

John C Williams: Fulfilling our economic potential

Remarks by Mr John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the Association for Neighborhood & Housing Development 2019 Annual Conference, New York City, 11 April 2019.

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As prepared for delivery

Introduction

Thank you for that warm welcome. As you may be aware, last year I moved from San Francisco to take on the role of President of the New York Fed. In many ways California and New York are like different countries—the weather is a big adjustment, for starters!

But through my meetings with community leaders and visits to the Bronx and Brooklyn, I've come to appreciate that we're facing a lot of the same issues in my new home that I saw in the San Francisco Bay Area. The main topics of discussion—displacement as a result of gentrification, inequitable growth, and a critical shortage of affordable housing—are all ones we were grappling with on the West Coast as well.

These issues are complex and challenging, and there are no easy answers, so I want to start by saying thank you for all the important work you do.

There are a couple of topics I want to talk about today. The first is why the work you do is so important, and the second is the role I see the Federal Reserve Bank of New York can play in supporting you today, and going forward.

Before I go any further I'll give the usual Fed disclaimer that the views I express are mine alone and do not necessarily reflect those of the Federal Open Market Committee or anyone else in the Federal Reserve System.

Dual mandate

Apart from a stint running a pizza shop, I've worked in the Federal Reserve System for my whole career, nearly 25 years. And I'm not alone. When you ask people at a Federal Reserve Bank how long they've worked there, their response is often measured in decades, not years. What makes them stay? Working for a mission-driven institution.

And speaking of our mission, the Federal Reserve has two goals: maximum employment and price stability. We want our economy to reach its potential in terms of jobs and growth and we want low, stable inflation. While these two goals are critically important, they are broad and high-level. The monetary policy decisions we make have important effects on the overall number of jobs and wages, but they don't determine what economic growth looks like across communities, or who benefits from it.

That's why our outreach and community-based work is a key priority. It's an opportunity for us to take all of the data, all of the things we know about the economy, and help one another as we tackle the very real issues that shape the everyday lives of Americans.

Equitable Growth

We're closing in on the longest economic expansion on record, unemployment is at historically low levels, and inflation is close to our 2 percent target. From a pure monetary policy perspective, this is a healthy economy. But I'm acutely aware that not everyone is feeling the benefits of the

economy's good performance.

Recent work by my colleagues at the New York Fed crystalized the economic challenges faced by some of those living in New York City. Since the early 1980s wage inequality has increased in the United States, but that increase in inequality has been particularly sharp in large urban areas like this one.

In New York City and Northern New Jersey, someone near the top of the income distribution earns seven times that of someone closer to the bottom. This contrasts with other parts of New York State, where the number is somewhere between four or five times.¹

That's not to say things are necessarily easier in areas with less inequality. In fact, many of the areas with less inequality are also challenged by limited job opportunities and declining populations. It does mean that not everyone is benefiting from growth equally.

One of the reasons for this is that the type of growth in the city has disproportionately benefited one type of worker. Growth in New York has generated demand for highly skilled workers, who are often more highly paid and highly mobile. This drives up housing prices and contributes to gentrification, which often goes hand in hand with displacement.

Words like "gentrification" and "displacement" sometimes can feel impersonal or cliché. For some, gentrification conjures images of fancy coffee shops and high-priced fashion boutiques. But the reality can be heartbreaking. Families who've lived in a home for generations are driven out, communities break up, and the social fabric of a neighborhood is irreparably damaged.

We seek growth that enables everyone to fulfill their economic potential. We want enterprise that supports communities, and communities that have the tools to flourish through investment.

This is good for families, good for communities, and good for the economy.

Of course, you don't need me to tell you this. You face the challenges of inequitable growth every day through your work. And that's why I'd like to talk about the role we can play to support you create a New York City that benefits every part of the community.

When I think about our work at the New York Fed, both today and going forward, it boils down to three things: We connect organizations with data and research to amplify the power of their work, we convene stakeholders to share experiences and best practices, and we are a catalyst for initiatives and approaches that help tackle some of the most complex challenges confronting our communities.

Connect

Some of our greatest assets are our data, analysis, and research. And I don't say that only because I am an economist by training! Data is at its best when it leads to meaningful action.

I just came back from a trip to Puerto Rico and the U.S. Virgin Islands, which are part of the New York Fed's district. The overwhelming feedback I received from community leaders there was how useful they found our research reports for thinking about how to strengthen their local economy.

An example closer to home is the work we do looking at the credit behavior of households at the zip code level.

Analysis from the New York Fed is used by Financial Empowerment Centers across New York City to support people on low and middle incomes get out of financial trouble and build a credit profile. It also acts as a barometer for the success of programs, which helps practitioners learn which interventions are most effective.

Convene

As well as connecting people with research and data, we play an important role creating spaces where different stakeholders convene, discuss the challenges and opportunities facing their communities, and share best practices.

This is where our workforce development program comes in, and it's an area where Federal Reserve Banks from across the country have been collaborating to share knowledge among key stakeholders.

The work we're doing bringing together schools and local employers is also in this vein. We owe it to young people to ensure that their investments in education pay off and that there's a job at the end of all their hard work and study.

Fostering connections between community colleges and employers is one way we can help to make sure the next generation is ready for the opportunities our economy has to offer. We've published loads of research on this subject, and we're putting some of our findings into practice with a series of roundtables, collaborating with colleges, workforce development organizations, and employers across the state.

Displacement and equitable growth are areas where we can do more. I'm pleased to share that later this year we'll be hosting a series of listening sessions on these topics. We plan to bring together community development experts and nonprofits to better understand what's happening across the district. We want to know what's worked in the communities that *have* seen equitable growth, the challenges for those that haven't, and what we can do about it.

We hope the findings from these sessions serve as a tool for those areas on the cusp of gentrification to ensure every part of the community benefits from local investment.

Catalyze

Finally, I'm going to turn to this idea of how we can be a catalyst for action.

Our desire to create change is the reason we created resource guidebooks—publications that collate data, information, and contacts about specific communities. We've published guidebooks for parts of New York State and New Jersey, and we have another one in the works for Puerto Rico. They act as a starting point for local stakeholders and investors looking to support equitable growth in underserved areas.

Another example where we've acted as a catalyst is our Small Business Credit Survey. The findings revealed the challenge small businesses face accessing loans for expansion. The cost of originating smaller loans is often so great that banks won't take them on. But as a result of the gap being identified, one bank is now partnering with the Community Reinvestment Fund to refer small businesses to the Community Development Financial Institutions (CDFI) Fund.²

Small businesses are vital to job creation and play an important role in our communities, so it's essential we support them to get access to the credit they need to grow.

I don't want to talk about access to credit without saying a few words about the Community Reinvestment Act, or CRA. Our work supervising CRA compliance supports efforts to make sure credit gets to where it's needed most.

A large amount of work has been going on at the Board of Governors to review the modernization of the CRA, and we held two roundtables here in New York City to better understand what's working and where we need change.

What's important is that efforts to modernize CRA maintain and strengthen the emphasis on

ensuring all communities in our nation have access to affordable credit.

These principles—connect, convene, and catalyze—will continue to guide us forward as we grow our outreach programs and drive progress. They are the ways we contribute to an economy that works for everyone, above and beyond the high-level levers of interest rates and asset purchases.

Conclusion

I'll conclude where I began. As a policymaker I'm constantly weighing up the dual mandate, thinking about how we keep the economy on track, and balance maximum employment with low, stable inflation. But these decisions don't affect the kinds of jobs that are created or who benefits from growth.

The type of growth we have, where it manifests, and who benefits from it play a huge role in shaping both the fabric of society and the lives of New Yorkers. That's why our community and outreach programs are so important to me.

I'd like to close by reemphasizing my gratitude for your commitment to this city. Community development work is complex, challenging, and never done. But it's essential for building healthy communities that support everyone to reach their full economic potential.

Thank you. I look forward to your questions.

¹ See [Economic Press Briefing on Wage Inequality in the Region](#), August 10, 2017.

² See [Community Reinvestment Fund, USA and U.S. Bank Partner to Expand Access to Credit for Small Businesses](#), Business Wire, January 8, 2018.