—that’s 61 percent of all women in the workforce—hold jobs paid on an hourly basis.

Twenty-five percent of women working part-time would prefer full-time work and half of women “voluntarily” working part-time cite childcare problems, family obligations, or education as the reason.

As long as the labor market remains weak—with many more people looking for work than jobs available—employers will continue to offload their risk onto their workers. If the Federal Reserve limits job growth by raising interest rates, precarious work and unpredictable schedules may take hold as a structural feature of our economy.

Involuntary part-time work remains elevated



What the Federal Reserve has to do with it: Federal Reserve officials set monetary policy based on what they believe about the health of the labor market. Unfortunately, the Fed continues to rely primarily upon the unemployment and involuntary part-time rates when evaluating the health of the labor market. The unemployment rate is the portion of workers who cannot find work even though they are looking for it. The involuntary part-time rate reflects the number of people working part-time who would prefer a full-time job but cannot find it because of economic conditions (for instance, low business demand or seasonal slowdowns).

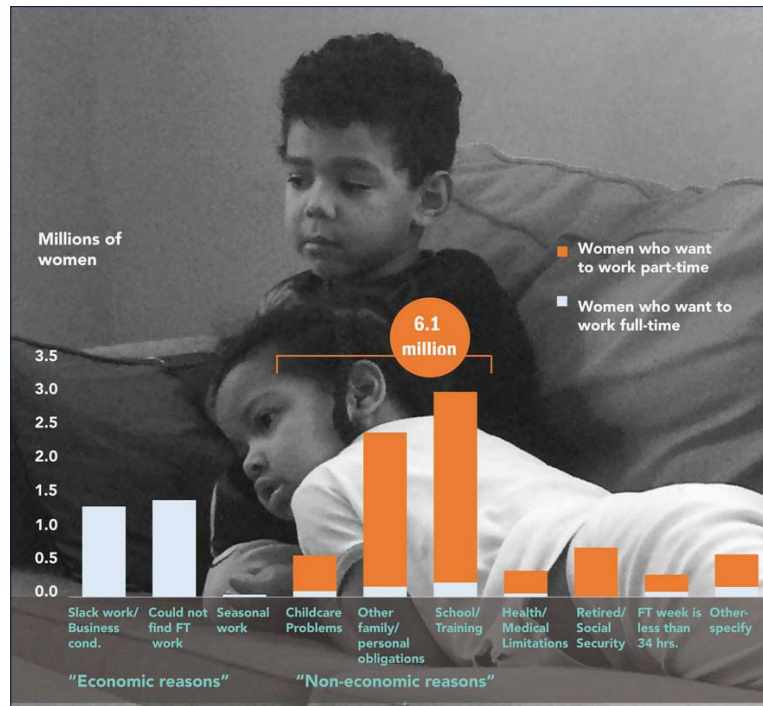
The unemployment rate is an inaccurate representation of the labor market, because it does not count the millions of people who have given up looking for work and it does not count the millions of workers who are not getting enough hours or struggling with multiple part-time jobs and unstable schedules.

The number of involuntary part time workers is very high—6.7 million people, which is 56 percent higher than the number in January 2007. This reflects the fact that the economy remains very weak—businesses just don't have enough hours to give to all their workers. But there are also 3.4 million hourly part-time workers citing childcare problems or other responsibilities at home, 91 percent of whom are women. However, in some cases, these “voluntary” part-time schedules are the result of employers not being reasonably flexible in providing full-time work to workers with other obligations.

If the economy were stronger, businesses would move some part-time workers to full-time. In addition, workers who suffered from unstable schedules could leave for better jobs, forcing employers to improve working conditions.

In short, the Fed's current metrics significantly obscure the true economic conditions for working women, painting a far rosier picture than the reality they face day to day.

Reasons why women paid hourly work part-time



What the Fed Can Do:

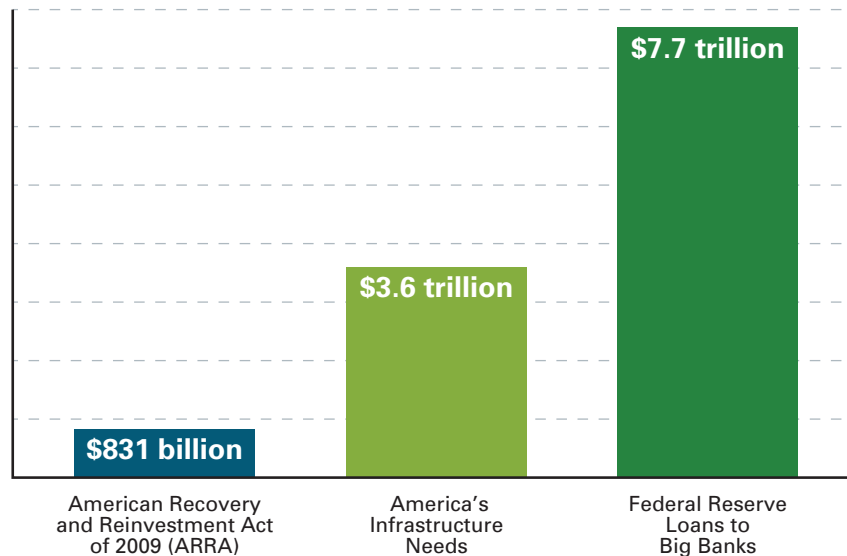
- The Fed should not consider raising interest rates until the rates of involuntary part time work return to at least pre-recession levels.
- The Fed should recognize that the conditions of part-time work have dramatically changed in recent years and that part-time workers now face precarious and chaotic circumstances. Given the human toll of these emerging conditions the Federal Reserve should re-evaluate what levels of part time work are true indicators of “healthy” economy.
- The Fed should update its research collection to match the realities of today's workforce. In particular, measurements of voluntary and involuntary part time work need to capture people who would prefer to work more hours, and people who would prefer to work full time or more hours if they had better childcare options.
- Interest rates should remain low until the labor market tightens enough to meet the needs of all those who need and want to work more hours, as reflected in more rigorous data collection.

Wall Street, Our Cities' Budgets, and the Fed

The problem: States and cities throughout the country are facing two major problems. First, the financial crisis and ensuing economic recession have depleted state and local tax bases at precisely the time that their most vulnerable residents most needed to lean on the social safety net. This has put immense pressure on public budgets, and forced public officials to lay off teachers, cut back crucial public services, raise regressive taxes through fees and fines. Second, they desperately need to upgrade and modernize our nation's infrastructure: We have enormous unfilled needs to rebuild our schools, invest in clean energy, and develop equitable public transportation. According to the most comprehensive estimates, we need to invest \$3.6 trillion to properly rebuild our nation's infrastructure.

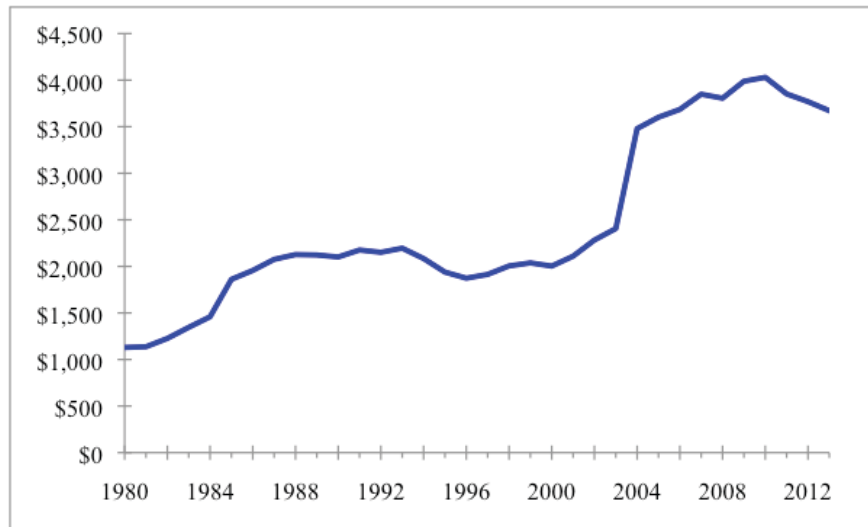
Both of these problems have led states and cities to increase borrowing to make ends meet. But this has come at a huge cost. Wall Street firms have taken advantage of the economic crisis that they caused by steering municipal borrowers toward more complex debt deals that generate more fees and interest for them, but that cost taxpayers billions in revenue—further straining cash-strapped budgets. This enriches the financial sector at the expense of working families, contributing to the growing inequality in our country.

Investment in Wall St. and in Main St.



For example, between 2010 and 2012, school districts in Minnesota were forced to borrow nearly \$2 billion to meet their short-term cash flow needs when the state legislature indefinitely delayed state education funding to fill a budget hole. While school districts across the state were forced to cut instructional staff, they had to pay banks and other Wall Street firms more than \$6 million in fees. Similarly, the Poway Unified School District in San Diego County was forced to enter into a high-cost deal under which it will pay \$877 million in interest on a \$105 million bond—835 percent interest—over 40 years.

The United States remains reliant on infrastructure built during the New Deal and the Great Society. Our old electrical transmissions lines are vulnerable to extreme weather events. Climate change is happening rapidly, and we are failing to invest seriously in distributed clean energy generation. Almost half of public school buildings nationwide were built to support the Baby Boomer generation,

Outstanding U.S. Municipal Bond Debt, in billions (2013 dollars)

Source: Securities Industry and Financial Markets Association, Bureau of Labor Statistics

leading to an estimated \$270 billion in maintenance and renovation costs. While the student population has grown, state funding for facility upgrades has declined, with 35 states now providing less funding for schools than they were in 2008. And transit needs abound: barely half of Americans have access to public transportation, and many say they do not have a reliable method of getting to their job, which limits employment opportunities.

What the Federal Reserve has to do with it: The Federal Reserve Act clearly empowers each Federal Reserve Bank to buy the debt of states, counties, cities, and other government agencies. The Federal Reserve could use this power to provide low-cost, zero-cost, or even negative-cost loans to state and local governments, which would allow them to reduce their debt, fully-fund needed services, and invest in crucial infrastructure. But the Federal Reserve has resisted calls to use this authority.

During the 2008 financial crisis, the Federal Reserve stretched the limits of federal law in order to save failing financial institutions. Section 13(3) of the Federal Reserve Act allows the Fed to make loans to non-banks in “unusual and exigent circumstances,” and as the crisis worsened, the Fed invoked this Section repeatedly. When Bear Stearns faced collapse, the Federal Reserve stepped in and established a Limited Liability Corporation called Maiden Lane, essentially purchasing \$30 billion in Bear Stearns’ most troubled assets to make Bear Stearns’ sale to JPMorgan Chase more attractive. Throughout the crisis, the Fed repeated variations of this dubiously legal move, making a series of risky maneuvers that more closely resembled asset purchases than loans. At the time, Jamie Dimon, the head of JPMorgan Chase, served on the Board of Directors of the New York Fed, which was responsible for implementing the Maiden Lane program. He never recused himself from Board responsibilities, which included reviewing Bank programs like Maiden Lane.

All told, the Federal Reserve made \$7.77 trillion in undisclosed loans to financial institutions, ten times larger than the infamous TARP program approved by Congress. Since the financial crisis, the Fed has continued to take an unconventional approach, developing a “quantitative easing” program to purchase US Treasury Bonds and mortgage-backed securities. Quantitative easing has mildly stimulated the economy, but by inflating asset prices, it has done more to stabilize Wall Street than it has to revitalize American communities devastated by the Great Recession.

The Fed’s willingness to go to great lengths to save financial institutions and boost Wall Street assets stands in sharp contrast with its reluctance to make public investments. Asked in 2008 whether

the Fed would “turn its back on states and localities,” former Fed Chair Ben Bernanke answered that municipal finances were “really a political, fiscal issue.” In testimony to the House Financial Services Committee this past July, Fed Chair Janet Yellen said she believes “very strongly” that the Fed should not step in as a creditor to states and municipalities. In sum, the Fed’s response to the financial crisis clearly shows that Fed officials see their emergency powers as applicable to protecting Wall Street, but not in investing in the real economy. They don’t see the emergency that is happening on Main Street and MLK Blvd. all around the country.

What the Fed Can Do: Under the Federal Reserve Act, each regional Fed bank has the power to purchase the public bonds of any government—like cities, counties, states, school districts, and water authorities. That is to say, it has the power to lend unlimited quantities of money to these entities at any interest rate it chooses. While the Federal Reserve Act imposes some limitations on the Fed’s authority, investments that contribute to economic stability and the public good will address those limitations.

The Fed should make such lending available for large investment in the nation’s failing infrastructure; such investment could yield enormous public benefits, put millions of people back to work in high-quality jobs, and directly stimulate the national economy in a way that the quantitative easing programs never did successfully. For example:

- All governments could use this low-cost money to eliminate the high-cost debt that has forced them to lay off teachers, nurses, fire fighters, and other employees.
- Cities blighted by vacant lots could use the money to erect a system of solar panels that provides cheap, renewable energy.
- Cities suffering from a housing crisis could use the money to build affordable units.
- Counties could use the money to build bus rapid transit systems.
- School districts could build new community schools that alleviate crowding and serve as community and health centers.
- Cities could use the money to retrofit commercial and residential buildings, lowering their heating and cooling costs.
- Governments, in short, could use the money for any smart public investments.

When our financial system spiraled out of control in the fall of 2008, the Federal Reserve pushed the envelope of their legal authority to restore stability. Now, the Wall Street institutions that caused the crisis are doing better than ever. Meanwhile, on Main Street, a painfully slow recovery has left many public institutions hanging by a thread. Debt faced by states and municipalities threaten our long-term economic viability, and the coming decades will require enormous public investments, as states and municipalities take on the task of building a more modern, resilient infrastructure. By embracing its legal authority to assist with this task, the Federal Reserve can build a strong economy that works for all communities.

The Fed's response to the financial crisis clearly shows that Fed officials see their emergency powers as applicable to protecting Wall Street, but not in investing in the real economy. They don't see the emergency that is happening on Main Street and MLK Blvd. all around the country.



Working families protesting for better wages and family-sustaining schedules in Philadelphia, April 2015.

Who's Afraid of High Wages? A History of the Wave-Driven Inflation Bogeyman

The Problem: Policymakers at the Federal Reserve are fixated on preventing runaway inflation. In many cases, policymakers' obsession with inflation stems from influential economic theories that were emerging at the time they began studying economics. In the 1970s, a novel economic phenomenon known as "stagflation" occurred: unemployment and inflation rose simultaneously. Though there are competing theories explaining stagflation, free market economist Milton Friedman's explanation has proven to be the most enduring. The Friedman school of thought cautions that wage growth and low unemployment are a potential source of inflation.

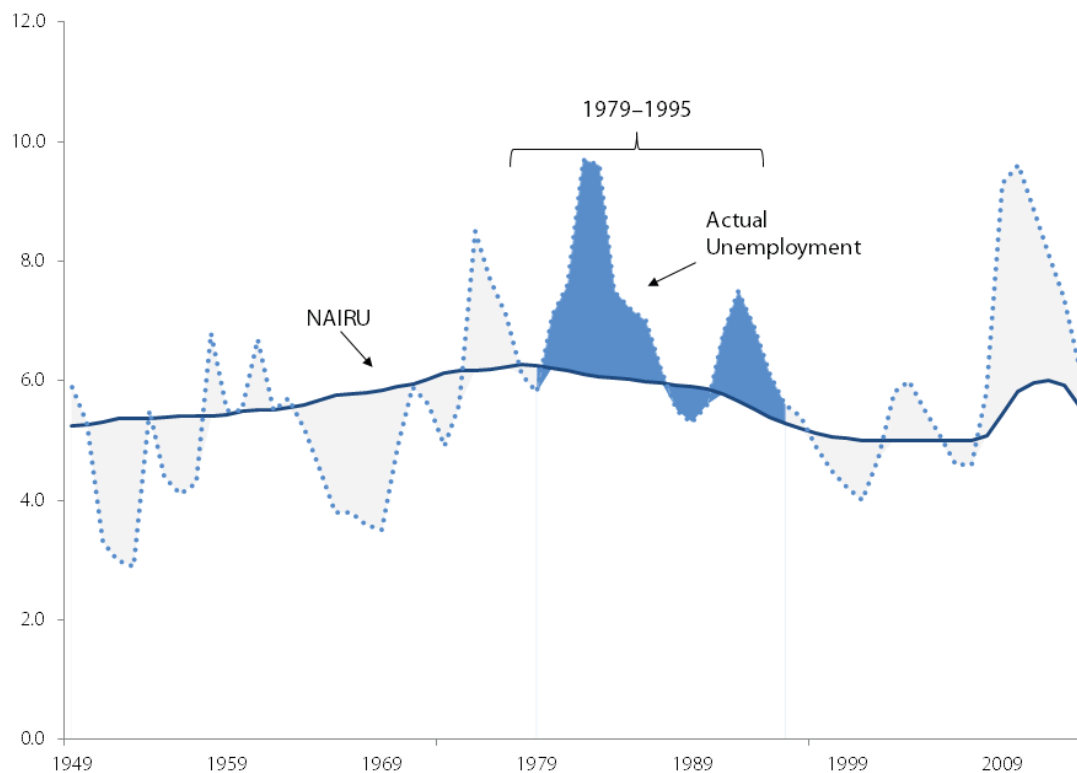
There is little evidence to suggest that the runaway inflation of the 1970s was caused by growing wages. And many of the theories that Friedman developed have been belied by real-world evidence. Nonetheless, free market economic theories have become endemic to Fed policymaking through tools like the "non-accelerating rate of unemployment" (NAIRU), which cause Fed officials to slam the brakes on the economy whenever unemployment is down and wage growth is up. Though it's unclear that "wage-driven inflation" has ever really occurred, policymakers at the Federal Reserve usually view wage growth as a potential problem. Convinced that high wages will raise costs for businesses and trigger inflation, Fed officials are quick to raise interest rates in the face of good economic news.

The History: Milton Friedman was an ardent opponent of the "Phillips Curve," an economic theory that held that inflationary policies can lead to a decrease in unemployment. Friedman and other economists pounced on stagflation to advance a theory called the "natural rate of unemployment," a refutation of the "Phillips Curve" that holds that there is a rate of unemployment consistent with aggregate production in the economy. This theory morphed into the concept of the NAIRU, which holds that unemployment below a certain level will spur inflation.

Stagflation seemed to vindicate Friedman's theory—and the inflation of the 1970s was a serious problem for consumers. But the double digit inflation experienced in the 1970s cannot be explained by rising wages or economic boom times. A combination of factors led to the inflation of the 1970s, especially chaotic government management of price controls, high commodity prices, and the Oil Embargo of 1973, which caused huge spikes in the price of gas. Nevertheless, Friedman's theories began to take hold. Since the late 1970s, Fed officials have regularly taken theoretical calculations of the NAIRU into account when deciding whether to raise interest rates.

In September 1994, unemployment fell below the NAIRU for the first time, but inflation remained relatively low. In the late 1990s, unemployment was lower than 4.5% for two years, and there was no substantial inflation. Prominent economists began to speak out against the NAIRU, arguing that it had been proven irrelevant. Nonetheless, the belief that full employment and wage growth must be zealously watched for fear of triggering inflation remains dominant at the Fed.

How to change the narrative: Inflation in the 1970s has proven hugely influential in shaping how economists think today. Understanding that inflation of that era was caused by factors unique to that time period is a key step toward ensuring that Fed officials change their thinking. By the 1980s, inflation had ceased to be a major problem. At the same moment, wage growth slowed significantly. Since 1979, wages have lagged behind productivity growth. It is wage stagnation—not inflation—that the Federal Reserve should be concerned about.

NAIRU versus actual unemployment rate, 1949–2014

Fed policymakers must begin to look at wage growth as a good thing, not a bad one. Because long-term wage stagnation and the Great Recession have left so many workers in worse shape than before, the Federal Reserve should define a full economic recovery as one in which workers reap the benefits of their labor. The Fed should not slow down the economy until workers' share of total business income return to at least its pre-recession level and wages are growing with productivity. Since the economic recovery began, nominal wage growth has remained stubbornly below 2.5 percent, which is lower than the productivity growth trend, and lower than expected for the Fed's 2 percent price inflation target.

Until nominal wage growth is at 3.5 to 4 percent, moving to contract economic growth is not reasonable. The Fed should set wage targets that correspond to 1.5 to 2 percent productivity growth, allowing wage growth to exceed productivity growth and helping working families recover from decades of wage stagnation and inequality.

Members of New York Communities for Change and Make the Road New York protest outside of the New York Federal Reserve, July 2015.



Fed policymakers must begin to look at wage growth as a good thing.

Full Employment for All:

The Social and Economic Benefits of Race and Gender Equity in Employment

Prepared by PolicyLink and the USC Program for Environmental and Regional Equity

August 2015: How much stronger could the economy be if everyone who wanted a job could find one—regardless of race, ethnicity, or gender? To inform the Fed UP campaign, PolicyLink and the Program for Environmental and Regional Equity (PERE) estimated the potential economic gains of full employment for all. The following 13 fact sheets illustrate what the United States economy—and the economies of the metropolitan regions where each Federal Reserve office is located—could look like with true full employment for all.

Contents

United States

Boston Metro Area	(Federal Reserve District 1)
New York Metro Area	(Federal Reserve District 2)
Philadelphia Metro Area	(Federal Reserve District 3)
Cleveland Metro Area	(Federal Reserve District 4)
Richmond Metro Area	(Federal Reserve District 5)
Atlanta Metro Area	(Federal Reserve District 6)
Chicago Metro Area	(Federal Reserve District 7)
St. Louis Metro Area	(Federal Reserve District 8)
Minneapolis Metro Area	(Federal Reserve District 9)
Kansas City Metro Area	(Federal Reserve District 10)
Dallas Metro Area	(Federal Reserve District 11)
San Francisco Metro Area	(Federal Reserve District 12)



For additional information about Fed Up: The National Campaign for a Strong Economy, visit <http://whatrecovery.org/>.

Full Employment for All

United States

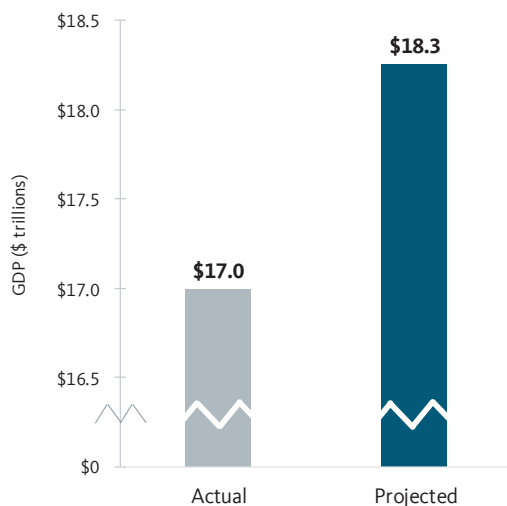


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

The national economy would be **\$1.3 trillion** stronger



14.3 million more workers would be employed

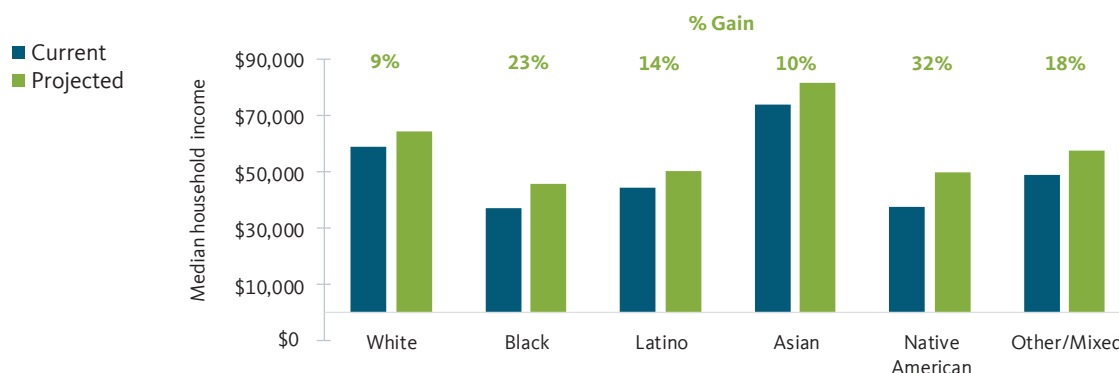


9.3 million fewer Americans would be living in poverty

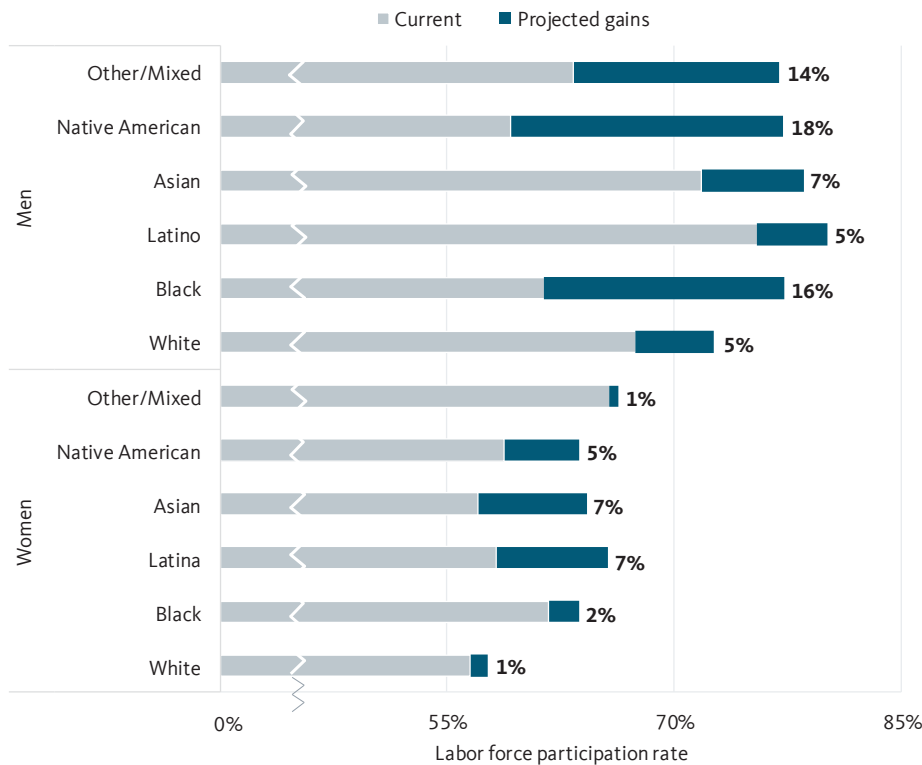
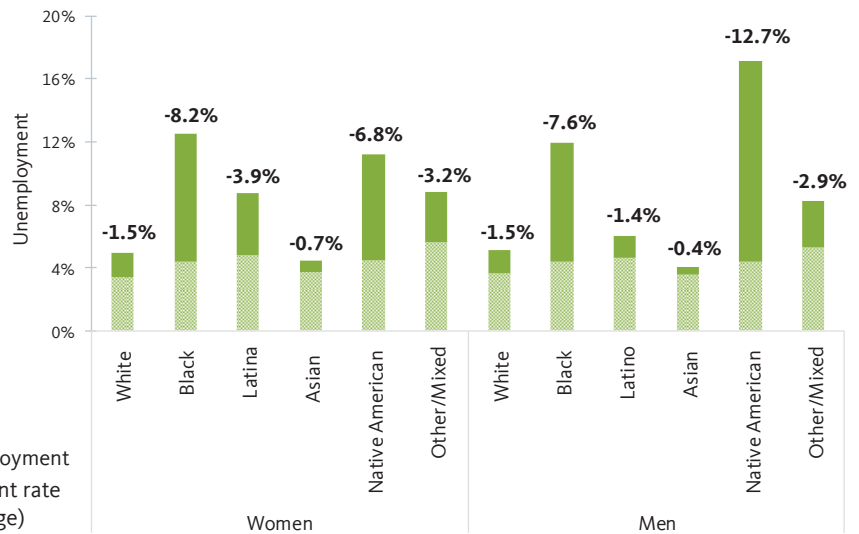


\$261 billion more in tax revenue to strengthen our social safety net

Native Americans and Blacks would experience the largest increases in median household income



Native American and Black men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Native American, Black, and Other/Mixed race men and Latina and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Boston Metro Area (Federal Reserve District 1)

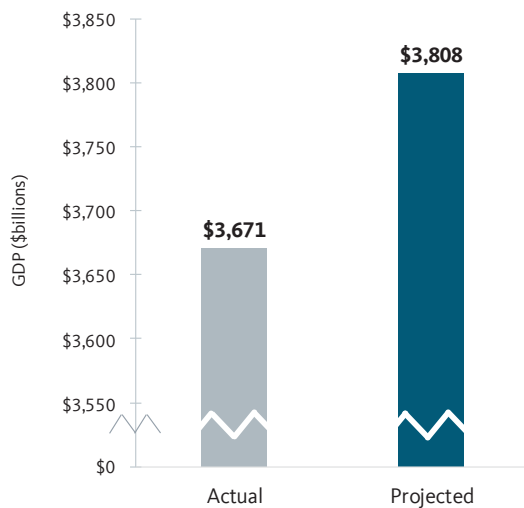


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

Boston's economy would be \$137 billion stronger



122,500 more workers would be employed

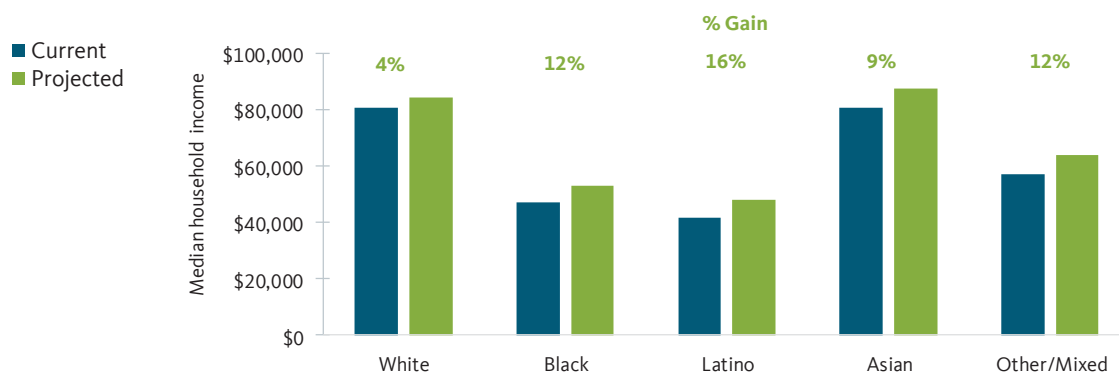


72,500 fewer residents would be living in poverty

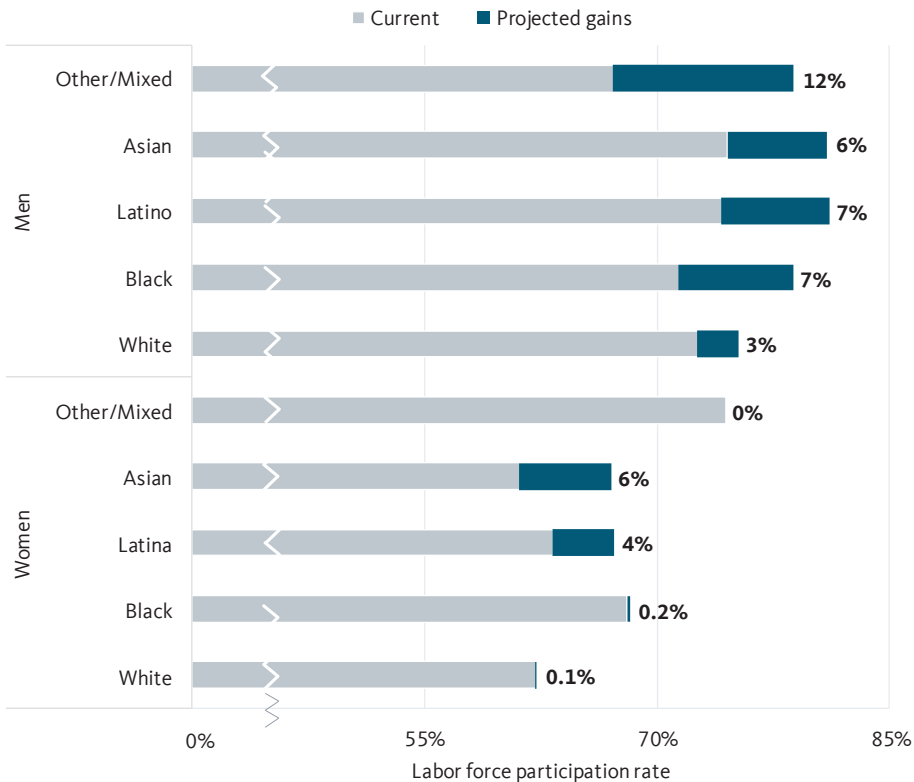
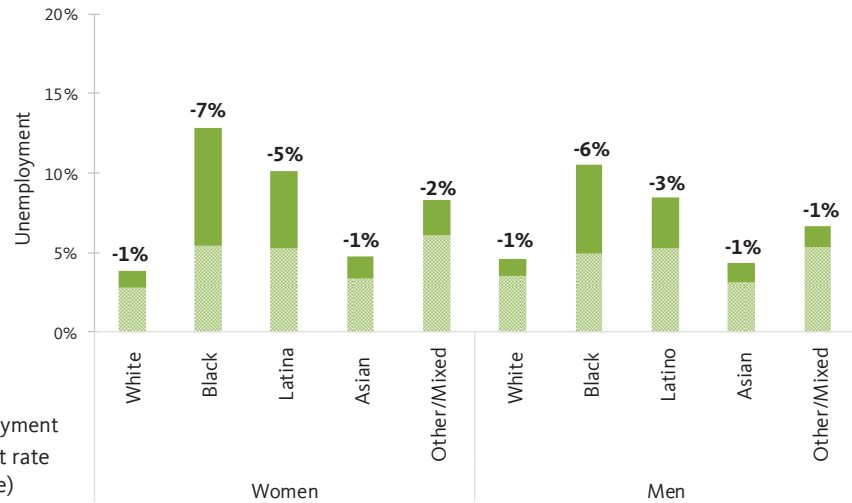


\$2.6 billion more in tax revenue to strengthen the social safety net

Latinos, Blacks, and people of Other/Mixed race backgrounds would experience the largest increases in median household income



Black and Latino men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Other/Mixed race, Black, and Latino men, and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

New York Metro Area (Federal Reserve District 2)

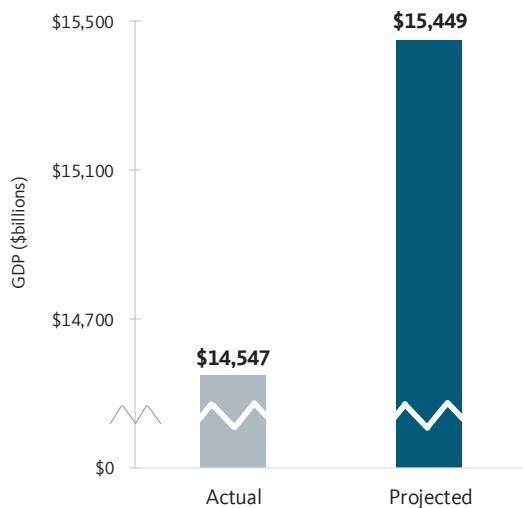


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

New York’s regional economy would be \$903 billion stronger



939,600 more workers would be employed

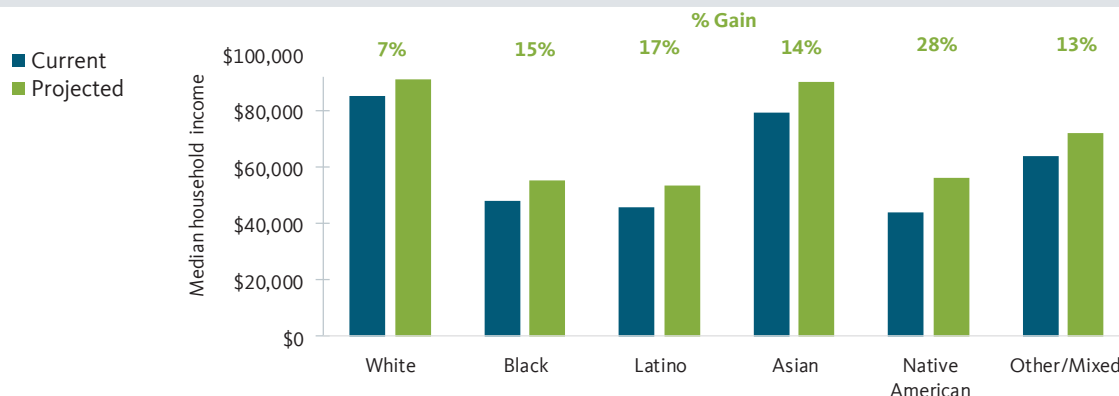


552,300 fewer New Yorkers would be living in poverty

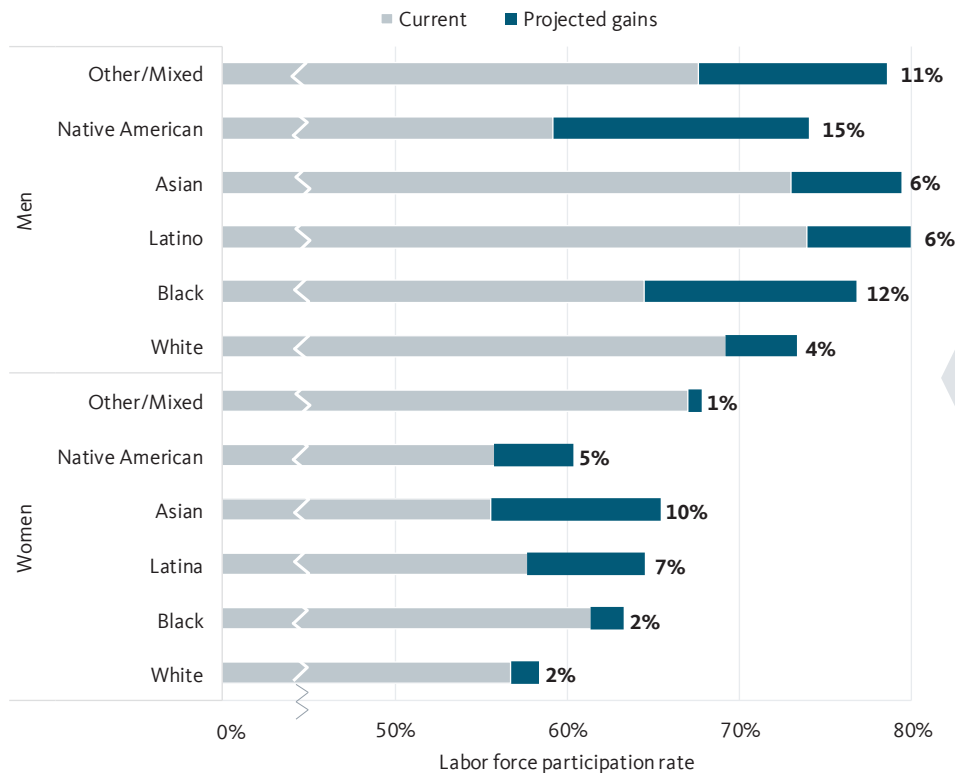
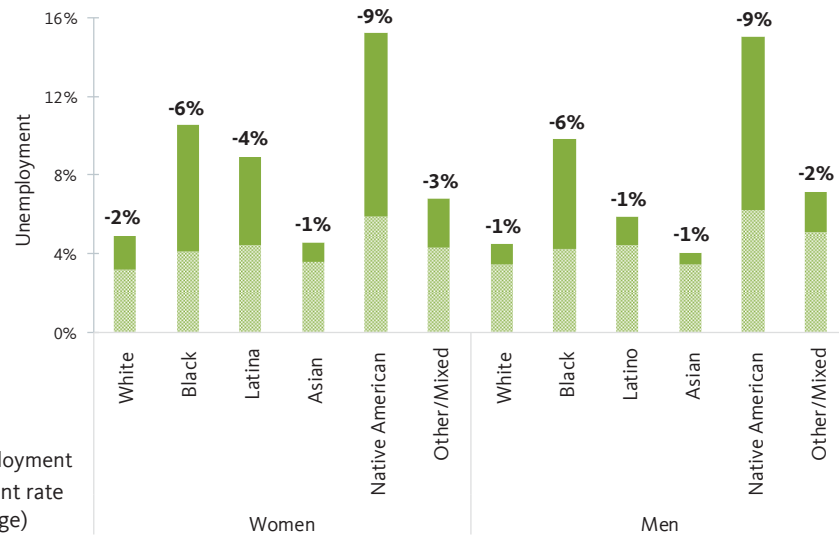


\$18 billion more in tax revenue to strengthen the social safety net

Native Americans, Blacks, and Latinos would experience the largest increases in median household income



Native American and Black men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Native American, Black, and Other/Mixed race men and Asian and Latina women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Philadelphia Metro Area (Federal Reserve District 3)

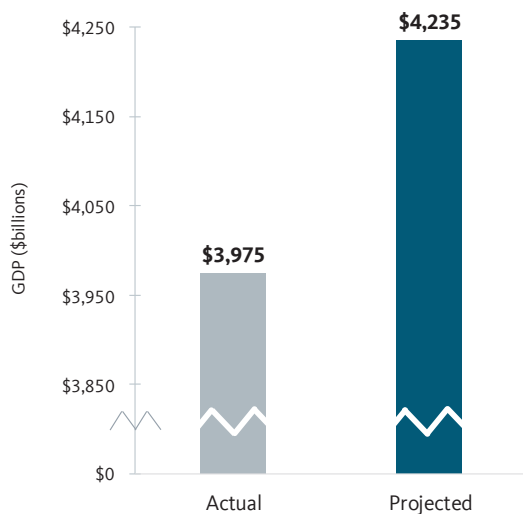


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Philadelphia's economy would be \$260 billion stronger



288,400 more workers would be employed

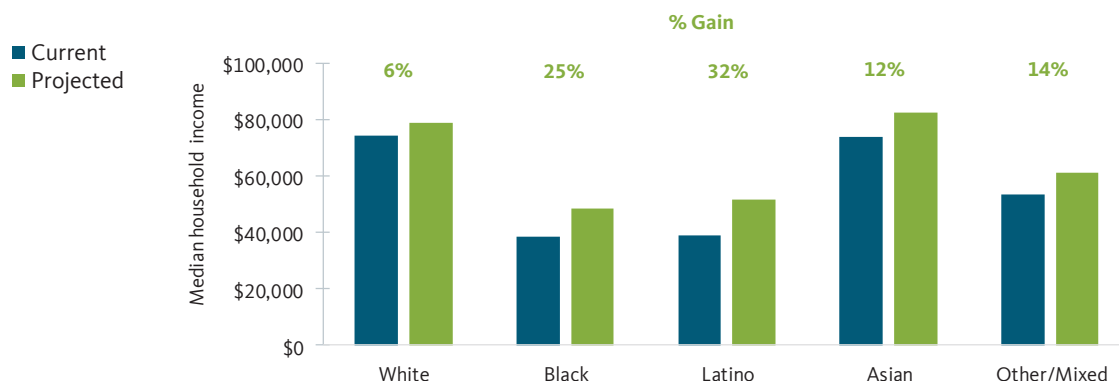


184,100 fewer Philadelphians would be living in poverty

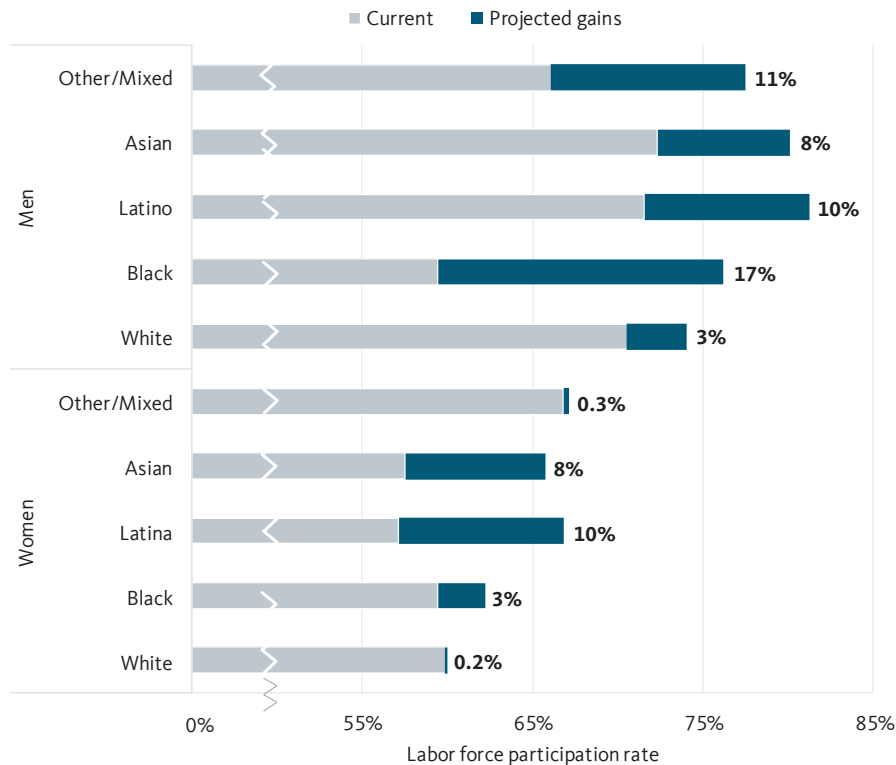
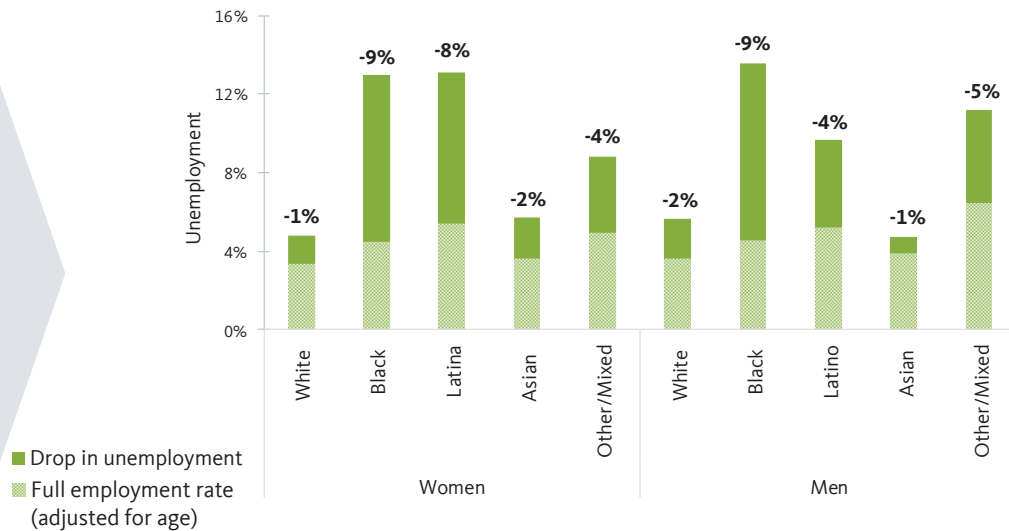


\$5 billion more in tax revenue to strengthen the social safety net

Latinos and Blacks would experience the largest increases in median household income



Black men and women and Latinas would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Latino men and women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Cleveland Metro Area (Federal Reserve District 4)

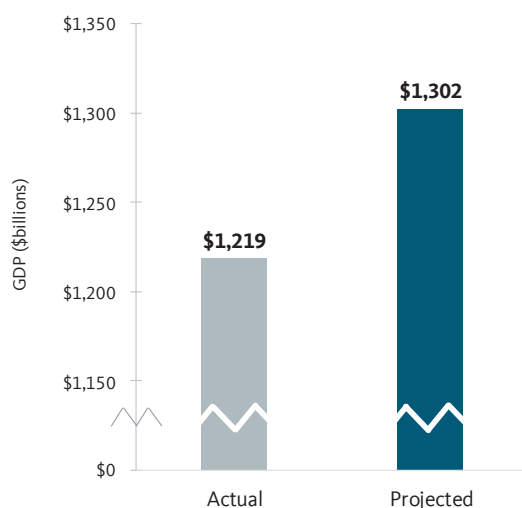


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

Cleveland's economy would be **\$83.4 billion stronger**



94,700 more workers would be employed

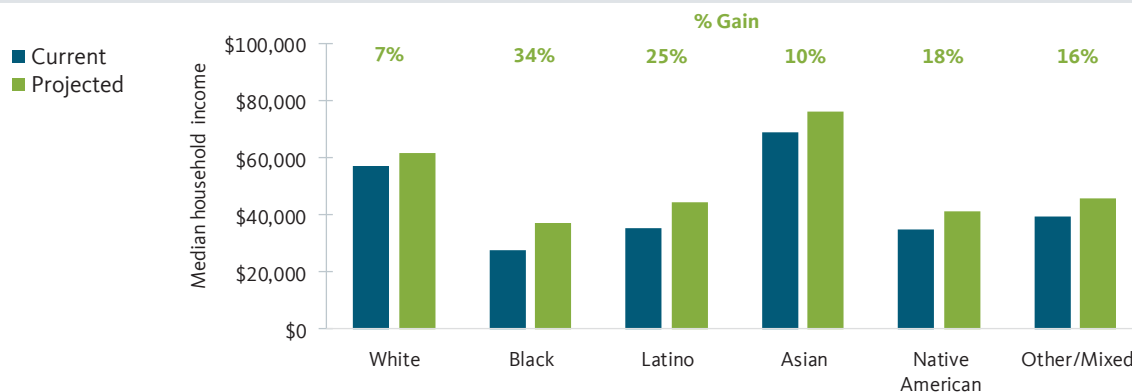


61,500 fewer residents would be living in poverty

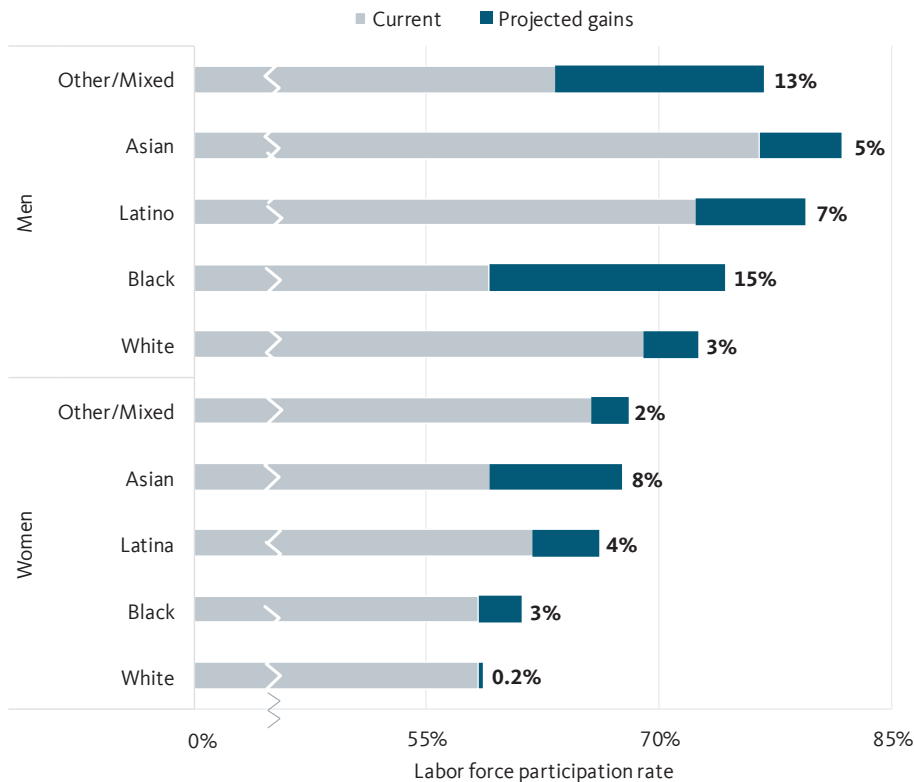


\$1.5 trillion more in tax revenue to strengthen the social safety net

Blacks and Latinos would experience the largest increases in median household income



Black and Latino men and Black and Other/Mixed race women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men, and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Richmond Metro Area (Federal Reserve District 5)

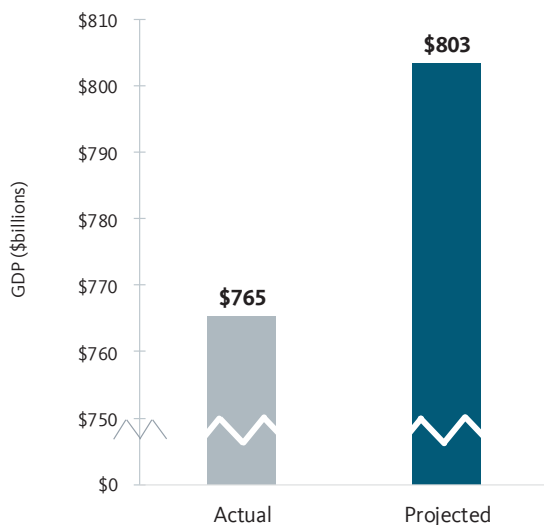


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Richmond's economy would be \$38 billion stronger



46,900 more workers would be employed

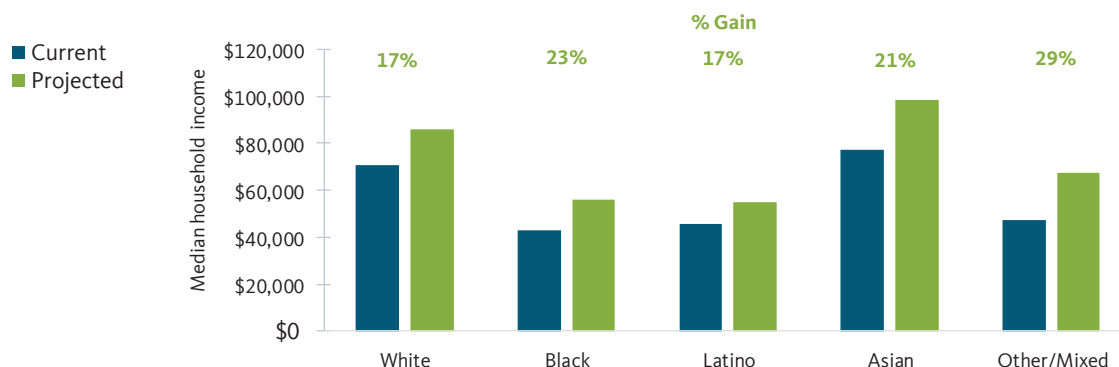


24,600 fewer residents would be living in poverty

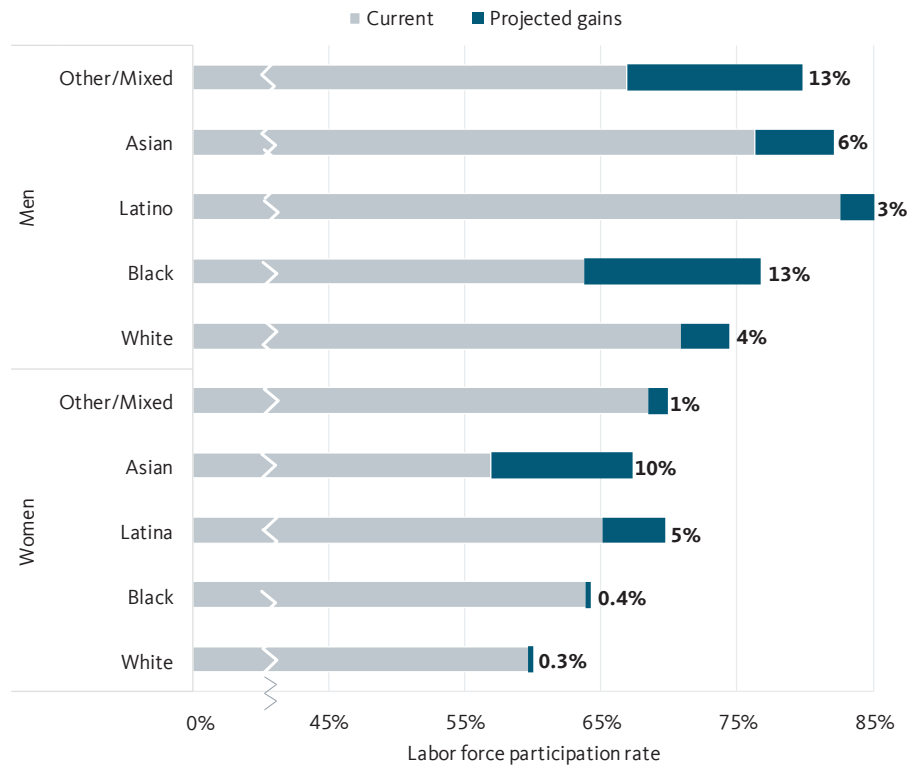


\$696 million more in tax revenue to strengthen the social safety net

People with Other/Mixed race backgrounds and Blacks would experience the largest increases in median household income



Black men and women and Other/Mixed race men would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Atlanta Metro Area (Federal Reserve District 6)

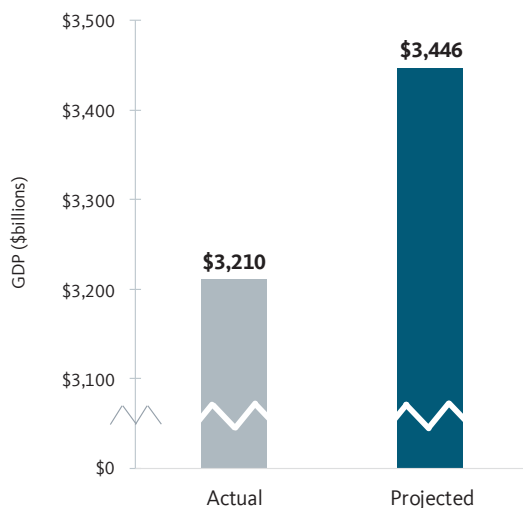


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Atlanta’s economy would be \$236 billion stronger



283,500 more workers would be employed

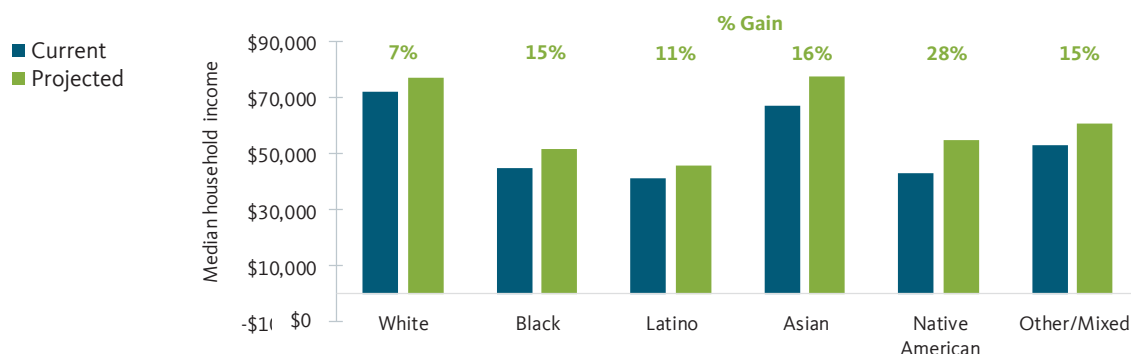


175,000 fewer residents would be living in poverty

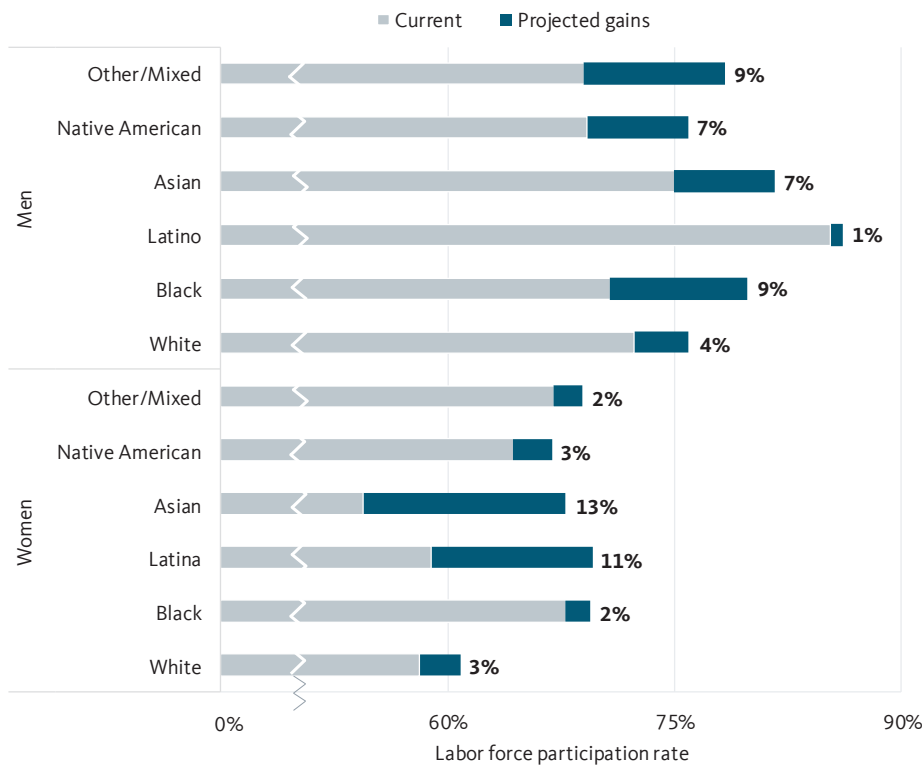
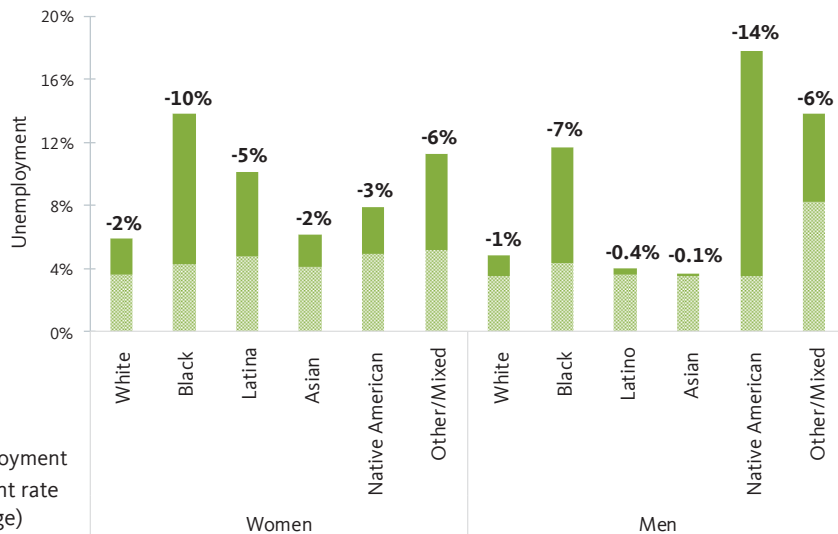


\$4.5 billion more in tax revenue to strengthen the social safety net

Native Americans, Asians, Blacks, and people of Other/Mixed race backgrounds would experience the largest increases in median household income



Native American men and Black men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Asian and Latina women, and Black and Other/Mixed race men

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Chicago Metro Area (Federal Reserve District 7)

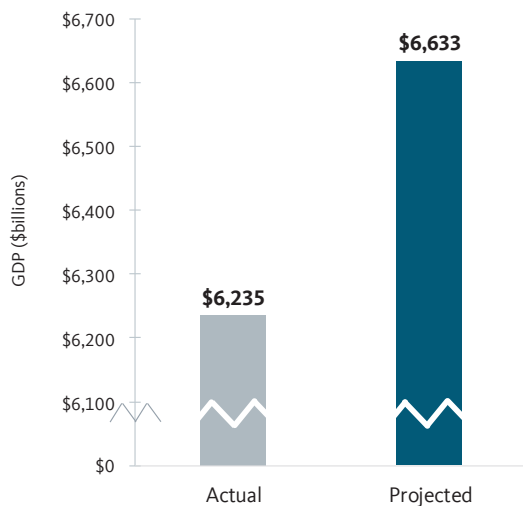


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Chicago's economy would be \$398 billion stronger



420,500 more workers would be employed

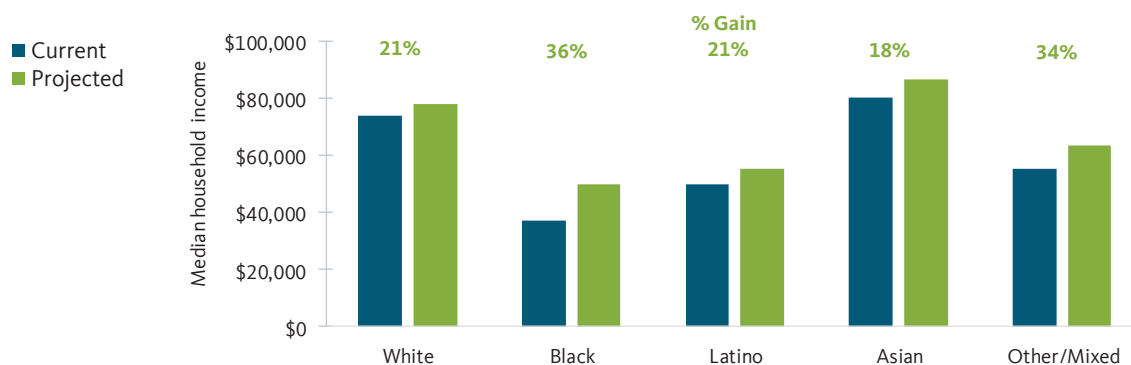


270,800 fewer residents would be living in poverty

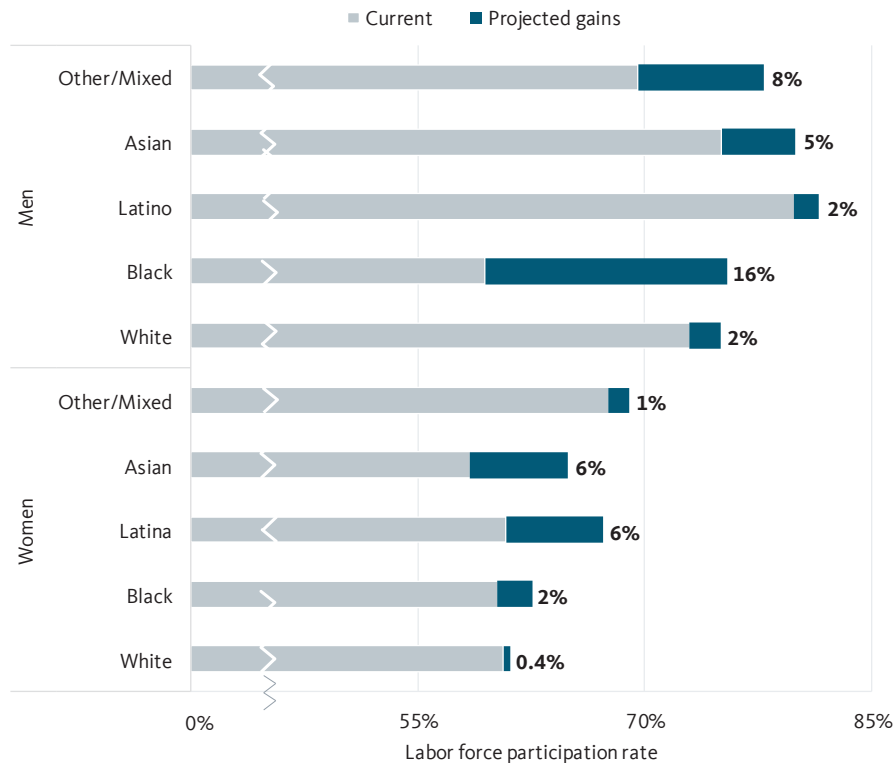
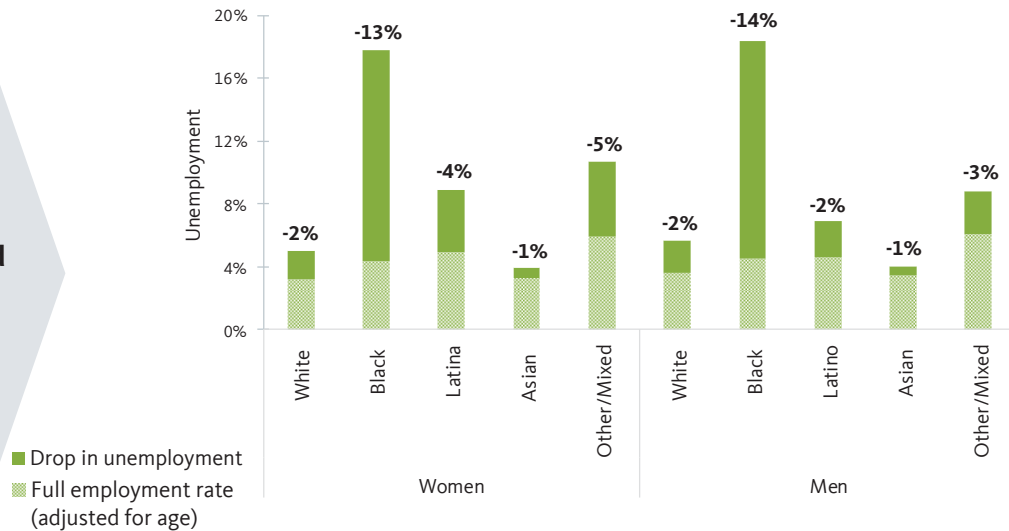


\$7.8 billion more in tax revenue to strengthen the social safety net

Blacks and people with Other/Mixed race backgrounds would experience the largest increases in median household income



Black men and women, Other/Mixed race women, and Latinas would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Latina and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

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Full Employment for All

St. Louis Area (Federal Reserve District 8)

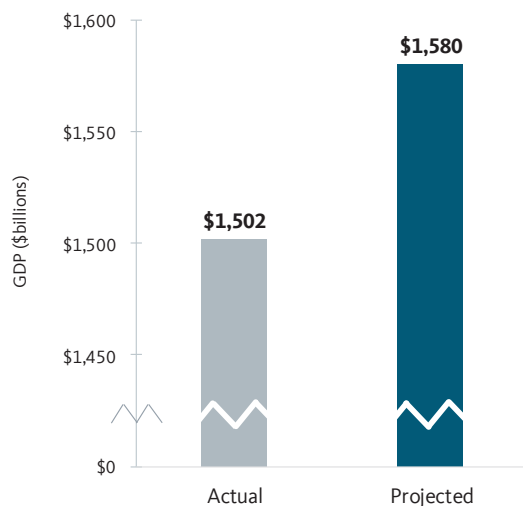


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

St. Louis's economy would be \$78 billion stronger



100,200 more workers would be employed

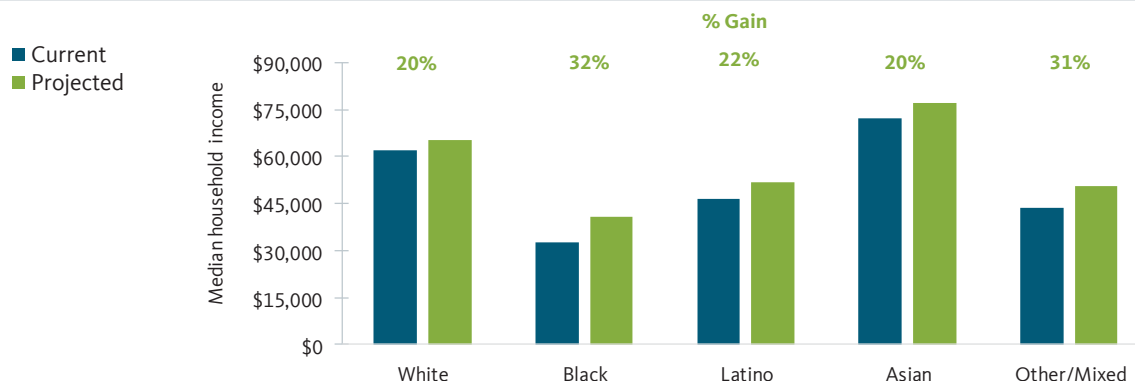


64,700 fewer St. Louisans would be living in poverty

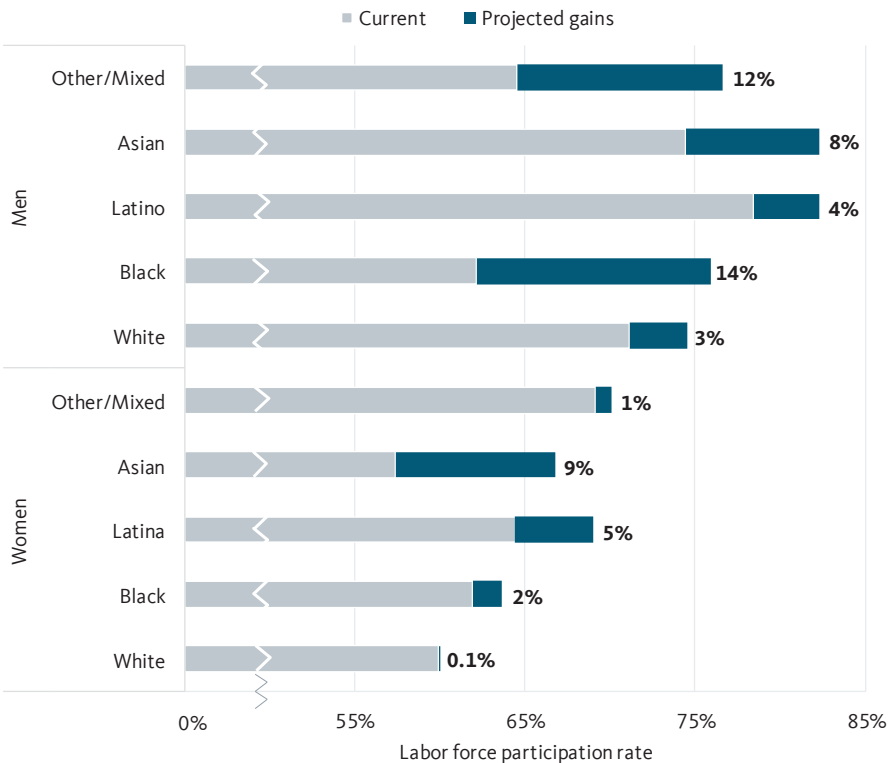


\$1.7 billion more in tax revenue to strengthen the social safety net

Blacks and people with Other/Mixed race backgrounds would experience the largest increases in median household income



Black men and women and Other/Mixed race men would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Asian men and women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

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Full Employment for All

Minneapolis-St. Paul Metro Area (Federal Reserve District 9)

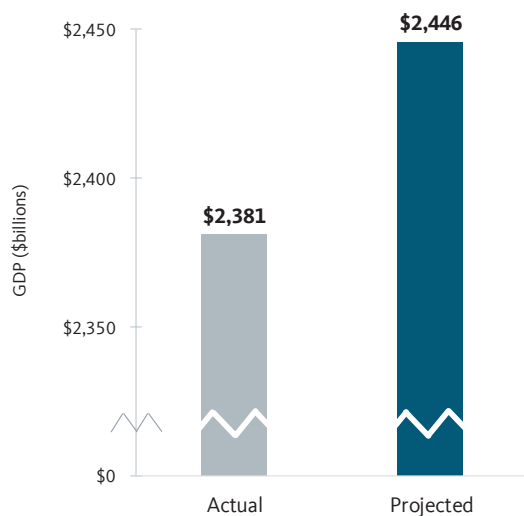


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

The Twin City economy would be \$64 billion stronger



62,500 more workers would be employed

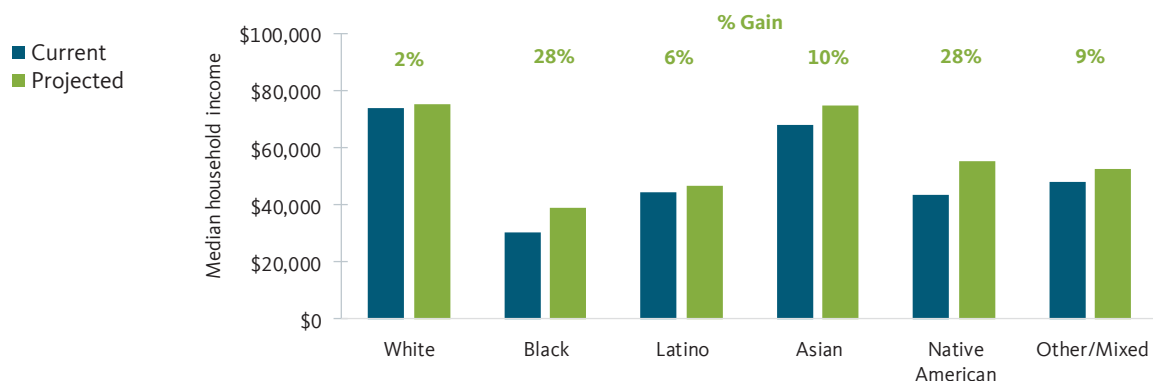


51,000 fewer residents would be living in poverty

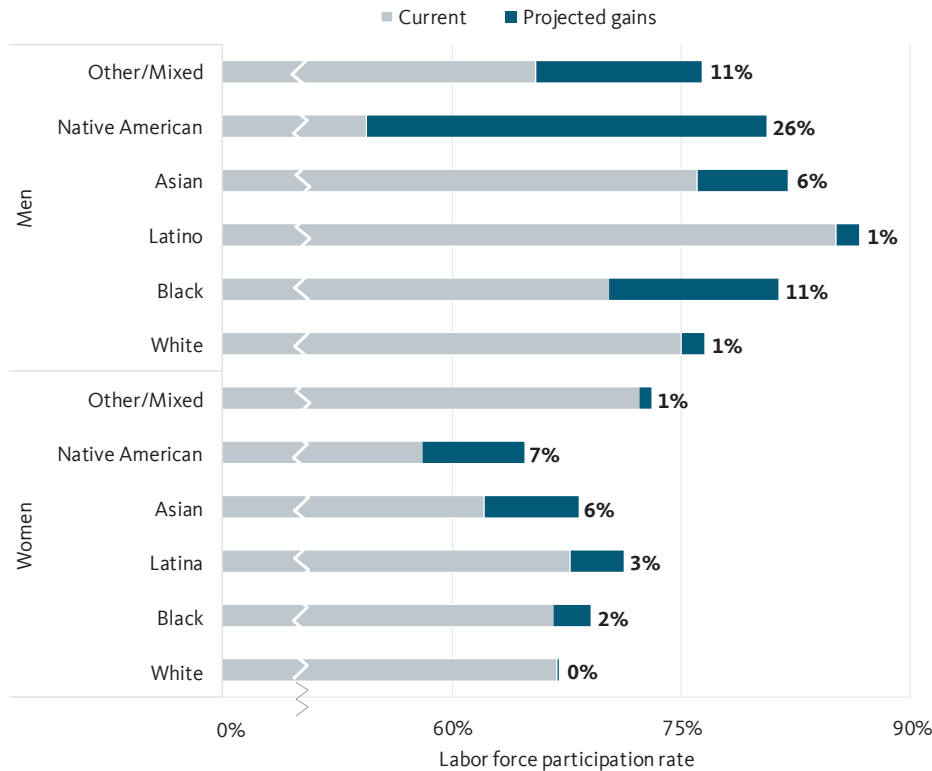
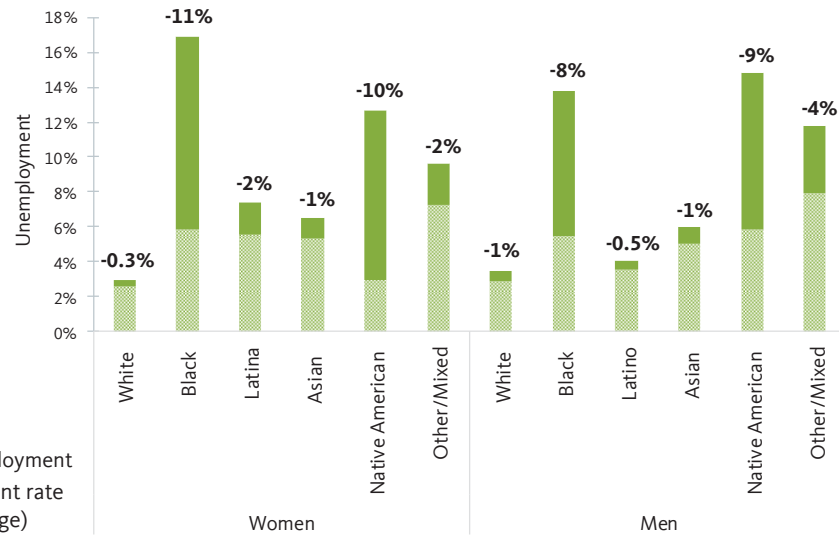


\$1.1 billion more in tax revenue to strengthen the social safety net

Blacks and Native Americans would experience the largest increases in median household income



Black and Native American men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Native American, Black, and Other/Mixed race men and Native American women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

Full Employment for All

Kansas City Metro Area (Federal Reserve District 10)

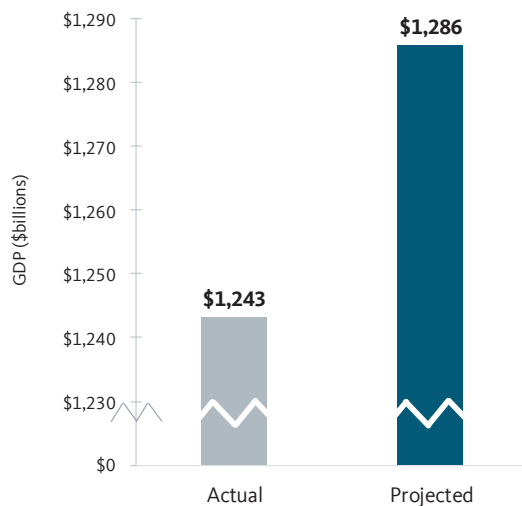


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Kansas City's economy would be \$43 billion stronger



48,300 more workers would be employed

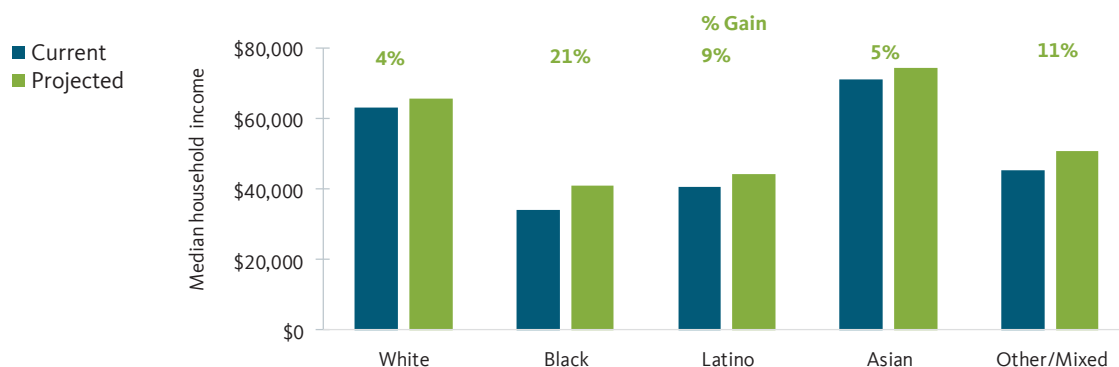


34,100 fewer residents would be living in poverty

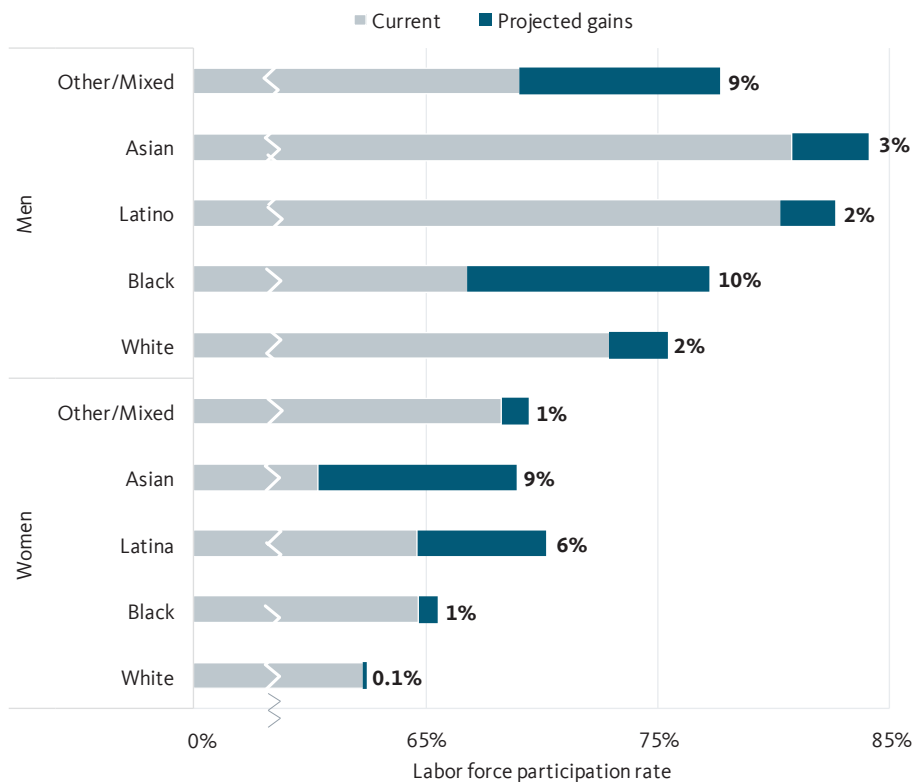


\$750 million more in tax revenue to strengthen the social safety net

Blacks and people of Other/Mixed race backgrounds would experience the largest increases in median household income



Black and Other/Mixed race men and Black women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Asian women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/analyses>.

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Full Employment for All

Dallas Metro Area (Federal Reserve District 11)

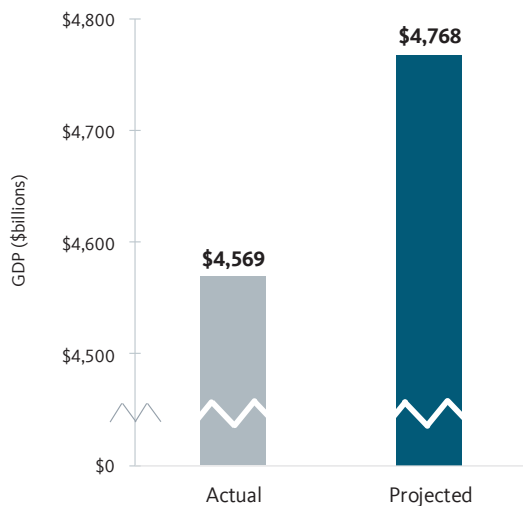


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

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If there were full employment for all in 2015...

Dallas's economy would be \$199 billion stronger



204,300 more workers would be employed

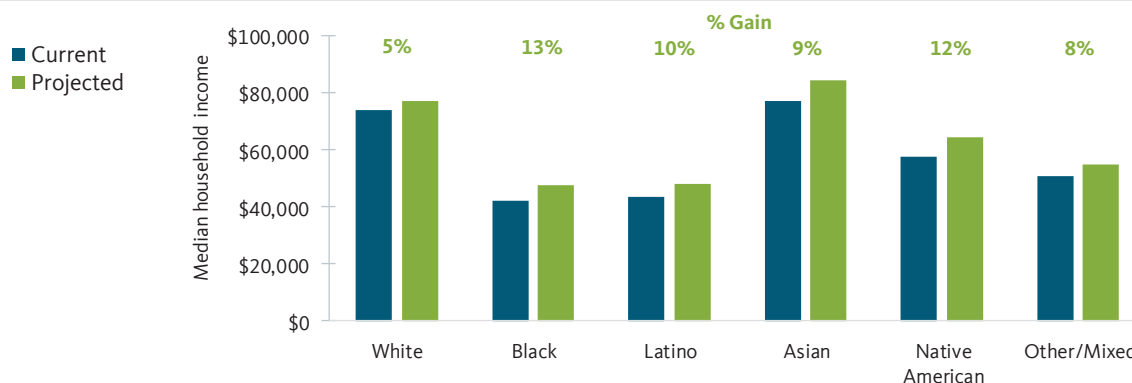


162,500 fewer residents would be living in poverty

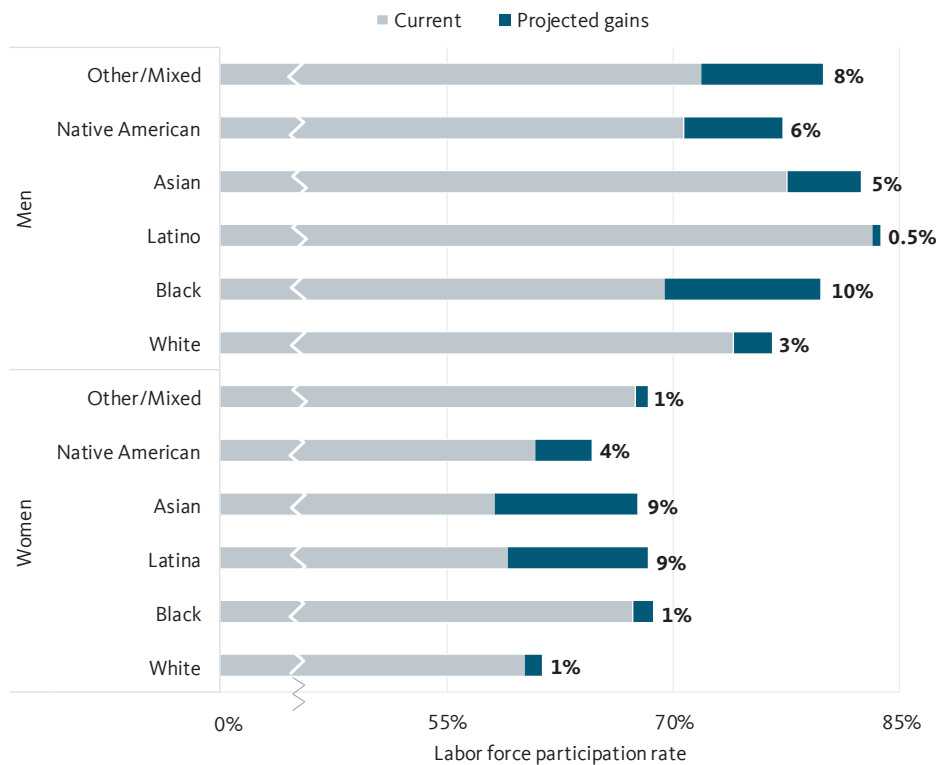
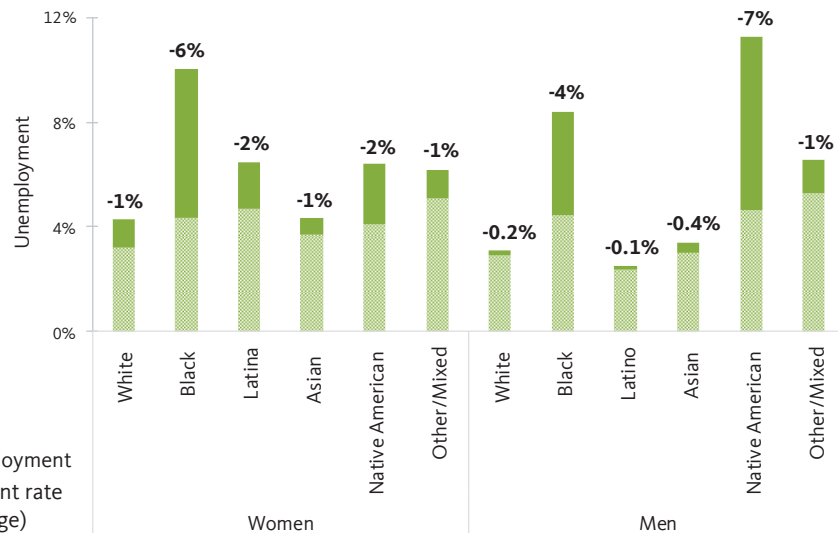


\$3.2 billion more in tax revenue to strengthen the social safety net

Blacks and Native Americans would experience the largest increases in median household income



Native American men and Black men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black men and Asian and Latina women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

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Full Employment for All

San Francisco Metro Area (Federal Reserve District 12)

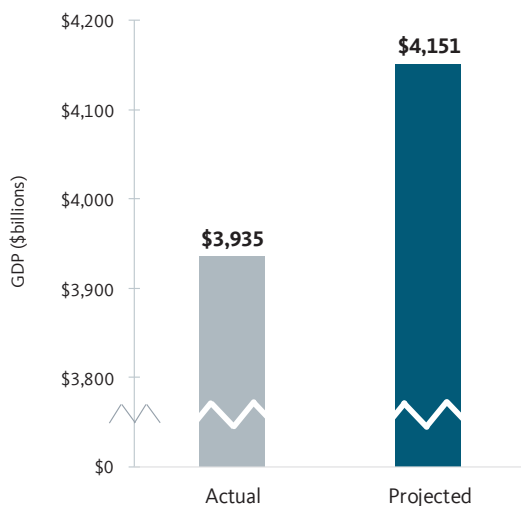


Full employment for all is when everyone who wants a job can find one—including Blacks, Latinos, and other workers of color who experience persistently high unemployment. As America undergoes a demographic shift in which people of color will be the majority by 2044, our failure to ensure all residents can fully participate as workers, entrepreneurs, and leaders will place our entire economy at risk. The Federal Reserve plays a central role in determining whether we reach full employment for all. By keeping interest rates low, the Fed can promote continued job creation that leads to tighter labor markets, higher wages, less discrimination, and better job opportunities for groups being left behind.

This fact sheet presents the potential economic benefits of a “full employment for all” economy: one in which every community, regardless of race or gender, is at no more than **4 percent unemployment** with labor force participation rates of at least **74 percent** for men and **60 percent** for women, with all rates adjusted for age to reflect the different age structures of racial/ethnic and gender groups.

If there were full employment for all in 2015...

The Bay Area's economy would be \$215 billion stronger



184,200 more workers would be employed

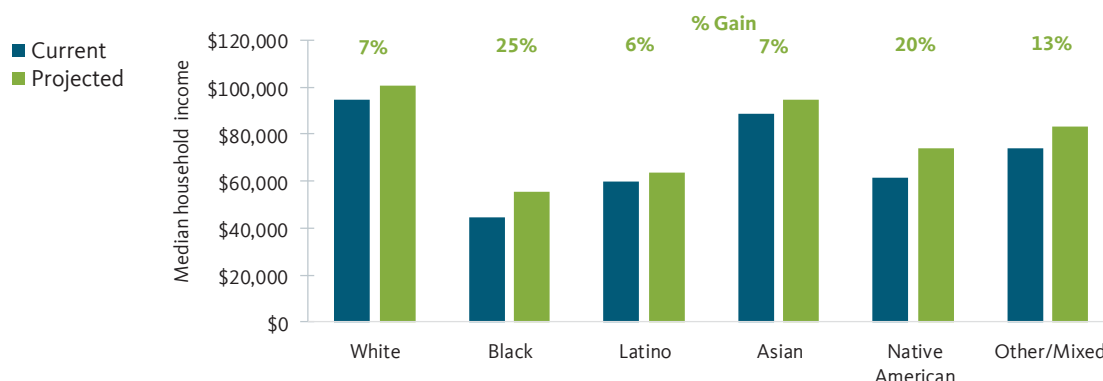


88,700 fewer residents would be living in poverty

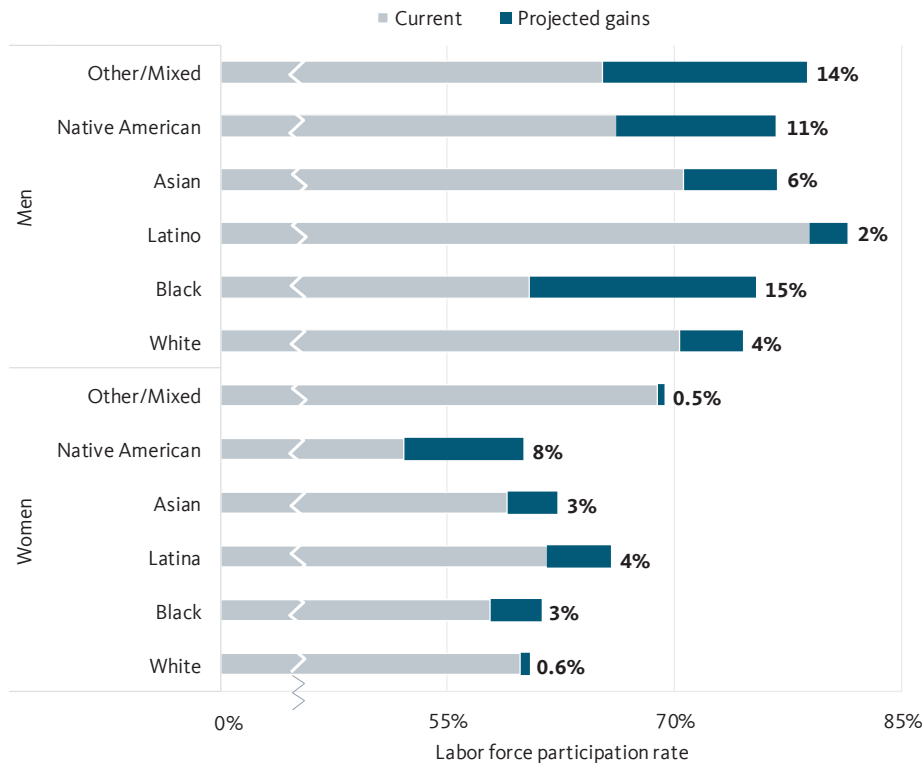
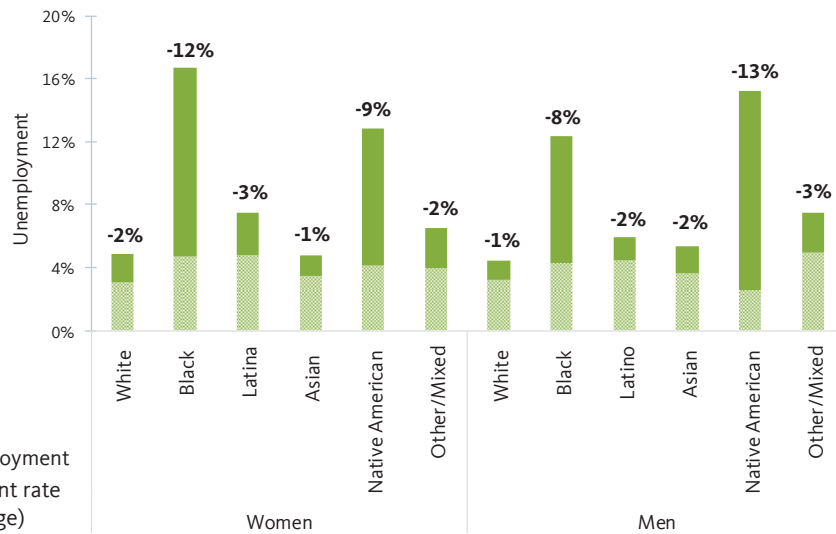


\$4 billion more in tax revenue to strengthen the social safety net

Blacks and Native Americans would experience the largest increases in median household income



Native American and Black men and women would experience the largest drops in unemployment



Labor force participation rates would increase the most for Black and Other/Mixed race men and Native American women

Source: PolicyLink/PERE analysis of 2009-2013 ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and GDP data from Bureau of Economic Analysis. Find the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

For more information about **Fed Up: The National Campaign for a Strong Economy**, visit <http://whatrecovery.org>.

About this analysis

This analysis estimates the potential economic benefits of a “full employment for all” economy, defined as an economy in which full employment is achieved not simply for the workforce as a whole but for each major racial/ethnic and gender group.

Defining Full Employment for All

A full employment economy is one in which everyone who wants a job can find one. Economists typically characterize the economy in the year 2000 as a full employment economy because the unemployment rate reached 4 percent for the first time since 1970. Despite having reached “full employment” in 2000, the United States has never achieved full employment for all. While Black workers experienced employment gains and the Black/White gap in employment began to narrow during the economic prosperity of the late 1990s, Black unemployment remained twice as high as White unemployment (7.6 percent compared with 3.5 percent in 2000).

For the purpose of this analysis, we created a “full employment for all” economic scenario for the year 2015 using unemployment and labor force participation benchmarks based on the full employment economy of the year 2000: an unemployment rate of no more than **4.0 percent** and labor force participation rates of at least **74 percent** for men and **60 percent** for women, with benchmarks adjusted for age to reflect the different age structure of each racial/ethnic and gender group. Young workers have consistently higher unemployment rates, therefore groups with higher shares of young workers have higher unemployment rates. Because labor force participation rates vary according to age structure, we also adjusted the benchmarks to account for changes in the age structure of the population since 2000.

Methods

We used data on unemployment, hours worked, wages, and labor force participation from the U.S. Census and GDP data from the Bureau of Economic Analysis to estimate economic gains in 2015 under this hypothetical “full employment for all” scenario for the United States and each of the 12 metropolitan regions home to regional Federal Reserve offices.

To estimate increases in employment, we calculated the difference between the “full employment for all” benchmarks and the estimated 2015 unemployment and labor force participation rates for 12 mutually exclusive groups defined by race/ethnicity and gender. To project gains in income and other economic measures, we calculated the increase in income for each new worker, their family, and their household under the “full employment for all” scenario, assuming that newly employed workers work the same average number of hours and earn the same average hourly pay as other workers in their racial/ethnic, gender, and age group. The income estimates provided the basis for estimated increases in tax payments and household income, reductions in poverty, and GDP gains.

This analysis is intended to illustrate the broad benefits of policies that reduce race and gender inequities in the labor force for the unemployed, their families, their communities, and the economy. It does not include the multiple social benefits of reducing unemployment, and it underestimates the full economic benefits because a newly employed person also spends more money in the economy, generating a “multiplier effect,” and because wages rise when labor markets tighten. It also not take into account the costs of the targeted employment strategies (including job creation, preparation, and access) that would be necessary to realize a “full employment for all” economy.

For more details, please see the full methodology at <http://nationalequityatlas.org/reports/reports-analyses>.

Appendix

Foreword to #BlackWorkersMatter

May 2015

By Dorian Warren

From the founding of the United States, the black experience in this country has been defined by the fundamental contradiction posed by our system of racial capitalism. The “land of opportunity” has repeatedly excluded people of African descent from the American dream. Although the overt racial discrimination of the past is no longer sanctioned by law, the numerous recent high-profile murders of black people—especially at the hands of white police officers—have brought America’s history of racist violence front and center once again. As the country grapples with that painful history and present, we must also address the long-standing, persistent, and growing economic disparities that particularly harm black workers and black communities. The crisis of economic inequality affecting black communities in the twenty-first century is urgent and demands increased attention and action. For if we think of black workers as the “miner’s canary” of American democracy and our economy, then we all have a stake in supporting efforts to advance racial and economic justice.

The Discount Foundation is excited to partner with Algernon Austin, Marc Bayard, Linda Burnham, Steven Pitts, and Sean Thomas-Breitfeld to share new research on the economic and employment barriers facing black workers and the grassroots organizing to build the political power of black workers to transform these conditions.

Just as the #BlackLivesMatter movement has emerged as part of a renewed spirit of black activism, this #BlackWorkersMatter report unveils the harsh economic reality of a job market that relegates African Americans to the lowest rungs of the employment ladder, and an economy in black communities that is permanently in recession. This report’s findings reflect the longstanding concerns of many social scientists, community organizers, and everyday workers who are seeing the toll that the jobs crisis and low wages are having on black workers and their families.

The authors of this report provide some broader context on the black jobs crisis, including its origins and effects; the particular impact of the crisis on African American women; the declining state of black workers and their organizations, particularly within the labor movement; and the implications of the twin crises of joblessness and poverty-level wages for organizing. This report also features examples of how black worker organizations are combining strategic research, services, policy advocacy, and organizing to help black workers weather the economic storms and improve the quality of jobs that are open to African Americans over the long term.

Organizing—community and worker organizing—is the only way for black workers to challenge the structural racism that maintains and perpetuates black social, political, and economic inequity. To advance racial and economic justice, and make black economic equity a real possibility in the twenty-first century—and not only a dream—black workers must build enough political and institutional power to challenge inequality, change policies, and transform the country. We will not be able to train or educate our way out of the black jobs crisis, particularly if employers still regard black workers as less desirable than workers of other races. Our policy research and advocacy are necessary, but not sufficient, solutions to the dual crisis of low-wages and too few jobs. Black communities themselves must have the resources and capacity to build the power to determine what economic development

looks like in their communities and who will benefit. But this urgent power-building and organizing to address this crisis will not happen if black worker organizations around the country continue to receive such limited financial investments.

Black worker organizing merits a dramatic increase—and sustained commitment—in foundation funding. We hope this #BlackWorkersMatter report educates funders about the severity of the black jobs crisis and strengthens the commitment of funders to invest in efforts to organize black workers. Together we can—and must—draw attention to the facts of racialized economic inequality, but awareness is not enough to make progress in addressing the black jobs crisis. To really move the dial, grassroots organizations need funding and support to organize black workers, use a racial justice lens in their work, and build a field of powerful black worker organizing groups that stretches across this country. Yet given the scale of the black jobs crisis, far too little funding is directed specifically at race-conscious efforts to organize black workers. Now is the time to assert that #BlackWorkersMatter and ensure that the funding reflects that commitment.

—Dorian Warren, Board Member, Discount Foundation and Associate Professor, Columbia University

The New York Times

Why the Economy Is Not Ready for an Interest Rate Increase

August 1, 2015

The Editorial Board

The New York Times

The Federal Reserve talked up the economy last Wednesday, in a statement that emphasized improvements in employment, housing and consumer spending. Unfortunately, the optimism is misplaced.

On Thursday, the Commerce Department reported that from April through June, the economy grew at an annual rate of 2.3 percent—a modest pace, especially given the expectation of a bigger rebound from weather-related poor growth in the first quarter.

In 2014, for instance, when bad weather also reduced first-quarter growth, the economy grew at an annual pace well above 4 percent for the next two quarters. In comparison, the economy's recent performance is not a rebound but rather a resumption of the sluggish growth that has long characterized the economy.

Given the depth of the recession that preceded the current recovery, growth in the 2-percent range has not been enough to pull up wages. That point was driven home on Friday, when the Labor Department reported a slowdown in wages and benefits in the second quarter. In a healthy economy, a more or less steady drop in the unemployment rate—as has occurred in the United States—would translate into rising wages and higher prices.

If significant or sustained, such increases would be cause for the Fed to raise interest rates. But so far, no such increases have appeared, and, as a result, most working people have not yet recovered all of the lost ground from the recession or raised their living standards.

Fed policy makers know all that. A recent leak of documents from the Fed shows that its staff economists have forecast more of the same modest growth and inflation for years to come. Nonetheless, the Fed seems determined to raise interest rates before the end of this year. Fresh data between now and then may cause it to delay. And any move in interest rates, if it comes, is expected to be tiny.

But an increase, however small, would signal that Fed policy makers are basically satisfied with the economy's performance. Coupled with Congress's long failure to provide adequate fiscal support to the economy, that message would be a setback for Americans who are still not getting ahead.

In recent years, the Fed has generally been good at communicating the reasons for its actions. If it really intends to move ahead soon with interest-rate increases, it needs to explain how an economy in which wages are stagnating is as good as it gets.

For Many Americans, the Great Recession Never Ended. Is the Fed About to Make It Worse?

July 28, 2015

Connie M. Razza

The Nation

When the Federal Reserve considers raising interest rates on July 28—and then again every six weeks after—MyAsia Reid, of Philadelphia, will be paying close attention. Despite holding a bachelor's degree in computer science, completing a series of related internships, and presenting original research across the country, Reid could not find a job in her field and, instead, pieces together a nine-hour-per-week tutoring job and a 20-hour-per-week cosmetology gig. The 25-year-old knows that an interest-rate hike will hurt her chances of finding the kinds of jobs for which she has trained, and earning the wage increase she so desperately needs.

A Fed decision to raise interest rates, expected sometime this year, amounts to a vote of confidence in the economy—a declaration that we have achieved the robust recovery we need. “We are close to where we want to be, and we now think that the economy cannot only tolerate but needs higher interest rates,” the chairwoman of the Federal Reserve, Janet Yellen, told Congress during a July 15 policy briefing.

But for many millions of Americans, the recovery has yet to arrive, and for them, a rate hike will be disastrous. It will put the brakes on an economy still trudging toward stability; stall progress on unemployment, especially for African-Americans; and slow wage growth even more for the vast majority of American workers.

The general argument for raising interest rates is that it will prevent wage costs from pushing up inflation. However, there is no data suggesting price instability; nor is there any indication that wages have risen enough to spur such inflation. For the overwhelming majority of American workers, wages have stagnated or even dropped over the past 35 years, even as CEOs have seen their compensation grow 937 percent. During the same period, wage gaps between white workers and workers of color have increased, and black unemployment is at the level of white unemployment at the height of the Great Recession. Meanwhile, the labor-force participation rate is less than 63 percent, the lowest in nearly four decades, suggesting that many Americans have simply given up looking for work.

Yellen has herself often urged the Fed to look at the broadest possible employment picture. Yet, during her recent congressional testimony, she downplayed the Fed's ability to address racial disparities, saying that the central bank does not “have the tools to be able to address the structure of unemployment across groups” and that “there isn't anything directly that the Federal Reserve can do” about it. She cited, rightly, a range of other factors, including disparate educational attainment and skill levels, that contribute to economic and social disparities between racial groups. But she also glossed over the importance of the economic environment in shaping workers' unequal chances.

One defining metric in shaping workers' chances is the unemployment rate. A high unemployment rate facilitates racial discrimination. When there are too many qualified job candidates for every job, employers can arbitrarily limit their labor pool based on unnecessary educational requirements, irrelevant credit or background checks, or straightforward bias. A tight labor market, by contrast, makes it much harder for employers to succumb to prejudices and overlook qualified workers simply

because of bias. When the number of job seekers matches the number of job vacancies, African-Americans, Latinos, women, gays and lesbians, injured veterans, and formerly incarcerated workers finally get their due in the workforce.

The late 1990s, when unemployment was at about 4 percent, bear out this thesis. During that rosier era, black unemployment was 7.6 percent, and the ratio of black family income to white family income rose substantially.

As the guardian of monetary policy, the Federal Reserve has a number of tools for encouraging a tight labor market, and one of those tools is to keep interest rates low. By keeping rates low, the Fed creates a hospitable environment for job growth by lowering the borrowing costs for consumer and business spending—including hiring new workers. By contrast, raising rates deliberately suppresses spending by consumers and businesses. In the process, it slows job growth, holds down wages, and unnecessarily maintains racial disparities.

With so many workers still struggling, there is no need to cut off this recovery prematurely. Inflation remains below the Fed's already-low 2 percent target, unemployment and underemployment are too high, and wage growth and labor-force participation are too low. In fact, the Fed should be doing everything within its power to keep nudging the recovery forward for the workers still caught in the slipstream of the Great Recession.

The Federal Reserve should not raise interest rates this week, nor when it meets again six weeks after that. It should not raise rates at all in 2015. Doing so would cause tremendous harm to the aspirations and lives of tens of millions of working families, and would disproportionately hurt African-Americans.

MyAsia Reid knows the difference that a full-employment economy can make. She is ready to participate in the economic recovery. And she will be watching as the Fed decides whether to hold to a strategy of strengthening the recovery or pursue a new strategy that jeopardizes her chances and her community.

Why the Fed's policy on interest rates is key to fighting poverty

July 23, 2015

Dean Baker

PBS NewsHour

Despite being home to an industry of think tanks dedicated to combating poverty, Washington anti-poverty policy debates often suffer from a major dose of unreality. As poverty experts struggle with policies that might lift a portion of the poor into the middle class, policies that we know have a huge effect on poverty rates go undiscussed. Rarely mentioned in discussions of poverty is the Federal Reserve Board's policy on interest rates, which has an enormous impact on the rate of economic growth and the level of unemployment.

As the Fed looks to raise interest rates soon, it's worth noting that higher interest rates increase the cost of borrowing and effectively reduce car and house buying. All of this slows the economy as well as the rate of job creation. If the Fed raises interest rates, it will in effect prevent the unemployment rate from falling further and prevent low and moderate-income households from seeing the benefits of a strong labor market.

Poverty experts typically treat Fed policy as something like the weather — it just happens, and there is not much that can be done about it. In fact, Fed policy is subject to human control and should very much be the focus of people concerned about poverty and mobility.

The facts are about as simple as it gets. High unemployment disproportionately hits the poor and disadvantaged. In the economic downturn, unemployment for college grads rose by 2.7 percentage points from 2 percent in 2007 to 4.7 percent in 2010. By comparison, for people with just a high school degree, unemployment rose by 6 percentage points from 4.4 percent to 10.4 percent. Those without high school degrees saw a rise of almost 8 percentage points from 7.2 percent to 15.1 percent.

We see the same story by race. For whites unemployment rose from 4.1 percent in 2007 to 8.7 percent in 2010. For Hispanics the rise was 5 percentage points from 5.5 percent to 10.5 percent. The unemployment rate for African Americans went from 8.6 percent before the recession to 16 percent in 2010. It was even worse for African American teens with unemployment going from 29 percent to 43.1 percent — a rise of 13.1 percentage points.

This last recession was not an oddity; when the unemployment rate goes up it always hits those at the bottom hardest. Of course the opposite is also true. In looking at the Bureau of Labor Statistics data on unemployment, it's clear that those at the bottom benefit most when the unemployment rate falls. And according to Okun's law, for every person who goes from being unemployed to employed, there is also a person who goes from being considered out of the labor force to being employed.

Thus, if we can knock down the unemployment rate by another percentage point, from its current 5.3 percent level to 4.3 percent level, we might be able to reduce the unemployment rate for African Americans by close to two percentage points and for African American teens by close to six percentage points. To flip this over and talk about employment, a one percentage point drop in the overall unemployment rate would translate into roughly 500,000 jobs for African Americans and 60,000 to 70,000 jobs for African American teens.

Lower unemployment won't just have a large impact on employment for those at the bottom, it also

will help to boost their wages. In my research with Jared Bernstein and John Schmitt, we found that a sustained 10 percent drop in the overall unemployment rate, for example from 5.3 percent to 4.8 percent, would be associated with a 10 percent increase in the hourly wage for a typical low wage worker. This implies that a worker earning \$10 an hour would see her wage rise to \$11 an hour. That translates into \$2,000 a year in additional income for a full-time, full-year worker.

This is exactly the sort of story we saw in the late 1990s when the unemployment rate fell its lowest level in almost three decades, eventually bottoming out at a 4 percent year-round average in 2000. With low levels of unemployment, employers were competing for workers. Even places like McDonalds were offering hiring bonuses, and there were reports of suburban hotels and restaurants chartering buses to transport workers from the inner cities.

There are very few policies that the nation's poverty experts can identify that will generate remotely comparable benefits for disadvantaged populations. And the great benefit of lower unemployment rates is that they don't require a major political debate on the merits of a new anti-poverty program and how to pay for it, a long start-up period to get the program up to size or a major new government bureaucracy.

In this case, we can benefit tens of millions of low and moderate-income people simply by preventing an agency of the government, the Fed, from acting. If we stop the Federal Reserve Board from raising interest rates too quickly and by too much, we can keep the rate of employment growth from slowing and allow the unemployment rate to continue to fall.

So we have alternative routes of dealing with poverty. We can get the Fed to allow the unemployment rate to continue to fall, or we can hire lots of poverty experts to craft clever plans. We'll see which one wins out.

Here's How to Make the Fed More Transparent and Accountable

June 23, 2015

Ady Barkan

The American Prospect

The Federal Reserve has long faced fierce scrutiny from members of Congress, community leaders, and the press for its lack of transparency. Fed Chair Janet Yellen, still early in her term, has signaled an intention to improve transparency and hold the Fed accountable to the public interest, and she'll face an important test this month as she starts deciding whom to appoint to the newly formed Community Advisory Council.

In the most recent example of Fed's insular system of governance, Bloomberg Business revealed concerning news about the recent appointment of Patrick Harker as president of the Philadelphia Federal Reserve. Harker had served on the bank's Board of Directors prior to his appointment, and was even on the search committee interviewing candidates for the presidential slot. Then, in a behind-the-scenes maneuver reminiscent of Dick Cheney's infamous self-selection as George W. Bush's running mate, Harker became a candidate for the job himself, and was swiftly chosen by his Board colleagues. Harker's shadowy appointment process was par for the course at the Fed. In Dallas, the presidential appointment process has been downright dynastic: the outgoing president, Richard Fisher, appointed an advisory committee made up of the people who appointed him to help select his successor.

Chair Yellen has an immediate opportunity to reverse course and change the face of the Fed. This year, the Fed announced the creation of a Community Advisory Council, intended to offer Fed leaders "diverse perspectives" on the economy, "with a particular focus on the concerns of low- and moderate-income populations." Applications for the Community Advisory Council were due last week. The question facing Fed officials is whether they will appoint individuals to the Council who represent low- and moderate-income voices, or whether the Council will be another elite echo chamber (one earlier predecessor to the Council was heavy on members from for-profit lenders like Capital One and Citigroup—hardly organizations representing the interests of working families).

The announcement of the CAC was a direct response to growing demand for greater public representation at the Fed, and it's not hard to see why. Of the 108 members of the 12 banks' boards of directors (which select and oversee those 12 presidents), only 15 come from the nonprofit sector, academia, or labor organizations. The other 93 come from corporations or banks, even though the law requires that two-thirds represent a "diverse" set of interests, including those of labor and consumers. Fed officials lack diversity in other ways, too: among governors and presidents, all but one are white, and the vast majority are men.

Fed officials have huge power over the American economy: They vote on crucial monetary policy decisions, determining whether we reach full employment with rising wages for all or whether the economy continues toward stagnation and inequality. As long as Fed bodies are dominated by the financial sector, their decisions will reflect the perspectives of the very entities the Fed is meant to oversee, rather than the working families across the country who need higher wages and more equitable economic growth.

So, who will lead the Fed in the years to come? Next February, the terms of all 12 regional Fed presidents expire. Their respective Boards of Directors will decide whether to reappoint the presidents or replace them. A coalition of community-based organizations, faith leaders, policy advocates, and labor unions are calling for the Federal Reserve to make this process more transparent. At a bare minimum, the banks should publicize the schedule for the decision-making, the names and roles of the decision-makers, the criteria that will govern the process, and the names of candidates under consideration. A more public process would involve the opportunity for members of the public to serve on the search committees, mechanisms for the public to submit questions and receive answers from prospective candidates, and public forums where Fed officials actually engage in dialogue with the people whom they are supposed to represent. Chair Yellen and officials at the Fed have the power to implement such reforms, and their decisions will speak volumes about their commitment to building an independent central bank with democratic legitimacy.

Janet Yellen's appointment as the first woman to lead the Fed signaled that change might be coming to a historically opaque institution. But to truly transform the Fed, Yellen and her fellow governors must ensure that the voices of working families aren't drowned out by wealthy financial interests. The first step is ensuring that the new CAC lives up to its mission by including women, people of color, and representatives of organizations with low- and moderate-income members. It could even directly install some low- and moderate-income individuals on the Council. That would indeed bring new perspective to an institution that has, for too long, been dominated by the voices of America's elite.



How the Federal Reserve Can Help or Hurt the Economy: What's at Stake

July 8, 2015

Josh Bivens

Economic Policy Institute

The Fed's priorities should be spurring full employment and creating space for healthy wage growth.

- In the short run, the Fed should keep providing support to economic activity and jobs until we reach a genuine full recovery from the Great Recession. At a minimum, this means keeping short-term interest rates low until wage growth is in line with the Fed's overall inflation targets and the labor market is back to pre-Great Recession health.
- In the medium run the Fed should:
 - Realize that even the pre-Great Recession labor market was far from healthy and continue to spur the economy to push unemployment down until—but not before—accelerating inflationary pressures reliably emerge in the data.
 - Target nominal hourly compensation growth to be at least two percentage points greater than 1.5 percent trend productivity (meaning roughly 3.5 percent).
- In the longer run, the Fed should use regulatory powers and not higher interest rates as the primary tool to rein in the speculative excess that leads to disastrous bubbles.

There is still substantial slack in today's economy and labor market, slack that Fed policy can help reduce.

- The employment-to-population ratio of prime-age adults has recovered less than half of the decline from the pre-Great Recession labor market peak—and has been flat for the last four months.
- We still have a huge jobs hole: Employment is still 3 million below what is needed to return to the labor market health that prevailed in December 2007.
- This labor market slack is due to a continued shortfall of aggregate demand. GDP in 2014 still fell more than 2 percent below estimates of potential GDP, and even this "output gap" is one that has improved in recent years not because of strong real-world economic growth, but simply because estimates of potential GDP have been marked down, essentially defining "economic recovery" downward.
- When there is such slack in the economy, workers with fewer formal educational credentials, minority workers, and non-college-educated workers are hardest hit. For instance, roughly one in five blacks and one in six Hispanics are currently unemployed or underemployed. Similarly about one in six workers with only a high school degree are unemployed or underemployed.

There is a lot at stake: Slowing the recovery in the name of combatting hypothetical inflationary pressures would leave millions in considerable and unnecessary economic distress and would

exacerbate troubling longer-term trends in wages and incomes for the vast majority of American workers and their families.

- Failure to lower long-term unemployment, still an extraordinarily high 1.6 percent of the labor force, or to bring back into employment the millions who have left or failed to enter the labor force, means lost incomes and output and possible permanent scarring of those affected and of the economy. Given stagnant wages for most of the last four decades, cutting short the recovery means failing to restore broad-based wage growth, diminish poverty, lower inequality, and restore lost living standards.
- Many communities still face high unemployment and, even with a national unemployment rate of 4 percent, would still experience recessionary levels of unemployment. A full recovery is essential for any possibility of income growth in these communities.
- Achieving full recovery such as an unemployment rate of 4 percent would mean black unemployment would drop from over 10 percent now to a lower but still high unemployment rate of 7 percent. Nearly a third of young black men ages 20–24 are out of work and out of school, up from a fifth before the recession. Failure to dramatically reduce this non-employment will exclude this population from our economy in the future.

Inflation is well under control but wage growth is disappointingly slow.

- Inflation, according to the Federal Reserve Board’s preferred measure, is running below 1.5 percent, below the target 2 percent rate, and has been below that 2 percent rate for most of the last six years. Federal Reserve Board staff expect inflation to remain below 2 percent over the next few years.
- Various measures of wages and compensation show annual growth remaining at roughly 2 percent, as they have shown over the entire recovery. Given that the appropriate target is for nominal compensation growth of 3.5 percent, the only cause for alarm is that pay is growing so slowly.
- Over the last year wages have grown more slowly than inflation for the entire workforce, regardless of education (i.e., college graduates and high-wage earners saw real wage declines). So, even those workers facing lower rates of unemployment did not any obtain real wage gains.

Historically thick profit margins provide cushion for any possible wage-led inflation.

It is expected and desirable that the historically high profit margins that have prevailed in the recovery from the Great Recession will get thinned out a bit by wage growth when wages begin to pick up later in the economic expansion. This pattern of profit margins growing thick in the early stages of recovery and then retreating to normal levels as wages grow in late recoveries has characterized most post–World War II recessions. The failure of profit margins to significantly fall so far is a clear demonstration of just how incomplete the current recovery is, and highlights another large cushion that should allow policymakers to pursue full employment without worrying about wage-led inflationary pressures.

How the incipient inflation freak-out could wreck the recovery

August 7, 2014

Dean Baker and Jared Bernstein

The Washington Post

As predictable as August vacations, numerous economists and Federal Reserve watchers are arguing that the nation's central bank must raise interest rates or risk an outbreak of spiraling inflation. Their campaign has heated up a bit in recent months, as one can cherry pick an indicator or two showing slightly faster growth in prices or wages.

But an objective analysis of the recent data, along with longer-term wage trends, reveals that the stakes of premature tightening are unacceptably high. The vast majority of the population depends on their paychecks, not their stock portfolios. If the Fed were to slam on the breaks by raising interest rates as soon as workers started to see some long-awaited real wage gains, it would be acting to prevent most of the country from seeing improvements in living standards.

To understand why continued support from the Fed is unlikely to be inflationary, consider three factors: the current state of key variables, the mechanics of inflationary pressures and the sharp rise in profits as a share of national income in recent years, along with its corollary, the fall in the compensation share.

First, while inflation has firmed up a bit, the Fed's preferred inflation measure (which omits volatile price movements in food and energy) is up 1.5 percent over the past year, well below the 2 percent target. Since the Fed must also worry about where people think inflation is headed, it's worth noting this point from the central bank's statement last week: "Longer-term inflation expectations have remained stable."

Turning to wage pressures, while one wage report out last week showed a spike in employers' costs, another one from a few days later showed a slight deceleration.

The best way pull out the signal from the noise here is to combine all the available series using a statistical "mash-up" technique (principal components analysis). This analysis finds that nominal wage growth has held at 2 percent since 2009, which happens to be about the rate of consumer inflation over this period. In other words, real wages have stagnated on average throughout the recovery. Moreover, this is the continuation of a long-term problem: real pay has been stagnant or worse for many in the workforce for much of the past 30 years.

Let's say wages did significantly accelerate. Would this be a sign for the Fed to hit the brakes?

Not at all. First, for workers to get their fair share of the economy's growth, real wages should keep pace with productivity growth. Productivity growth has been weak recently, most economists put the underlying trend at close to 1.5 percent. This means that wage growth at a 3.5 percent annual rate (2 percent inflation plus 1.5 percent productivity growth) would be consistent with the Fed's inflation target.

It would not be unreasonable to accept—we'd say "celebrate"—even higher wage growth for a period of time. The Fed targets 2 percent as an average inflation rate, not a ceiling. Since core inflation

has been somewhat below the target for the past five years, it can rise above that for a period of time to average out at 2 percent.

Also, and this is an underappreciated point, there has been a large shift within national income from wages to profits in recent years. In fact, corporate profits as a share of national income were higher in 2013 than in any year on record going back to 1929. The compensation share was the lowest since 1951. Wage growth paid for by a shift back toward to a more normal split between wages and profits is non-inflationary.

In fact, given the remaining slack in the slowly improving job market, we're still probably a long way away from 3.5 percent annual wage growth. There is no reason for the Fed should be acting to slow the economy at the slightest hint of more rapid wage growth.

We've been here before. Back in the mid-1990s there was a consensus among economists that the unemployment rate could not get much below 6.0 percent without triggering inflation. As the unemployment rate reached this level in the 1995, there were many pushing the Fed to raise interest rates, including top Fed officials.

Fortunately Fed Chairman Alan Greenspan did not share this view. Based on the same mechanics discussed above, he saw no evidence of inflationary pressures, and thus no reason to slow a recovery that was just picking up steam. As a result of Fed restraint, the unemployment rate fell to 5 percent in 1997, 4.5 percent in 1998, and was 4 percent as a year-round average in 2000. Inflation remained subdued.

Greenspan's resistance to the consensus allowed millions of people to get jobs and tens of millions to see real wage gains. As a bonus, instead of running a deficit of 2.5 percent of GDP, as the Congressional Budget Office (CBO) had projected in 1996, we ended up with a surplus of 2.3 percent of GDP in 2000. This shift from deficit to surplus of almost five percentage points of GDP (about \$850 billion in today's economy) was almost entirely due to the fact that the unemployment rate in 2000 was 4 percent, instead of the 6 percent CBO had projected.

These are the costs of prematurely tilting at wage pressures that aren't yet here and deserved to be nurtured when and if they arrive. It's not just that the costs of doing otherwise are high. It's that they fall precisely on those working families who have yet to be reached by an expansion that began five years ago.

What Is the Federal Reserve Doing?

June 26, 2015

William E. Spriggs

AFL-CIO Blog

Last week, the U.S. Bureau of Labor Statistics issued its numbers for inflation and for real wage movements. The numbers reflected the weak numbers of the first quarter for economic growth: Zero inflation and zero real wage growth in the past three months. The economy is showing signs that it is fragile. It can be spoofed by international developments that raise the value of the dollar and slow U.S. export growth, or by bad weather—events, the Federal Reserve cannot control or easily predict.

So what is the Federal Reserve doing? At its June Open Market Committee Meeting, where Federal Reserve policy is set, the Fed stayed put on interest rates. Yet, it gave indications that it was considering giving in to the stampede for the Fed to act sometime this year to raise interest rates in a deliberate move to slow the economy. A policy to slow the economy is based on beliefs, not on the hard data before us on wages or inflation. This is regrettable.

The deeper reality is that the Fed took unprecedented moves to build up huge reserves of U.S. Treasuries. What is really going on is more that the speculators on Wall Street are nervous. They are afraid that somehow, from some unknown source, inflationary pressures will rapidly appear and the Fed will quickly unwind its position with, for some of them, disastrous consequences on bets they have placed on bond prices. They would prefer the certainty of having the Fed start to unwind its position now, slowly divesting itself of its bond reserves and easing the economy to higher interest rates. This has nothing to do with the economy, and everything to do with Wall Street speculation. Unfortunately, the press plays sycophant to these speculators, who are constantly quoted as giving “economic” advice when they state with certainty the need for the Fed to raise interest rates.

Sources of global instability abound. The discussions over the Greek debt, the Eurozone bankers and the International Monetary Fund are far from a workable solution. In the meantime, the Swiss Franc is rising uncontrollably in response to that uncertainty. Iraq, Syria, Yemen and the ongoing conflict with ISL make the Mideast equally unpredictable. And, if snows were the issue in the first quarter, the California drought, the Texas floods and Midwest tornadoes so far this quarter should not make anyone confident that the current hurricane season is going to be a sleeper. Further incidents in Charleston and now Charlotte with violent attacks on African American churches and the constant stream of discontent with the ongoing and unresolved issue of police misconduct make the domestic situation equally volatile. With so many uncontrollable and unpredictable risk factors that could slow the economy, the fears of Wall Street speculators should and must take a back seat.

These risks are not all unrelated. A more robust U.S. economy will help the world economy and help reduce some risks associated with weak economic performance; especially in the Eurozone. And a more robust U.S. economy will hopefully speed job growth to reduce the economic tensions that overlay the raw social tensions domestically.

The Fed must expand its view of measures of full-employment. The Wall Street gamblers base their assumptions on full employment from a time gone by. For instance, economists today still persist in viewing the high African American unemployment rate as a “structural” issue, since African American workers are assumed to be so low-skilled they cannot find jobs in a modern economy. So, they ignore

the warning signs that job growth is frail when the African American unemployment stalls, as it has, at around 10%.

In May, the unemployment rate for adult African American workers (those older than 25) with associate degrees was 5.6%, which was higher or about the same as the unemployment rate for white, Asian and Hispanic high school graduates. Those numbers are inconsistent with full employment. They indicate a market where employers are very free to pick and choose which workers they want. A faster growing economy will force employers to be less choosy.

The slow economy cascaded higher educated workers down into jobs that require less education. If the economy does not speed up, that misallocation of productive capacity could become permanent, as employers may continue to seek only college graduates to serve coffee. This costs us in loss productivity growth. It is another sign of a labor market that is not at full employment.

Locking in high African American unemployment and college degree requirements for entry-level jobs is not in the economy's interest. And covering Wall Street bets isn't either.

Follow Spriggs on Twitter: @WSpriggs.

Meet the activists who want to make the Fed listen to workers for a change

August 22, 2014

Dylan Matthews

Vox.com

The Jackson Hole conference, an annual retreat in Wyoming organized by the Kansas City Fed, is usually frequented by central bankers, private sector economists, and academics. It's not usually frequented by everyday workers.

This year was different. A group of community activists traveled to the conference to urge policymakers to not do what an increasing number of voices in the Fed system and in the financial sector have been urging them to do: raise interest rates.

"They need to stimulate the economy," says Kendra Brooks, a former bank manager from Philadelphia who's been unemployed for about a year. "Increasing the interest rate here isn't going to help the people without jobs. It's going to put us further into debt."

"I want to at least get our voices heard before they make their decisions," Tyrone Raino, who recently took a job requiring a 40 mile commute from his home in Minneapolis, says.

Brooks and Raino are both members of local community organizing groups—Minnesota Neighborhoods Organizing for Change and Action United in Philadelphia, respectively—which have, with the Center for Popular Democracy, come together to try to do something that hasn't really been done before: grassroots lobbying of the Fed. And they're being heard.

According to the Center's senior attorney, Ady Barkan, the group met with Kansas Fed chief Esther George for two hours, and spoke to Fed chair Janet Yellen, Chicago Fed chief Charles Evans, and Minneapolis Fed chief Narayana Kocherlakota. The last three are sympathetic to Brooks and Raino's perspective—Raino called Kocherlakota "one of the voices in the Federal Reserve system who understands the economy is far from recovery for most of us" in an article for MinnPost—George has expressed support for raising interest rates. For people trying to lobby a generally unlobbied institution, that's an impressive start.

To some extent, the Fed is designed to be impervious to outside pressure like this. Many economists believe that central bank independence—that is, having a central bank that is not directly controlled by legislatures or other democratically elected officials—is crucial to effective monetary policy. In 1993, future Treasury Secretary Larry Summers and his Harvard colleague Alberto Alesina authored a hugely influential paper arguing that countries with more independent banks have less variable prices and lower inflation overall. While that finding was controversial, the view that month-to-month policy decisions by the Fed should not be influenced by politicians—what Fed vice chair Stanley Fischer has called "instrument independence"—is widely accepted.

But Barkan argues that the independence the Fed currently enjoys is one-sided. "There are 108 board members across the 12 regional banks," he notes. "Under the law, 72 of them are supposed to represent the public interest and 36 are supposed to represent banking and financial interests. But of

the 108, 97 are from financial institutions or corporations. Only 9 are from nonprofits, and even those are from major, wealthy nonprofits. Only 2 of the 108 board members represent labor organizations and workers.”

“This desire for Fed independence really only goes in one direction,” he concludes. “It’s a desire for insulation from the needs of regular people.”

Barkan, Brooks, and Raino avoid endorsing specific proposals for the Fed to get tougher on unemployment, like setting a nominal GDP target or abolishing paper money or allowing “helicopter drops.” The emphasis is more on convincing the Fed that there is still a problem—that the labor market still has slack.

While some in the Fed worry that people are getting too many raises, Barkan argues that wage growth is still too slow—and that the labor market won’t be healthy until it’s significantly higher. “Real rising wages will represent tightening of the labor markets, and that’s what you want to pull the long-term unemployed back into the market, and vulnerable workers back into the market,” he says. “It’s only once the labor market tightens that you can help vulnerable communities get out of this long recession.”

Face to Face With the Fed, Workers Ask for More Help

November 14, 2014

Binyamin Applebaum

The New York Times

Jean Andre traveled from Queens to the Federal Reserve Board's stately headquarters here on Friday to tell the people who make monetary policy that he needs their help. He cannot find regular work on film and photo shoots. The jobs he does find pay less.

The Fed's chairwoman, Janet L. Yellen, agreed to meet with about 30 workers and activists, including Mr. Andre, in a gesture of concern for the plight of Americans searching for work and struggling to make a living.

For one hour on Friday, the workers sat in the Fed's ornate conference room and told their stories to Ms. Yellen and other Fed officials, including three other members of the Fed's board of governors — Stanley Fischer, the vice chairman; Lael Brainard; and Jerome H. Powell — who listened and asked questions.

"The Federal Reserve is too important of an institution to be insulated from the voices and perspectives of working families," said Ady Barkan, a lawyer with the Center for Popular Democracy, an advocacy group based in Brooklyn that orchestrated the meeting. "We think that the Fed needs to listen more and be more responsive, and we're very grateful for this first opportunity."

The meeting was closed to the media. The workers described what they said, and the Fed declined to comment, citing a policy of silence about private meetings.

Mr. Barkan's group is campaigning for the Fed to continue its stimulus campaign, citing the high level of unemployment, particularly in minority communities, and the slow pace of wage growth as evidence the economy still needs help. The group argued the Fed could help to drive up wages by keeping interest rates low.

Mr. Andre, 48, said two jobs were canceled this week. And instead of \$400 a day for a print shoot, he said he now made \$250 or \$300.

"They tell me if I don't take the job there's lots of other people willing to work," he said. "So what can I do? I have a family. I have to take it."

Josh Bivens, an economist at the Economic Policy Institute, a liberal research group, said monetary policy would be "the single most important determinant of wage growth," and that he was glad to see workers recognize the Fed's importance.

A conservative group, American Principles in Action, criticized the meeting as "highly political" and inappropriate. It said it would seek a similar meeting to share its view that the Fed's stimulus campaign is damaging the economy.

The labor and community groups at the meeting wore green T-shirts that said "What Recovery?" on the front, with a chart illustrating meager wage gains on the back. They are also pressing Ms. Yellen to change the way the Fed chooses the presidents of its regional banks.

The Federal Reserve Bank of Dallas said Thursday that its president, Richard W. Fisher, would step down March 19. Charles I. Plosser, president of the Federal Reserve Bank of Philadelphia, plans to retire at the beginning of March.

The Philadelphia Fed said shortly before the meeting on Friday that it had created an email address for inquiries about its presidential search process. It described the account, which will be maintained by the company conducting the search, Korn Ferry, as part of its commitment to conduct a “broad search.”

“I expect the same thing from Dallas,” said Connie Paredes, 42, who traveled to the meeting as a representative of the Texas Organizing Project, speaking at a rally outside the Fed before the group went inside. “We expect to be included in the process.”

Organizers from Dallas and Philadelphia said they would press for similar meetings with the presidents and board of the local Fed banks.

What these workers want to tell the Federal Reserve

June 29, 2015

Ylan Q. Mui

The Washington Post

The protesters have followed the world's most powerful central bankers into the mountains of Wyoming. They have demonstrated in front of the Federal Reserve's august headquarters in Washington. Now, they are taking their message directly to Wall Street.

Or, rather, two blocks away to Liberty Street, home to the Federal Reserve Bank of New York. The campaign, known as "Fed Up," has called on the nation's central bank to leave its target interest rate at zero until the economy is stronger. Its members include activists, community groups and faith organizations, and they say the New York Fed has ignored their requests for a meeting with bank President William Dudley. On Tuesday, they plan to protest outside his offices.

"He can't be shuttered away from the public that he's supposed to be serving," said Jean-Andre Sassine, a 48-year-old Queens Village resident who plans to be at the demonstration. "We are the consumers that drive the economy. He needs to listen to us on the street doing the 9 to 5 to see what's really working, what's really not."

The New York Fed had no comment on the group's request for a meeting. Organizers said they called the bank's main phone number but were not allowed to speak or leave messages for Dudley's staff. A letter and an e-mail to the bank's main addresses were not returned, they said.

The letter asks the New York Fed to ensure that banks are not discriminating against black and Hispanic customers. It calls for more transparency in the selection of regional bank presidents, which are chosen by the bank's board of directors and approved by the Fed board of governors in Washington. The group wants two members of the public to serve on any search committees for Dudley's eventual replacement, among other requests.

"Given the importance of the position, and the continued economic struggles for families across The district, we believe that the selection of the next President of the New York Federal Reserve is too important to happen in secrecy," the letter states.

Fed Up met with Federal Reserve Chair Janet Yellen and other Fed governors in Washington in the fall. Campaign director Ady Barkan said workers shared their personal stories and their perspectives on the job market. Since then, the coalition has reached out to the heads of the Fed's 12 regional banks with mixed results.

Members spoke with Kansas City Fed President Esther George for two hours last summer in Jackson Hole. A spokeswoman for the bank said they have since held several follow-up meetings. The campaign has talked with Boston Fed President Eric Rosengren and is slated to meet with San Francisco Fed President John Williams next month. It is in the process of scheduling a meeting with Minneapolis Fed President Narayana Kocherlakota. The group said other banks have declined or not responded to meeting requests.

A spokeswoman for the St. Louis Fed said the bank has exchanged "friendly" phone calls with campaign members but that no meeting is on the books yet because of scheduling issues on both

sides. Jean Tate, a spokeswoman for the Atlanta Fed, said the bank had not yet received a meeting request, though the campaign said a letter was mailed June 8.

"We are willing to listen to anyone and would welcome this group to share their views," Tate said.

The Fed is a surprising target for activist groups that historically have aimed their fire at large companies and elected officials. The campaign is being led by the Center for Popular Democracy. New York Communities For Change, one of the groups involved in Tuesday's protest, is also behind the push for better pay for fast food workers in the state and a \$15 minimum wage.

Monetary policy is much less concrete. The Fed is in the midst of a heated debate over the right time to raise the target for its benchmark interest rate, which has been at zero for more than six years. The arguments are often esoteric dissertations on topics such as the non-accelerating inflation rate of unemployment, optimal control theory and disinflation. Though most central bank officials expect the Fed to raise its target rate this year, but a vocal minority is pushing to delay until 2016.

The members of Fed Up want to add more Main Street voices to the debate. Amid gridlock in Washington, the Fed's easy-money stance has been the only reliable source of federal stimulus in recent years. And the coalition worries the economy is still too weak for the Fed to withdraw its support.

The group has pointed to stagnant wage growth as a sign that many communities have yet to recover from the wounds of the Great Recession -- and a reason for the Fed to be even more patient in raising its target rate. During last summer's annual meeting of elite economists and policymakers in Jackson Hole, Wyo., members of the group showed up carrying signs and wearing shirts with the slogan "What recovery?"

"The Fed needs to keep interest rates low even though a lot of the talking heads are worried about inflation and just letting things ride. All that's on paper," Sassine said. "The Fed and the people in these ivory towers never hear what's happening on life on the ground."

Fed's Williams vows more transparency after meeting with Fed Up

July 16, 2015

Ann Saphir

Reuters

San Francisco Fed President John Williams has promised more transparency after a rare meeting with a coalition of community and labor groups which also urged the U.S. central banker to keep interest rates low.

Williams largely dismissed their call to hold off on interest-rate hikes, repeating his mantra that monetary policy will depend on economic data. But he said the meeting earlier this week pushed him to "think a little more proactively" about how the Fed recruits and promotes top management.

"I want the Fed to be more transparent," Williams said in an interview. "We've learned along the way that this process of selecting presidents and other aspects of the Fed are not that clear to the public. We should make it more open."

While the San Francisco Fed is not searching for a president or first vice-president, "we want to make sure not only are we doing it right, but also in the future maybe to move the ball forward even further," he said.

He noted that the Minneapolis Fed's openness about its ongoing presidential search is one example to learn from.

The Fed's perceived opaqueness has drawn increasing fire in recent months, with Fed Chair Janet Yellen in testimony this week standing her ground against Congressional efforts to subject the Fed to more oversight. Regional Fed banks' executive searches are also under scrutiny for apparent insularity.

Williams said the meeting also reminded him that despite strengthening overall economic growth, there are "a significant number of people who are left behind and struggling."

One example is Ebony Isler, who ran a hairdressing business until recession-hit clients could not afford her services.

Now, as a part-time cashier at the San Francisco Giants' downtown ballpark, she relies on high-interest loans to bridge her paydays.

"I can't find a job that pays me enough to be self-sufficient," Isler said in an interview after she and a dozen other members of the non-profit group Fed Up met with Williams on Monday.

The group, which first grabbed national attention last summer when it crashed the Kansas City Fed's annual central bankers' meeting in Jackson Hole Wyoming, presented Williams a report arguing that as long as inflation and wage growth remains dull, the Fed should keep rates near zero. (bit.ly/1JdXQAe)

Williams regularly meets with bankers and chief executives.

Meeting with activists, he said, “helps you to think concretely about why are people out of the labor force, what are the problems they are facing.”

The group has also sat down with Yellen, Kansas City Fed President Esther George and Boston Fed chief Eric Rosengren.

This is how protesters plan to take on the Federal Reserve

August 11, 2015

Ylan Q. Mui

The Washington Post

Main Street activists and community groups plan to turn up the pressure on the Federal Reserve at an annual conference of the economic elite this month, in hopes of convincing the central bank to maintain its support of the American recovery.

The campaign, known as Fed Up, is staging a conference in Jackson Hole, Wyo., that will run at the same time as the invite-only gathering of the world's top financial and economic policymakers and academics hosted by the Federal Reserve Bank of Kansas City. The campaign's organizers said they expect at least 50 people—ranging from workers to economists—to attend the so-called “teach in,” which will be held in the same hotel as the Fed's gathering. Topics include income inequality, efforts to raise the minimum wage to \$15 an hour and whether the Fed should invest in municipal bonds.

The conference in Jackson Hole comes as the Fed nears an historic crossroads. The central bank has kept the target for its benchmark interest at zero since 2008, a legacy of the darkest days of the financial crisis and a reflection of the lumbering economic recovery since then. Over the past year and a half, amid faster economic growth and a rapid improvement in the job market, the Fed has taken small steps toward reducing its support.

But the big decision to raise its target interest rate still looms ahead, and Fed officials are seriously considering whether to finally abandon its crisis-era stance at its meeting next month.

“For inexplicable reasons, the Fed seems primed to intentionally slow down the economy in September,” said Ady Barkan, campaign director for Fed Up. “The real crisis in America is stagnant wages and a lack of good jobs. We are going to Jackson Hole to remind the Fed of this stark reality: slowing the economy down now will leave African-American and Hispanic communities permanently mired in a Great Recession.”

The Fed Up campaign made history last year when about a dozen demonstrators showed up at the conference to draw attention to the country's uneven economic progress, particularly among minority communities. The protest led to meetings with top Fed officials over the past year, starting off with Kansas City Fed President Esther George, one of the central bank's most vocal supporters of tightening the reins on the economy, who met with the group for two hours in Jackson Hole. In the fall, Fed Chair Janet Yellen hosted the group, and organizers have reached out to other officials since then with mixed success.

The campaign is returning this year with a more concrete agenda and the backing of a growing number of established left-leaning academics and think tanks, including the Roosevelt Institute, the AFL-CIO and the Economic Policy Institute. The campaign is led by the Center for Popular Democracy.

The group is also slated to release a report touting the economic benefits of an economy at full employment, which it pegged at a jobless rate of 4 percent—significantly lower than the Fed's

estimate of about 5 to 5.2 percent. The lower rate would amount to 14.3 million more jobs, boost the economy by \$1.3 trillion and generate an additional \$261 billion in tax revenue, according to the analysis by PolicyLink and the Program for Environmental and Regional Equity at the University of Southern California.

True full employment, the report argues, would translate into a much lower jobless rate among minorities. The study estimated the impact of a 4 percent unemployment rate for every gender and racial group, adjusted for disparities in age. Black households, for example, would see their income jump by 23 percent, from \$37,025 to \$45,568. While Fed policy is not going to be the only solution to getting to full employment for all, we see it as a critical component of a broad policy agenda,” said Sarah Treuhaft, a director at PolicyLink. “We know that we need more growth and we need more jobs to stimulate hiring of people who have been left behind.”

Treuhaft said that the report does not estimate what inflation would be under this scenario but pointed out that it remained relatively stable in 2000, the last time the labor market hovered around full employment. But many analysts believe that a 4 percent jobless rate would cause the economy to overheat and inflation to spike. And some economists—including a vocal minority within the Fed—believe the central bank is already in the danger zone.

Those groups are also taking their message to Jackson Hole in hopes of bending the ear of policymakers ahead of their crucial decision in September. The conservative American Principles Project is staging a conference in the shadows of the Grand Tetons that coincides with the Fed’s gathering. The group has been skeptical of the benefits of the Fed’s easy-money stance and the reach of its powers. Several members have called on the central bank to rely on prescribed rules for conducting monetary policy, a recommendation the Fed has opposed.

Steve Lonegan, director of monetary policy at APP, said the group hopes its conference will reinvigorate the public conversation about monetary policy, which he argues deserves as much attention among conservatives as cutting taxes and reducing regulations.

“This is a recent phenomenon that Americans are disconnected from the value of their money. It’s the third leg of an economic growth plan for America,” Lonegan said. “It’s their savings. It’s their wages. It’s their life’s work.”

The Jackson Hole conferences will take place Aug. 27 to 29. The theme of the official Fed meeting this year is inflation. The central bank has set a 2 percent target for price-level increases, but it has consistently undershot that goal in recent years and wage growth has been stagnant

The Fed Up campaign has called on the Fed to set a target for wage growth as well. It is also calling for reforms of the selection process for presidents and boards of directors at the Fed’s 12 regional banks.

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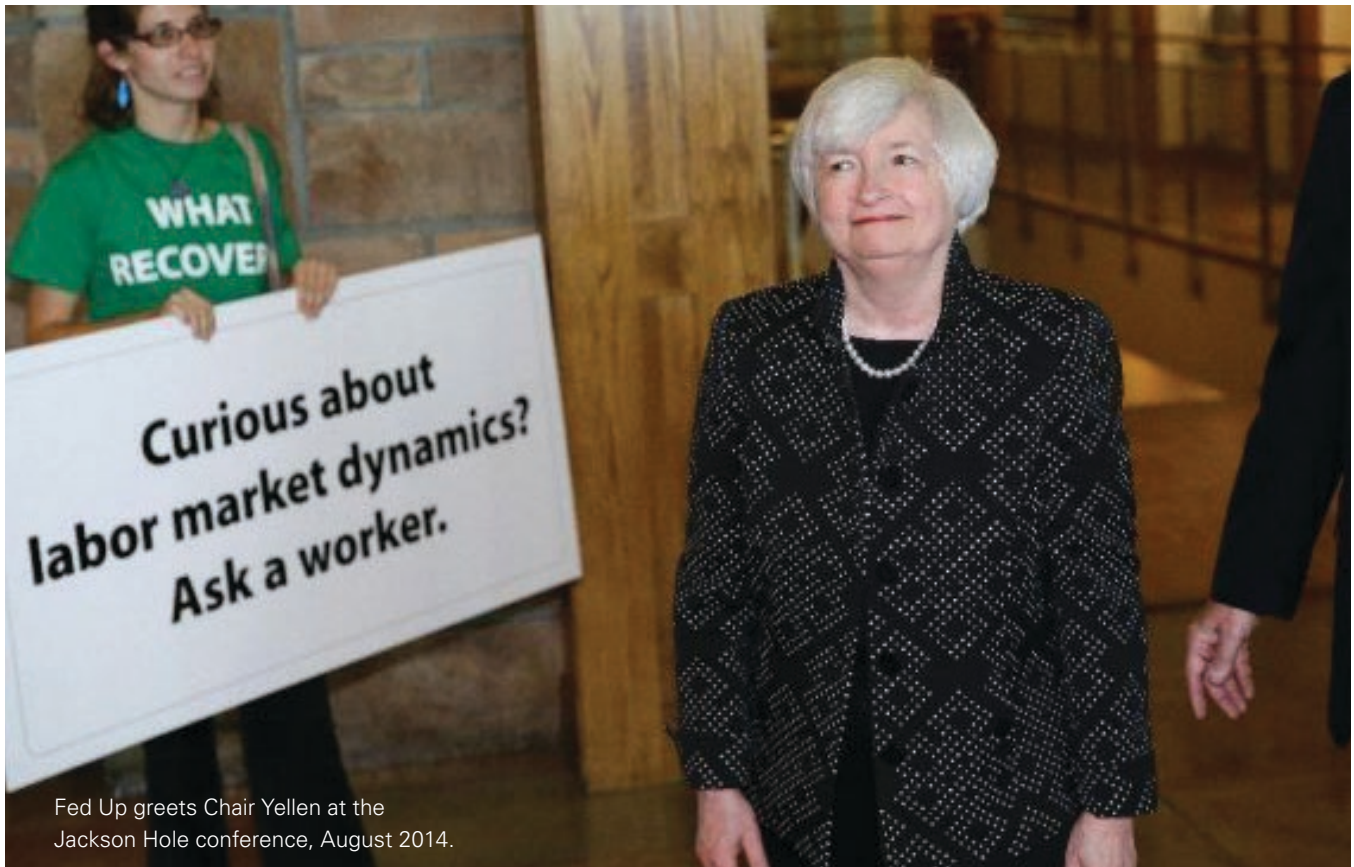
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Fed Up greets Chair Yellen at the Jackson Hole conference, August 2014.

Fed Up has come to Jackson Hole to to identify the real challenges facing our country, lay out a vision for a more just and equitable society, and tell the Federal Reserve that we expect them to build an economy that works for all of us.



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