The Health of Nations

Thank you. It’s a pleasure to be here.

Today I’d like to talk a little bit about health. Which probably makes you wonder, “Why him?” It’s a fair question, since I’m an economist who normally focuses on the macroeconomy and monetary policy. One answer is that more than six years ago, the San Francisco Fed and the Robert Wood Johnson Foundation formed a partnership that has become a model of community development finance, aimed at directing money to support projects that improve the social determinants of health.¹

But much more importantly, physical and economic health are inextricably linked. Prosperity is like a Jenga tower: Take one piece out and the whole thing can fall. And since well-being is the sum of a host of intertwined factors, finding a path to economic mobility and success means addressing them all. I should pause here to deliver the standard disclaimer that the views you hear today are mine alone and do not necessarily reflect those of anyone else in the Federal Reserve System.

Research shows that an increase in family income improves infant health.² Which is good, because research also shows there’s a strong relationship between conditions in early life and health, educational attainment, and labor market outcomes in adulthood.³ In fact, one study found that simply moving children from disadvantaged backgrounds to full-time, high-quality

¹ See http://www.frbsf.org/community-development/initiatives/healthy-communities/ for more information.
³ Currie and Rossin-Slater (2015).
childcare in their early years significantly reduced risk factors for cardiovascular and metabolic diseases later on.\textsuperscript{4}

We find evidence that when income increases, so do math and reading test scores, with children from disadvantaged families making particular gains.\textsuperscript{5} There also appears to be a direct correlation between the quality of a child’s neighborhood and income later in life.\textsuperscript{6} Recent findings suggest that children who’ve moved out of public housing and into lower-poverty areas in their younger years have an increase in total lifetime earnings of around $300,000. This doesn’t just benefit that one child; moving disadvantaged families with young children into higher-income communities may help that family’s subsequent generations avoid poverty and prosper as well.\textsuperscript{7}

For these reasons and many more that you probably don’t have the patience to hear me recite, we have a broad definition of health that encompasses jobs, education, and safety.

Now that I’ve given the requisite economist’s evidence, I want to make something of a departure. I’m going to wander outside my comfort zone of spreadsheets and talk a bit about my experiences and what I’ve seen, traveling across the Fed’s 12\textsuperscript{th} District.

I first want to address a word in the title of this conference: reinvestment. Because it’s worth noting that we are talking about \textit{investing} in neighborhoods and communities. I think there’s sometimes a belief that programs aimed at improving economic mobility end up giving money away and undermining self-reliance. The same school of thought sometimes perpetuates the idea that people live in poverty because they simply haven’t worked hard enough, rather than the overwhelming truth: There are communities in which people face multiple hurdles, any one

\textsuperscript{4} Campbell et al. (2014).
\textsuperscript{5} Dahl and Lochner (2012).
\textsuperscript{6} Chetty and Hendren (2015).
\textsuperscript{7} Chetty, Hendren, and Katz (2015).
of which most of us would find daunting, and which combined are virtually impossible to overcome.

For the past couple of years, I’ve been touring sites with my staff and seeing what these organizations and people can do, and it’s incredibly impressive and inspiring. More than any other in the Federal Reserve System, I oversee the District that represents what people think of when we talk about “innovation” or “entrepreneurship”: Seattle, Silicon Valley, Silicon Beach. The people I’ve visited embody that spirit just as much. They have exactly the kind of ingenuity and entrepreneurial spirit we exalt, and everyone is working double-time. It takes imagination to have a good idea and guts to get it off the ground. Doing that in an area like community development, where angel investors are few and resources are scarce…well, that’s MacGyver-like resourcefulness.

I second want to address why community investment matters. On the one hand, it’s a simple matter of fairness. This country’s compelling origin story is that anyone who works hard and follows the rules can be anything they want. But it can’t happen if we’re starting at different points on the racetrack. If the basis of the American dream is earned success, we need to have a playing field where everyone has a fair chance. No one should be comfortable shrugging off entrenched inequality as simply the way the cards were dealt.

However, some people need to see a detailed cost-benefit analysis, so if I take a purely pragmatic position, I’d point out that investing in creating safe, healthy communities is good for everyone. For one, health care accounts for a large share of the U.S. economy, and treatment of chronic disease is a big part of that.8

But more importantly, the kids whose economic conditions put them ten paces behind the starting line are an important factor in this country’s future. They’re part of our rising workforce.

8 Gerteis et al. (2014).
They’re potential sources of technological and scientific innovation. They’ll be paying into our Social Security and protecting our country.

They can be our doctors, nurses, teachers, and legislators, or they can be caught in a cycle of poverty whose costs may well be exponentially larger than an early investment in their future. No one who’s planning on living past the next decade can afford to dismiss their fate.

Whether the motivation is fairness or practicality, I’ve seen firsthand what can be accomplished, and it’s more than convincing.

I recently visited Kearns, a township in Salt Lake County. Kearns has a lot of challenges: Half their children live in poverty. Infant mortality, obesity, and diabetes-related deaths are significantly higher than in the rest of the county, while life expectancy and graduation rates are much lower. But it also has some inherent strengths—the community is engaged, and involved in initiatives to tackle those issues. The goal is to combine the community’s energy with the county’s assets for an all-inclusive healthy communities initiative, the first in the county and a leader in Utah.9

Our first stop was the Olympic Oval, which is still used as a training facility—the day we were there, the Korean national speed skating team was practicing. But they’ve also opened it to the public, helping people get more active and giving kids a place to spend time and have something fun and different to do. That’s in part because of Derek Parra, who won a speed skating gold in 2002. He teaches kids from the community to skate and coaches speed skaters from the area and around the country. Yes, if you live in Kearns, your child can learn to skate from an Olympic gold medalist.

9 For more information, see Salt Lake County’s “Healthy Kearns” initiative, http://slco.org/townships/communities/healthy-kearns/.
We also saw the library, which serves as a safe place for kids to go after school. Some of them spend hours there, so, even though it’s not a formal program, they found a way to provide healthy snacks. The library isn’t big enough to offer all the services the kids need so it’s being expanded. There are also plans to build a police substation and community center. Our hosts told us there are already strong relationships between law enforcement and the community in Kearns, and that trust is obviously vital. So this approach to building a healthy community really does encompass the multiple factors that contribute to success: health, education, safety, and community cohesion.

Next up is Mesa, Arizona. The initiative here is “creative placemaking,” an effort to revitalize downtown. We saw beautiful new affordable housing—when they heard the average rents, my San Francisco staff all threatened to move to Mesa—complete with a courtyard playground so kids have a safe place to run around. We toured Lulubell Toy Bodega—that’s Amy, the owner, and the mayor of Mesa. Here’s some of the unique art on offer. This was great for me, because my son’s in art school and it’s rare that my work gets me cool points. When you walk to the store, you can see that the area is already starting to look more like the small, boutique shopping areas you’d find in San Francisco or Brooklyn or LA.

We ate at República Empanada where Marco, the owner, told us his story. He’d wanted to start a small, family business and was on his way, having bought the building. Then the recession knocked him for a loop, work dried up so he was struggling to make loan payments, and there was more than one time that it all looked ready to collapse. But he kept at it and called on friends and family. One friend donated construction materials. Others pitched in to refurbish the building. Still more loaned what money they could, and now it’s a thriving business.
This goes back to the idea that a tight-knit community is a healthier one, and that every area of community development and revitalization is intertwined. These people are entrepreneurs. They’re bringing jobs to the community and showing others what can be accomplished. They’re bringing personality and culture. And they’re turning a neglected area into a safe place people want to visit, and want to stay.

This is a process, and it doesn’t happen overnight. I was talking to the mayor about the issues I see throughout my District in places that have undergone similar renaissances. I asked if they were seeing any downside effects, and he told me that they’re dreaming of the day that gentrification is their biggest problem. In the meantime, they’re watching what’s happening around the country and looking at ways to protect current residents as the area continues to evolve.

Last, Honolulu. Almost everyone I mention this to says something like, “I’m sure it’s SO hard to live in paradise.” But the truth is, Hawaii has the same pockets of inequality and economic hardship as any other state—more, in fact, than many.

We visited Kokua Kalihi Valley, or KKV, which is a grandmaster of treating all determinants of health and well-being. There’s a medical clinic, legal counseling, a youth employment program, microbusiness support, and a healthy community kitchen.

I spoke with Marcos, who runs their “instructional bike exchange.” Which basically means that young people in the community learn to fix bikes that are headed to the landfill. They earn their own bike in the process, and sell the others in the community at a fair price.

This is some of what comes out of the sewing project, which is part of a larger women-focused initiative that includes skills and job training, English language and literacy, and parenting classes. That’s the supply wall and Dina, who heads the medical-legal partnership. The
women sell their handmade products—from clothes to bags to iPad covers—so if you’re ever in Honolulu, stop by.

There’s a very dignified picture of me and my staff participating in the senior center’s dancercise class, but I seem to have lost that slide.

KKV also holds stewardship of a natural forest preserve. Volunteers and members of the community tend to the gardens, sell produce at farmers markets, use the vegetables in healthy meals for the KKV community, and maintain the land.

Even the smallest things are taken care of. There’s a reading nook where people can wait for family members. It’s actually more of a permanent library, because you can keep any book you want.

KKV’s work is pragmatic and efficient—when people come in to the clinic, they can get legal advice on tenants’ rights, for instance. But it’s also thoughtful and creative, and helps to create the strong community bonds that have proven so essential in fostering health.

That’s my pitch. Community investment matters. We know that neighborhoods shape health and economic opportunity.10 We know that there are people out there with the skill and the determination to make communities better. And we know that when communities thrive, it’s good for everyone. All it takes is a commitment to do our part.

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10 Jutte, Miller, and Erickson (2015).
References


