Thank you for the kind introduction.

I’d like to thank the Chautauqua Institution for inviting me to this beautiful, stimulating setting alongside an impressive roster of speakers.

My husband and I got a chance to spend a few days here last weekend to relax a bit and it was delightful. We are birders, so we especially enjoyed our tour of the Roger Tory Peterson Institute. I must say, when I think of taking a working “vacation,” this is pretty close to an ideal situation.

I will add: kudos to Chautauqua for focusing attention on the work of making the economy better serve marginalized communities and individuals. This is an important, timely topic.

I would argue that in the interest of the nation’s long-term prosperity and general well-being, perhaps no single issue is more critical than broadening access to opportunity. That pursuit aligns with one of our Bank’s priorities—to make this economy work for everyone.

That’s why I’m so excited to have been invited to share my views with you today.

But before I actually share those views, let me remind you that everything I say today represents my thoughts and does not necessarily reflect the views of my colleagues at the Federal Reserve Bank of Atlanta or the Federal Open Market Committee, or FOMC.

An economy that works for everyone

I titled this talk “An Economy That Works for All” and, while the words are seemingly straightforward, there is a lot underneath them. So, let me begin by unpacking this a bit.
In the late 1970s, Congress updated the Federal Reserve’s mission by creating what we call our “dual mandate” of maintaining stable prices and facilitating maximum employment.

Regarding prices, the objective is to achieve an economy where the trajectory of prices over time is stable so that families and businesses can have confidence about what future prices will be. This then allows them to plan and make longer-run investments that can enhance their economic productivity and increase their economic potential.

There is a widely recognized standard measure for the trajectory of prices over time: inflation. We at the Fed track inflation and use our policy tools to try to keep our preferred measure of inflation, the personal consumption expenditure (PCE) core index, in a relatively narrow band around 2 percent.

In 2012, when the FOMC first officially specified a numerical goal for inflation, they chose 2 percent rather than zero as the target to reduce the probability of outright deflation and the complications that might follow from that sort of outcome. At the same time, the Committee wanted the inflation rate to be low enough that consumers and businesses would not have to expend a lot of resources to protect themselves from significant changes in the purchasing power of their money. As part of a major review of its monetary policy framework completed last year, the Committee reconfirmed that maintaining inflation in the neighborhood of 2 percent over time continues to be an important pre-condition for healthy rates of economic growth.

Obviously, we have seen inflation rise above 2 percent as the economy recovers from the pandemic downturn. But most of that rise is fueled by forces that should recede over time. So, I expect price inflation to average close to our target over the longer term.

Regarding maximum employment, though, the measurement is not as straightforward. While I’m sure that everyone here understands what employment is, the question of what represents “maximum” employment is much harder. When I looked up the word “maximum” in a Merriam-Webster dictionary (I actually looked this up online), I found three definitions:

- the greatest quantity or value attainable or attained
- an upper limit allowed (as by a legal authority) or allowable (as by the circumstances of a particular case)
- the largest of a set of numbers
All three of these definitions make clear that setting a benchmark for successful attainment of maximum employment requires figuring out what that greatest quantity or largest number is.

Let me share how I think about this.

In the short to medium term, the highest attainable quantity of employment is achieved when every American who wants a job can find one. This obviously can’t be true at every moment in time. In a dynamic economy like ours in the United States, hundreds of thousands of jobs are created and lost every month.

The transition from one job to another can be due to the loss of employment, the shrinking or disappearing of businesses, or a voluntary move by a worker seeking a better opportunity. These transitions take time, so the unemployment rate will never be zero, even when the economy is running on all cylinders. But, in an economy that is performing optimally, spells of unemployment should be infrequent and short.

That is what you might call a day-to-day definition of maximum employment. There is also a longer-term definition. In the shorter run, opportunities tend to be constrained by a person’s education or training, experience, the availability of jobs where they live, and so on. But over time, these things can change. In the longer run, maximum employment means everyone has the opportunity for gainful employment in work that is consistent with their full potential.

Now, it is true that monetary policy has a limited set of tools for achieving the longer-term sense of maximum employment I just defined. “Limited,” though, does not mean zero. In pursuing our employment mandate in the shorter term, the FOMC has a crucial role to play in setting the conditions for maximum employment in the longer term.

However, the Federal Reserve System has significant obligations beyond the work of the FOMC. That work includes supporting fair access to credit, for example. We also have responsibilities to monitor conditions in low- and moderate-income communities, to share information about how those conditions can be improved, and—within boundaries—to assist in community development. The notion that we should be striving to build an economy that works for everyone—in other words, one that fulfills that longer-term concept of maximum employment—is embedded in just about everything we do.

The Atlanta Fed’s vision statement is “To create a foundation upon which all individuals, communities, and businesses can thrive.” In the context of this discussion, I’d like to focus you on the word “all.” In our work, from monetary policy to bank supervision to payments operations, we strive to support all individuals, all communities, and all businesses.
I would note that our more colloquial tagline “An economy that works for everyone” expresses exactly the same sentiment. In short, this concept is part and parcel of who we at the Atlanta Fed are and what we do. It is our maximum employment north star.

**For whom is the economy not working?**

During my time in Atlanta, we have worked hard to embed this principle in everything we do. This has required us to examine a basic question: for whom is the economy **not** working? Put another way, who is being held back from fully participating in the economy or being deprived of the opportunity to contribute to output and growth?

If we are truly going to make meaningful progress toward our maximum employment goal, the people and communities who are the answer to these questions need attention. Dismantling the barriers that prevent them from fully participating in our economy would be a giant step closer to an economy that works for everyone and closer to achieving maximum employment.

Given this, it is my view that identifying those barriers and highlighting solutions and approaches to overcoming them is very much in the Fed’s interest.

For me, this journey is more than just an academic exercise. As I’m sure is the case for you, a few moments stand out in my life that reoriented my sense of the world and how it works.

Let me take you back about a quarter century and share a story that is seared in my memory. When I was a young economist at the Federal Reserve Board of Governors in Washington, D.C., I served on a jury sitting in judgment of a young man charged with shooting three people. No one was killed, thankfully.

There was little doubt the defendant was guilty. Yet something nagged at me as the trial proceeded. It became clear that the systems designed to create opportunity had failed this defendant from day one.

During that trial, the jury learned the defendant could barely read or write. He had a poor employment history. He was living on the fringes.

When he was found guilty and sentenced to 20 years in prison without parole, he apparently thought he had gotten off lightly. This young man obviously failed to understand the gravity of the situation.

As a research economist, I’m trained not to lean too heavily on anecdotes like this. But, for me, the case was emblematic of the way our entrenched structures have left too many of our fellow citizens behind.
Be assured that my intention in sharing that story is not to gain sympathy for this individual. He committed a terrible offense. Rather, the point is you don’t need to feel sorry for this man to grasp the greater reality that he was one more unfortunate case of someone who was not well-served by our society. He did not have the opportunities that many of us had to prepare ourselves for engaging in the economy, and that lack of opportunity likely contributed to the bad choices he made.

Aside from personal stories, we can also turn to economic statistics for clues as to who the economy is not working for.

The job market is a sensible place to start.

Consider the diverging employment experiences of Black and White men. U.S. Bureau of Labor Statistics data tell us that since 1972, the average monthly unemployment rate for Black men aged 20 years and older has been more than twice the rate among White men in the same age group. That’s through strong labor markets and weak ones. These gaps are simply too persistent and too wide to explain away as individual differences in motivation or innate skills or talent. No, these differences are the bitter fruit of flaws in the systems that underlie our employment market. The gaps reflect, in part, disparities in access to education, quality job training, jobs themselves, small business financing, and other engines of opportunity.

Things were looking up a bit before the pandemic. Black workers had just begun making material headway in the labor market late in the recovery from the Great Recession. But the pandemic changed everything.

One of our Atlanta Fed economists, Julie Hotchkiss, has looked into this and found that the hit due to the pandemic significantly dented that progress.

Her research also suggests that as a group, Black workers are unlikely to quickly make up that lost ground. Why is this?

Julie and other researchers conclude that the lack of progress by Black workers over the several preceding decades is because racial disparities in employment have deep roots, particularly among men, indicating the disparities are more structural in nature than cyclical. In other words, they are not a knock-on effect of an economic cycle that lasts a few years but rather are entrenched in our economy.

These labor market disparities are more than data points and research fodder. They manifest in insidious ways that affect individuals and families.
Census Bureau data show the median Black household’s income in 2019 was about 60 cents for every dollar of income for White non-Hispanic households. Hispanic households earned a median income of about 74 cents on the dollar for White non-Hispanic households. Especially troubling is that those ratios have changed little over the past 55 years.

**Given those realities, it should not come as a surprise that the Federal Reserve Board of Governors 2019 Survey of Consumer Finances, the most recent one, found that the typical White family holds eight times the wealth of the typical Black family in America and five times the wealth of the typical Hispanic family.**

As critical as those racial disparities are, I want to be clear that making the economy work for all is a mission that transcends race and ethnicity. Consider rural areas and smaller cities, whose prospects have been battered by structural economic shifts in recent decades.

A colleague at the Federal Reserve Bank of Kansas City, Jason Brown, *lays out the case* in a 2018 research paper. Over the past 50 years, the U.S. economy has transitioned away from producing goods to providing services. The share of gross domestic product from services has risen from 60 percent to 80 percent over roughly the past half century. This shift strongly favors more populated areas, because the service sector is increasingly fueled by knowledge, the exchange of ideas, and agglomeration—basically crowding together smart people and firms.

This is something we at the Atlanta Fed are quite familiar with. When I arrived at the Atlanta Fed in 2017, I was new to the Southeast. I made a point of visiting as many corners of our region as I could, especially places beyond the thriving Sunbelt metros like Nashville and Atlanta. What I discovered was a number of smaller cities and towns, such as Albany, Georgia, that had lost anchor employers, typically manufacturers, consistent with Brown’s narrative. So when we talk about economic disparities and lack of opportunity, I now think not only of places “out in the country,” but also of such once-flourishing cities. As a sidebar, I would note that this reality also exists just a stone’s throw from here. Jamestown, just down the road, is a classic example of this unfortunate dynamic.

It is perhaps not surprising that we find big disparities in economic outcomes between individuals living in metropolitan and rural areas.

Rural places have struggled with comparatively slower employment growth. In the decade before the pandemic, the U.S. Department of Agriculture’s Economic Research Service says rural counties added jobs at less than half the rate of metro counties in most years.
Participation in the labor force is essential for most people to achieve an adequate standard of living, whether they live in Manhattan or in Mayersville, Mississippi—population 665. Yet on average, fewer rural residents work or seek work compared to their metro counterparts. The causes for this discrepancy are not all fully understood. But lack of access to opportunity is at play, and our economists at the Atlanta Fed tell us that poor health is also a factor that inhibits working or looking for work.

It is especially troubling that labor force participation represents another area where the rural-metro disparity is worsening. Atlanta Fed researchers found that labor force participation among rural workers between 25 and 54 years old declined at two-and-a-half times the rate it fell among similar workers in metro areas between 2007 and 2021.

Meanwhile, as our economy becomes increasingly dependent on online services, here, too, rural locales are at a disadvantage. Atlanta Fed staff hear countless stories of schoolkids gathering in restaurant parking lots to tap Wi-Fi networks.

The data support those anecdotes. While the rural-urban divide in broadband access has been narrowing in recent years, the Federal Communication Commission’s most recent report shows that, by the end of 2019, approximately 17 percent of Americans in rural areas lacked broadband access, compared to only 1 percent of urban residents. And access is just one factor. Lack of broadband services is likely higher when we take affordability into account.

Given these conditions, it makes a certain sense that many rural areas have lost residents in recent years as an older population has fewer kids and younger people leave for better opportunity.

Of course, another large group for whom the economy has not worked at full potential is women. To be sure, the labor market fortunes of women have improved over time. But even after controlling for the typical sources of wage differences, there is still a gender gap in earnings that persists.

Some of this discrepancy is due to the disproportionate representation of women in lower-paying occupations such as childcare work, cleaning, and social services. Yet even within specific job categories, men still consistently get paid more.

What’s more, women appear to have fewer opportunities to climb career ladders. A guest speaker at a recent Fed webinar presented research from Opportunity@Work on labor market issues affecting workers with high school diplomas or GEDs. The research showed that within that population, women have less access to upwardly mobile pathways than men do, and as a result tend to make smaller advances in pay when they change careers.
We must keep working to narrow these gaps.

I’ve described a range of disparities in economic outcomes. The COVID pandemic has exacerbated many of them, as the virus exploited existing weaknesses in our economy just as it exploited preexisting conditions in individual human bodies. Lower-skilled jobs and hence lower-wage workers, many of whom were in customer-facing jobs and working on site, were hit harder than those who could continue their work remotely as public health restrictions shut down parts of the economy that depend on people gathering. Those in precarious housing situations saw their housing instability worsen amid the abrupt economic disruption.

Women experienced much greater job loss than is normal during an economic downturn, in part because disproportionately more women have in-person service jobs. Other factors like school and childcare closures also forced more women to exit the workforce to care for children. As a result, this is the first time across the last four recessions when the decline in the employment-to-population ratio for women was as large as for men.

The pandemic also acted to widen preexisting racial gaps in employment, with a disproportionately larger decline in the employment-to-population ratio for Blacks relative to Whites.

Interestingly, the pandemic had a relatively bigger impact on cities than rural communities because of a larger concentration of in-person service jobs in the cities. Nonetheless, the employment rate for rural areas has actually worsened in recent months while it has been steadily improving in urban areas.

It has become increasingly clear that disparities in income, wealth, employment, and access to opportunity constitute a structural limitation on the economic prospects of millions of Americans. That limitation in turn constrains maximum employment, which then limits the economic prospects of businesses, regional economies, and our national economy in terms of growth, innovation, and resilience.

Therefore, we must engage more forcefully.

**What the Fed can do to battle economic disparities**

We should be up front that concerns about bringing those on the economy’s margins into its mainstream is not a diversion for Fed officials. Rather, a focus on broadening opportunity is mission-critical because it speaks directly to our mandate to pursue maximum employment.
I’d now like to take some time to describe the work of the Atlanta Fed and the Federal Reserve more broadly that represents this kind of engagement. Let me start with monetary policy. Several years ago now, the Fed embarked on a review of its monetary policy framework and strategy.

As part of that review, we hosted a series of Fed Listens programs, where we heard from bankers, business leaders, and community leaders on their experiences with Fed policy and their perspectives on inflation and employment. What we heard loud and clear was that the Fed’s long-standing approach of preemptively slowing growth to prevent the possibility that inflation might get out of control—even when there was no sign that this was imminent—was harming the employment prospects of precisely the groups for whom the economy hasn’t worked as well.

At the same time, the past decade has seen perceived breaches of short-run maximum employment levels—which in theory should trigger runaway inflation—not actually lead to elevated levels of inflation. These two data points, coupled with work by our Julie Hotchkiss and others showing that workers and families on the margins benefit from a more vigorous labor market and longer economic expansions, led the FOMC to make a strategic shift in its approach to policy.

The short version of the story is that the Committee will no longer preemptively raise interest rates in response to a “hot” labor market because of fear that inflation will eventually be a result. Without actual data demonstrating that an inflationary problem has arrived and is likely to be sustained, we will allow labor markets to run their course, which I believe can contribute to making progress towards our long-run maximum employment goals.

Monetary policy is not the Fed’s only tool to help make the economy work for everyone. We are pursuing this objective on a variety of fronts: we advise, we do research, we convene, we promote and lift up what works, and we have a regulatory function that fits into this. I’m not going to give you a full laundry list of Atlanta Fed programs—we do quite a bit—but I will give you a sense of how we can make a difference in this area, on the ground in our communities.

Let me start with a story about our role as adviser to organizations doing grassroots work to advance economic mobility. We do this advisory work because in many instances, the Federal Reserve is not legally structured nor practically set up to directly carry out programs that can help the economy work better for all. So, we advise those who are positioned to do the frontline work.
A few years ago, we launched a project designed to cushion the blow of benefits cliffs that undercut millions of low-wage workers who try to gain new skills and thus earn more money. We call this initiative **Advancing Careers for Low-Income Families**.

Let me provide a little background on benefits cliffs. A lot of public benefits programs like childcare assistance have an income-eligibility threshold, meaning increases in income above the threshold result in a loss of benefits on a dollar-for-dollar basis. This becomes a “cliff” when a person is on multiple sources of assistance because each new dollar earned can trigger a multiple-dollar loss in benefits. Earn an extra dollar an hour, lose $1 from each source of assistance. The $1 in extra earnings results in a loss of $2, $3, $4 in benefits.

Benefits cliffs have long been recognized to create financial disincentives for low-income workers to earn more income. The Atlanta Fed’s unique contribution is a new methodology to study benefits cliffs in the context of career advancement, so that policymakers can improve incentives and workers can better their lives.

Our Advancing Careers team has forged partnerships with dozens of outside entities ranging from state workforce agencies to nonprofits to community colleges.

For example, last fall we initiated a partnership with the state of Alabama to create a user-friendly “dashboard” to map benefits cliffs and paths to self-sufficiency for in-demand occupations and industries in counties across the state. This dashboard allows users to determine a “Self-Sufficiency Target,” a level of take-home pay that will allow a person to cover basic expenses without relying on public assistance. This target can help Alabamians as they consider which work investments or options to pursue.

Now let me quickly describe one example of research we conduct that advances the cause of making the economy work for everyone. An Atlanta Fed economist named Kris Gerardi and a group of coauthors found that when mortgage rates decline, White homeowners are far more likely to refinance than Black homeowners. That means Black homeowners with mortgages insured by Fannie Mae or Freddie Mac as a group pay higher interest rates than non-Hispanic White borrowers, after controlling for standard underwriting factors.

By shedding light on this gap in refinancing, we hope to help lenders, financial education practitioners, Black mortgage borrowers, and groups such as churches work toward solutions that help Black home owners build equity and wealth as quickly as similarly positioned White home owners.
Another arrow in our quiver is the power to convene. We have long assembled people to discuss economic issues and solutions to pressing challenges.

I want to highlight a recent “convening” that is particularly relevant to our subject today. Some of you may be familiar with the Racism and the Economy series of webinars the Atlanta Fed has sponsored alongside the 11 other regional Federal Reserve Banks. In these sessions, eminent scholars, business executives, and community leaders candidly discuss the ways structural racism has plagued our economy.

If you haven’t seen any of those webinars, I encourage you to take a look on our website, and we have additional sessions coming up. I have learned a great deal and have a much better sense of the history of discrimination and how it is woven through our economic systems and institutions.

For instance, the U.S. residential real estate industry historically was infused with racist practices and policies. In the aftermath of World War II, for example, the GI Bill helped millions of returning veterans to buy affordable homes. These houses in places like the Levittown suburban housing developments escalated in value to become a cornerstone of a burgeoning middle class in America.

But while the bill guaranteed low-interest mortgages, the U.S. Department of Veterans Affairs (VA) did not administer these mortgages, so they were instead left to financial institutions, some of which engaged in redlining and other exclusionary practices. As an example, in 1947, only two of the more than 3,200 VA-guaranteed home loans in 13 Mississippi cities went to Black borrowers. The GI Bill’s approach to implementation blocked African American veterans from this path to affordable home ownership and, in turn, from the seeds of intergenerational wealth.

The Racism and the Economy series brings attention to parts of our history that many do not know, shows how that history has implications today, and provides a venue for experts to propose remedies. Some solutions are as simple as changing hiring practices so that jobs that do not truly require a college degree don’t ask that applicants have one.

We can’t change the job application forms at every firm, but the Atlanta Fed can promote what works. For example, we know that an understanding of which skills are in demand now—and which ones will be in the future—helps workers find better-paying jobs, keep good jobs, and advance their careers even without a college degree.
One of our newer partnerships, the Rework America Alliance, aims to do just that. This partnership is establishing programs in select areas to help workers identify and connect with good jobs. This effort has the added benefit of helping employers find workers, which as you might have heard is particularly important right now.

In forming the alliance, the Atlanta Fed joined the Markle Foundation and a host of other organizations to identify ready pathways for workers to upgrade skills and stay employed as automation and other forces disrupt the labor market.

One of the keys to the local Rework programs is that they are grounded in up-to-date, localized information about the skills employers need. This local element is important. Training in skills that are in demand in New York City might not help workers in the Finger Lakes region, where the Alliance is partnering with local organizations to deploy tools and resources to job seekers.

Finally, let me touch on our work in the regulatory arena. Right now, the Fed is collaborating with other financial regulatory agencies to update a critical tool to ensure financial institutions serve their entire communities, particularly low- to moderate-income and minority neighborhoods that have faced a history of disinvestment and discrimination in lending. This is the Community Reinvestment Act, and it has not been substantially reformed in about 25 years, while the way banking is done has obviously changed a great deal.

The CRA provides for critical access to mortgages, small business loans, and other funding to ensure that these neighborhoods can build economic sustainability. A few years ago, I wrote a paper with coauthors at the Federal Reserve Bank of Philadelphia and Harvard University describing a study that finds new evidence that the CRA promotes small business lending by banks in lower-income neighborhoods. Other studies have found similar stimulative effects in lower-income neighborhoods associated with the CRA in other areas, like mortgage lending.

The Federal Reserve is working with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency to strengthen and modernize regulations that implement the CRA. This may sound a little arcane, but I assure you that the CRA may well be the Fed’s most important means of promoting equal access to credit.

That was a small sampling of the multipronged work that the Federal Reserve and specifically the Atlanta Fed are undertaking. I invite you to go to our website to learn more.
What can you do?

Up to now, I have been very inward looking, in the sense of talking about our work. For the last portion of my talk, I’d like to bring you into the story. And just so you know, I’ll be putting on my professorial hat to give you some homework.

I strongly believe that we will make more and faster progress toward an economy that works for everyone if more hands are involved in the effort. So, I’m going to challenge you to consider how you might help the Fed achieve its maximum employment mandate.

First, know that what you do, what each of us does, matters. Too often, people figure these problems are so big that if they can’t roll out a sprawling solution, they should give up. This is not right. Let me give you an example of a one-person, seemingly small-bore action at the Atlanta Fed that is making an impact.

An individual at our bank—not a high-level executive—took the initiative to set up an internship with a local school in an underserved community. Whitney, the employee, did the research, identified the school, and even figured out the funding. We implemented it, and it is making a real difference in the lives of young people who had little connection to the Atlanta Fed and its networks.

Second, reach out to someone who might need help. Sometimes just not knowing something can hold you back. Personal story: when I was in high school, I knew about the SAT and how important it was for getting into college. But I had no clue about the PSAT, and that it was particularly important for earning scholarships. My neighbor told my mother about it, I signed up, took the test, did well—and I got a scholarship.

Learning about opportunities and knowing the general rules of the game can help someone immensely. Studies tell us that low-income high school students and rural students face these kinds of information gaps that often keep them from applying for scholarships and from admittance to more selective colleges.

In the same vein, seek out opportunities to share your professional knowledge. Mentors can be enormously influential, in any field. When I was starting out as an economist, I had a mentor who made sure I knew about upcoming conferences and other events that could be critical for my career. You don’t need to be a PhD economist. Anyone can do this. The simple act of sharing what you know can help others.
Finally, many of you in the audience today are leaders of institutions and organizations, and I urge you to examine your practices. Make sure they are not creating undue stress for certain groups in your organizations. At the Atlanta Fed, for example, we found that our old reimbursement policy of repaying expenses after the fact was financially burdensome for some of our workers. So now we provide advances or get billed directly instead.

These are just a few of my experiences, but I’m confident that each of you can create your own experiences with similar ends. Everyone has the opportunity to be a difference maker to others.

**It will take a sustained effort**

I’d like to make a few points in closing. First, it took us many decades to reach this point in terms of economic inequality. It will take a sustained effort on the part of many players to achieve real progress.

Let me also say straightaway that many of the ideas and solutions we at the Federal Reserve formulate and elevate through research and convenings are beyond our authority and mandate. Others will have to act if these solutions are to advance. Still, we can contribute knowledge and resources in important ways, and we will continue to do so.

Third, if you think it is burdensome to provide better workforce development, craft policies to dismantle benefits cliffs, or the like, the social and financial costs of sitting still are substantial and in some cases much higher.

We can make this economy work for everybody. We must achieve an inclusive recovery from the COVID downturn, first, and broader prosperity going forward to keep on the path toward that more perfect union. Please join us in this effort.

Thank you. Now I’m happy to take questions.