



FedListens

A HOT ECONOMY: SUSTAINABILITY AND TRADE-OFFS

SEPTEMBER 26, 2019

FEDERAL RESERVE BANK OF SAN FRANCISCO

PANEL DISCUSSION: A COMMUNITY DEVELOPMENT AND LABOR PERSPECTIVE



Carrie Cihak
Chief of Policy
King County



Isela Gracian
President
East Los Angeles Community Corporation



Carolina Reid
Assistant Professor of City & Regional Planning
UC Berkeley



Dr. Carmen Rojas
President
Workers Lab



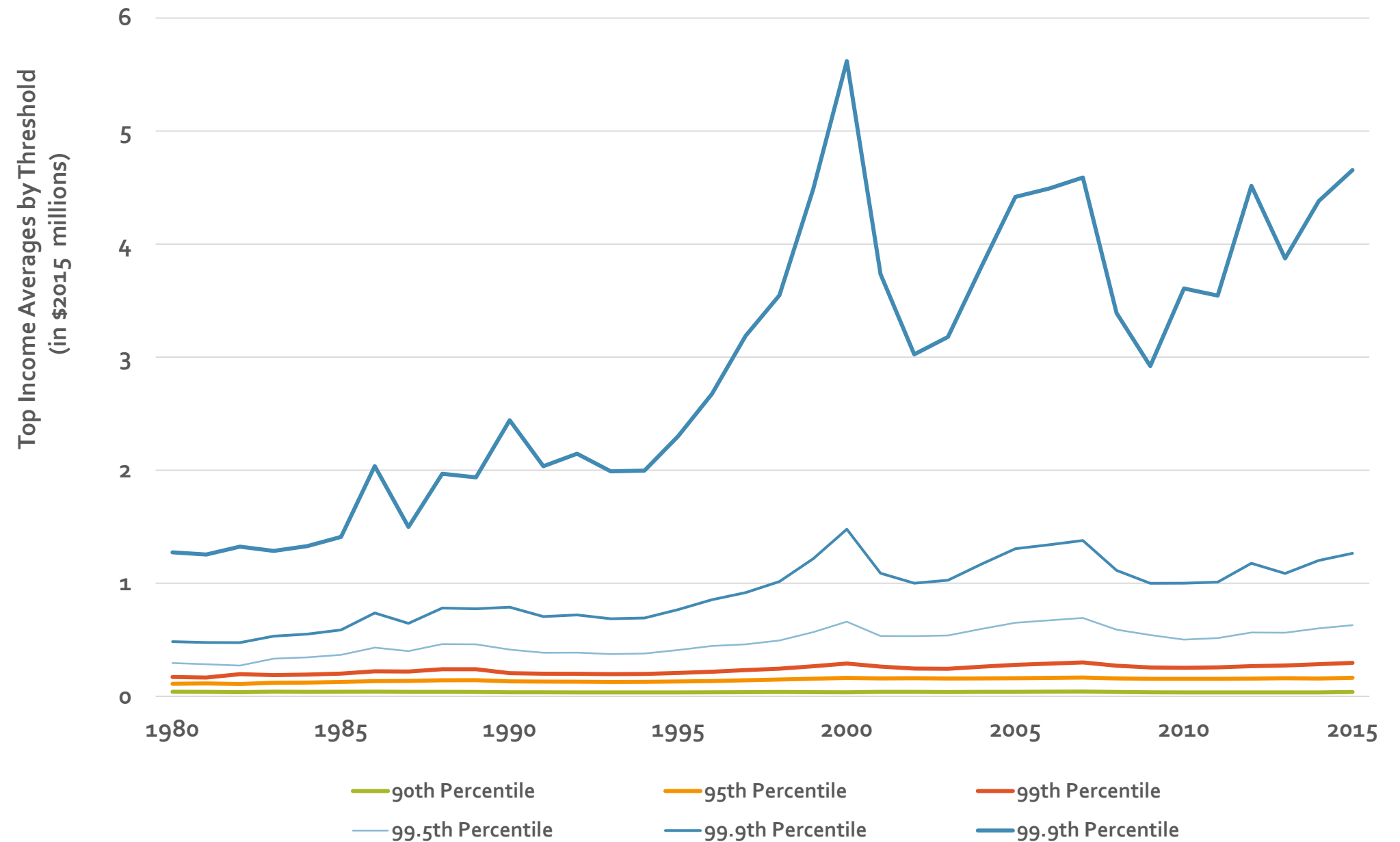
Rob Valletta
Group Vice President, Economic Research
Federal Reserve Bank of San Francisco

FED LISTENS: A “Hot” Economy: A Community Development and Labor Perspective

Carolina Reid, Associate Professor, UC Berkeley
Faculty Research Advisor, Turner Center for Housing Innovation
September 26, 2019

Since the 2009 financial crisis, economic recovery has been unevenly distributed, perpetuating a longer term trend towards widening inequality

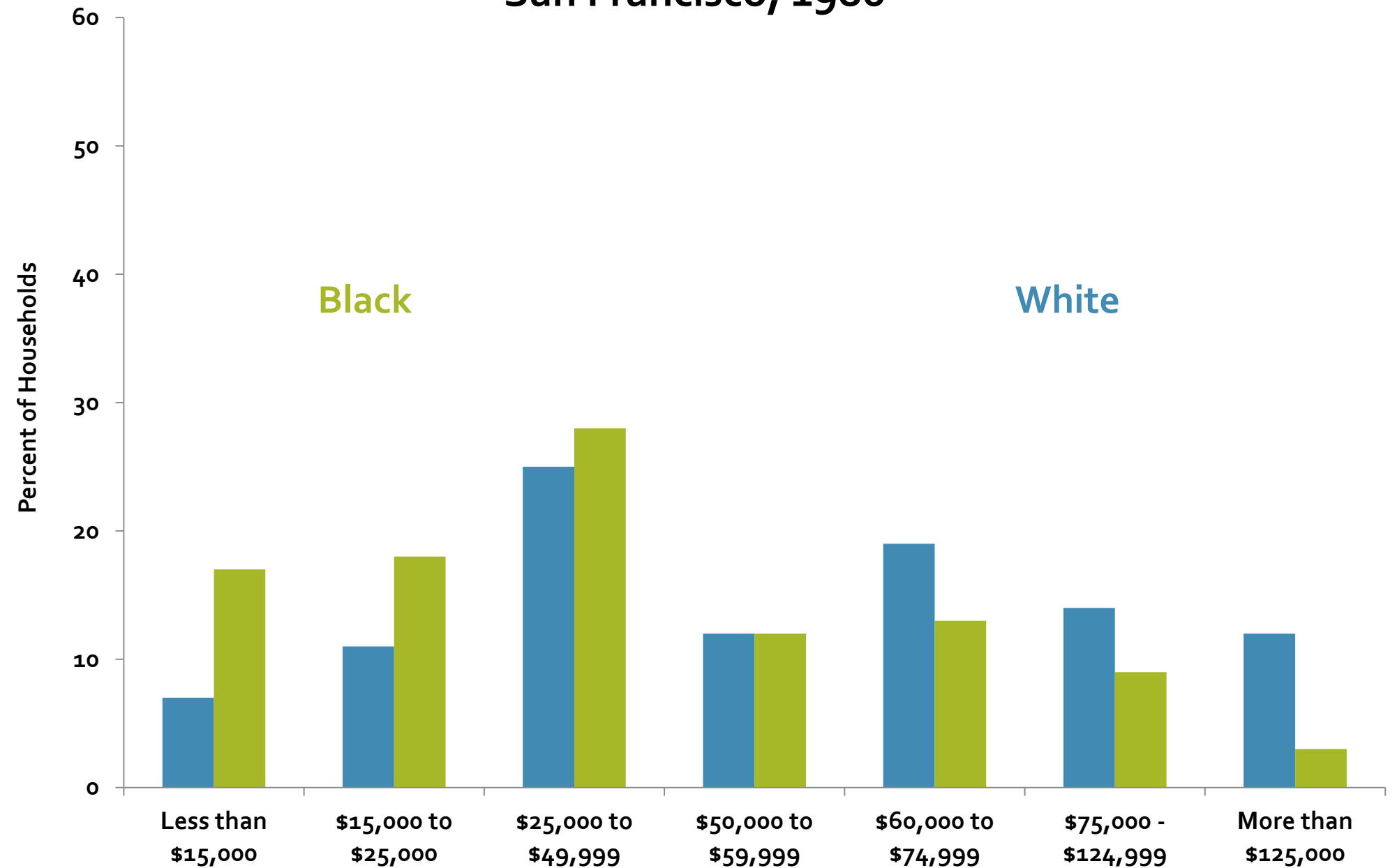
Income Inequality in California, 1980-2015



Source: The New Gilded Age, Economic Policy Institute, Washington DC.

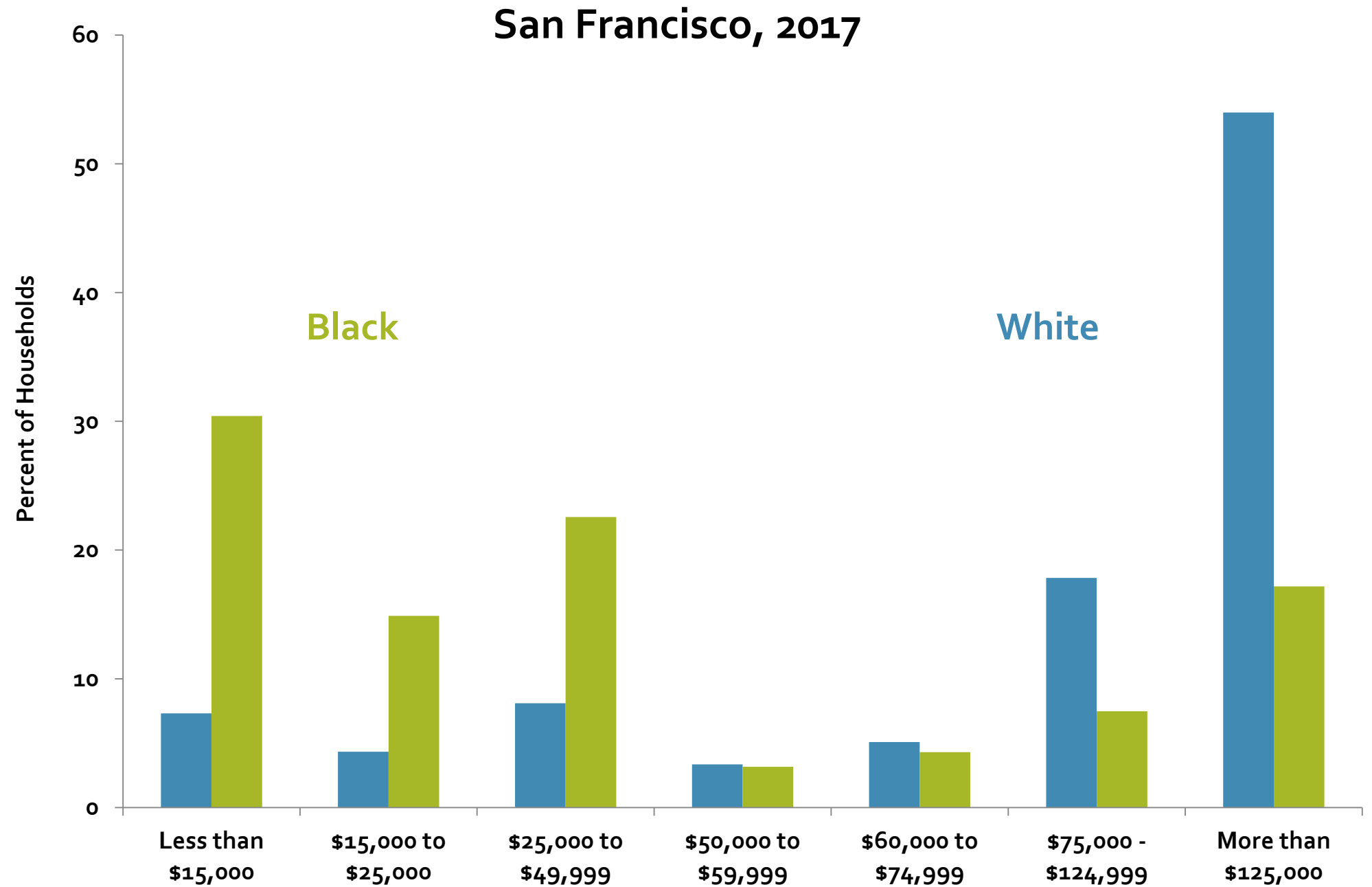
This widening of income and wealth inequality –and its racial dimensions—is acutely felt at the local level

San Francisco, 1980



Source: Calculated from 1980 Decennial Census and ACS 2017 1 year sample. Dollars adjusted for inflation. Numbers and racial categories not directly aligned over time, so these should be taken as estimates of the distribution of households as opposed to exact proportions.

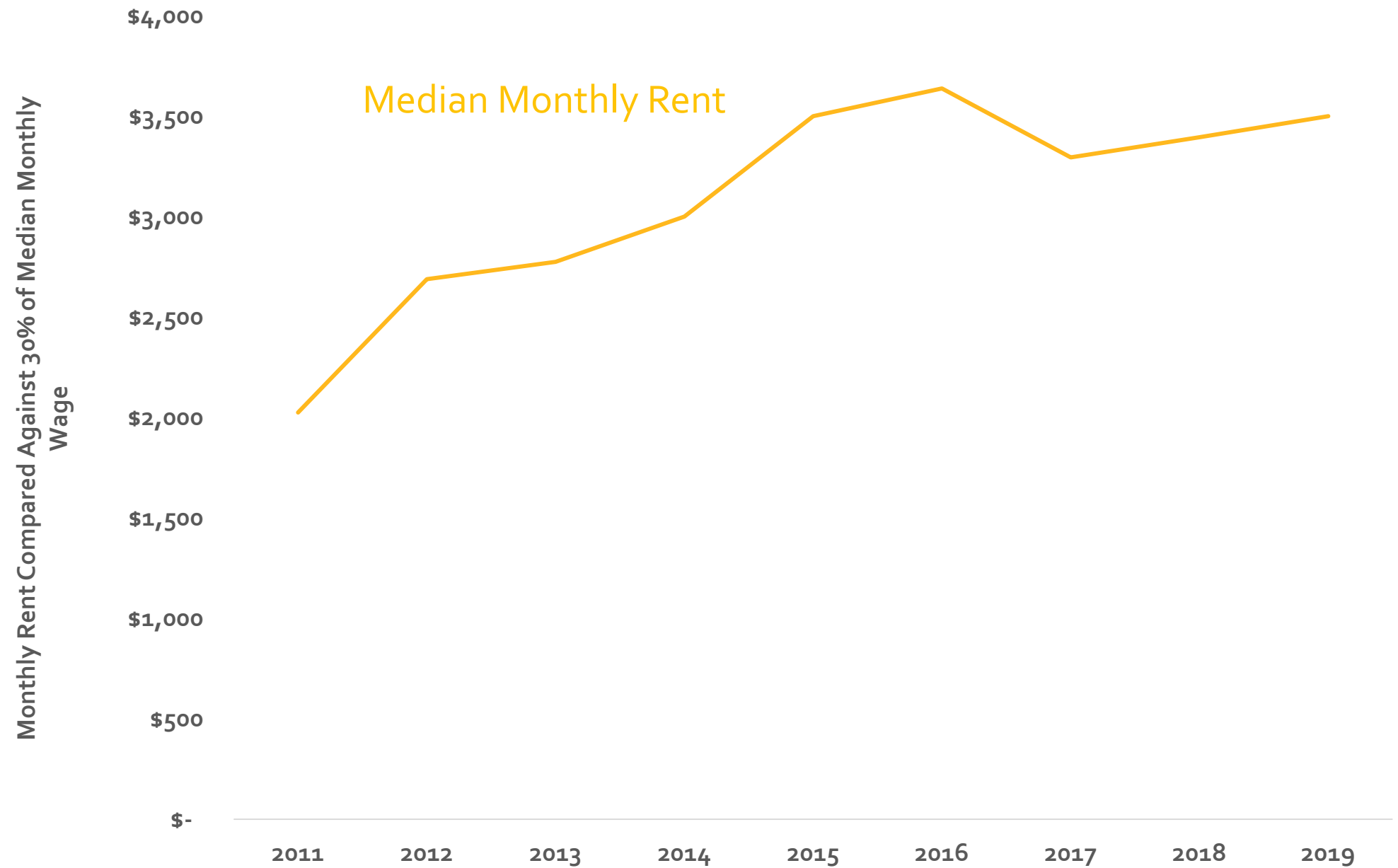
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Source: Calculated from 1980 Decennial Census and ACS 2017 1 year sample. Dollars adjusted for inflation. Numbers and racial categories not directly aligned over time, so these should be taken as estimates of the distribution of households as opposed to exact proportions.

Housing costs, in particular, have outstripped wage gains in “hot” economic markets, leading to welfare reductions even as wages rise

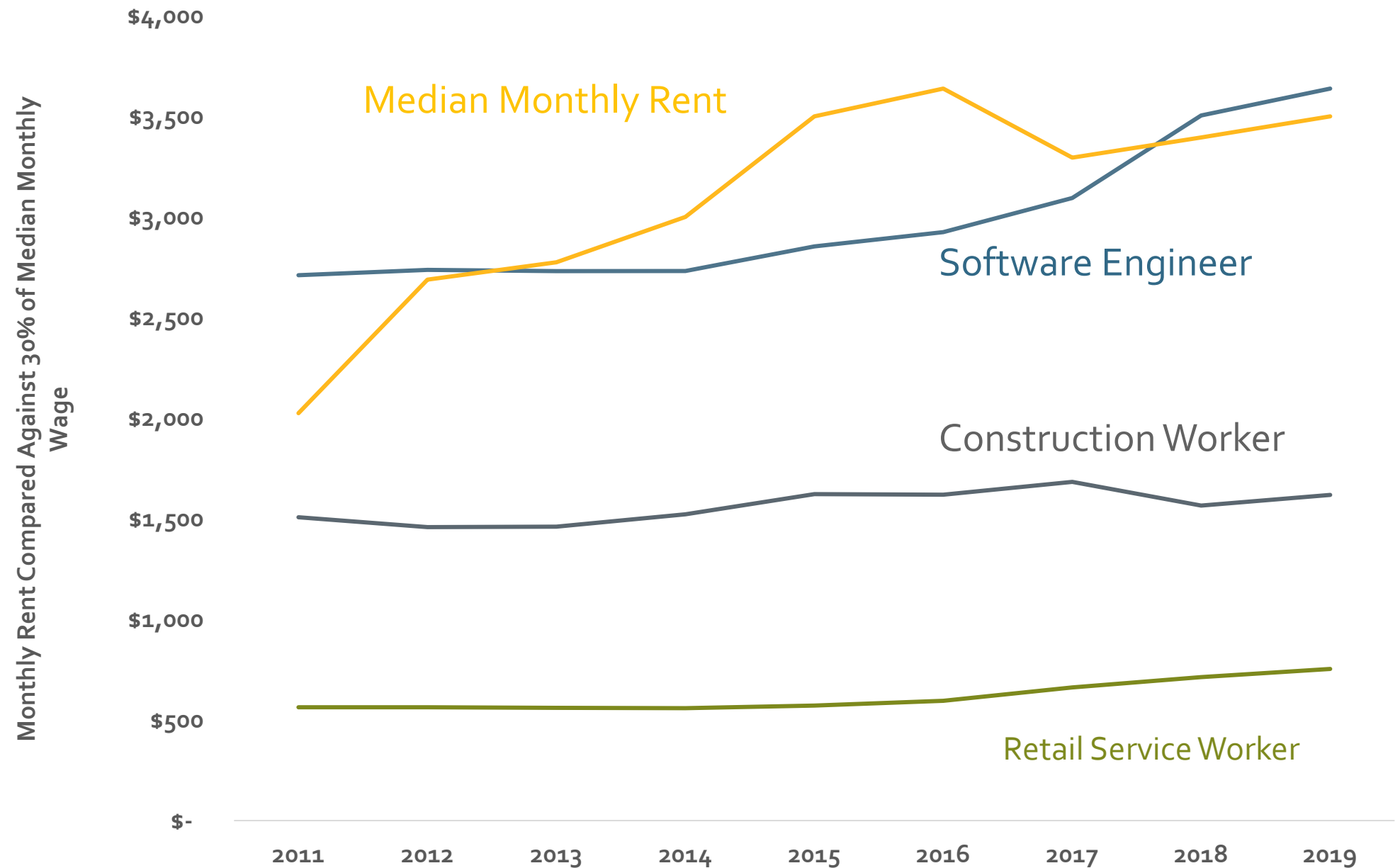
San Francisco: Monthly Rent for a 1 Bedroom Unit



Source: Zillow Rental Listings and California Employment Development Department Occupational Employment Statistics (OES) Survey Wages for San Francisco-Redwood City-South San Francisco Metro

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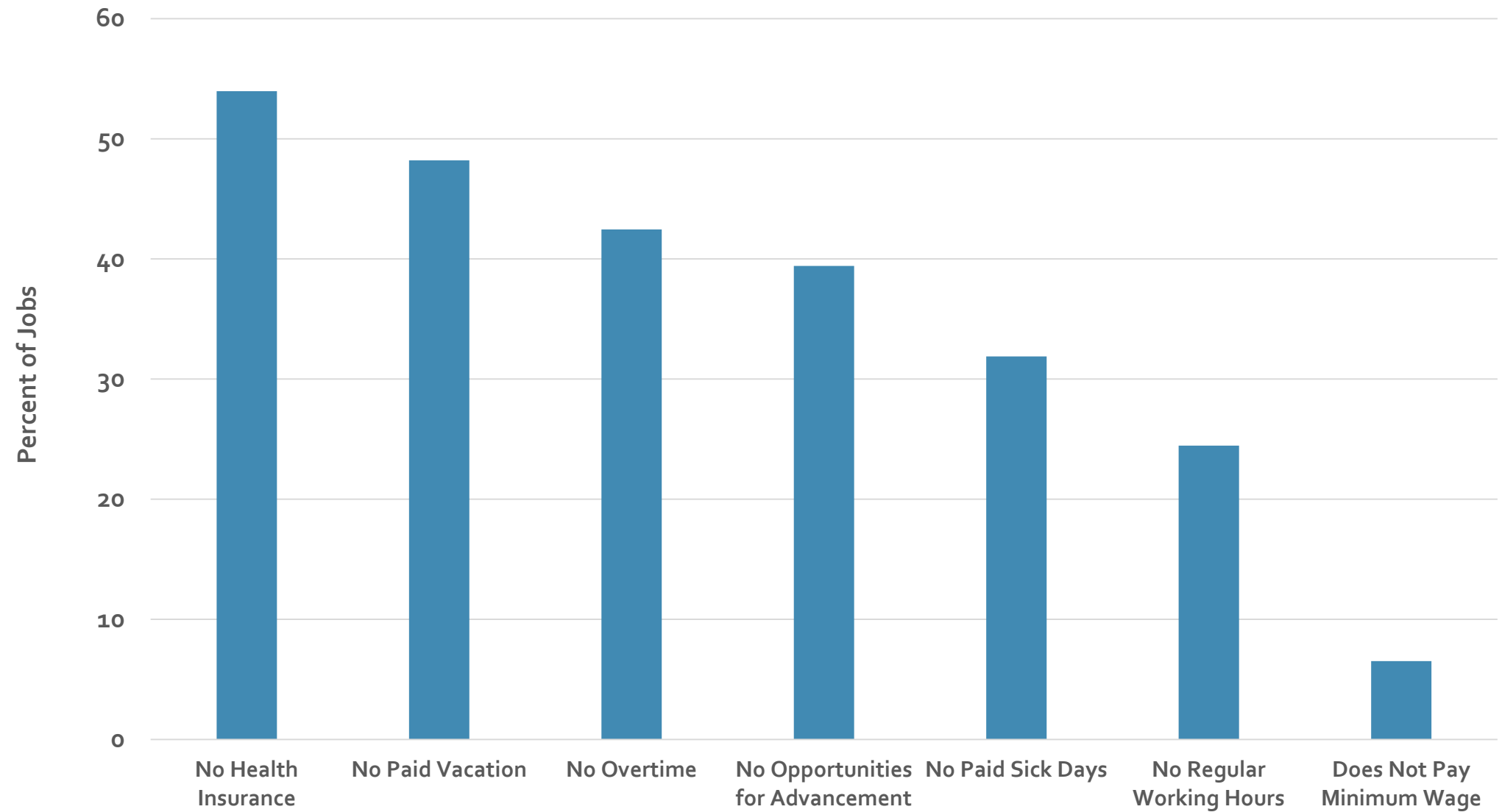
San Francisco: Monthly Rent for a 1 Bedroom Unit



Source: Zillow Rental Listings and California Employment Development Department Occupational Employment Statistics (OES) Survey Wages for San Francisco-Redwood City-South San Francisco Metro

For lower-skilled workers, labor market is characterized by instability and insecure working conditions

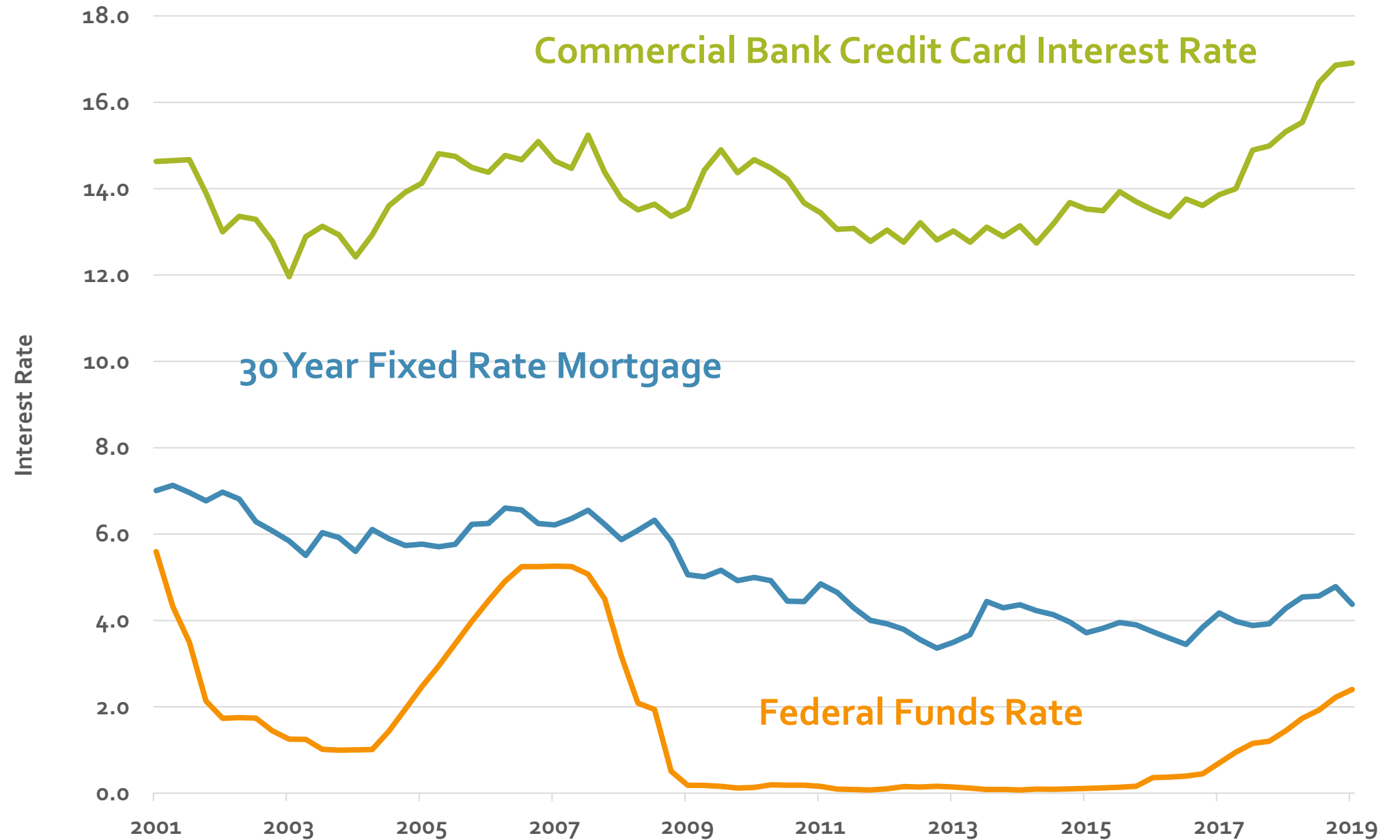
Job Characteristics, California Workers Earning Between 50% and 60% of AMI



Source: Turner Center for Housing Innovation, Survey of Low-Income Housing Tax Credit Residents, data collected in 2017.

Lower interest rates, while helping those with higher loan balances, don't always affect the costs of financial debt products. People of color, those with lower levels of education, and those who are unemployed or disabled are more likely to use alternative financial services, which are less sensitive to monetary policy.

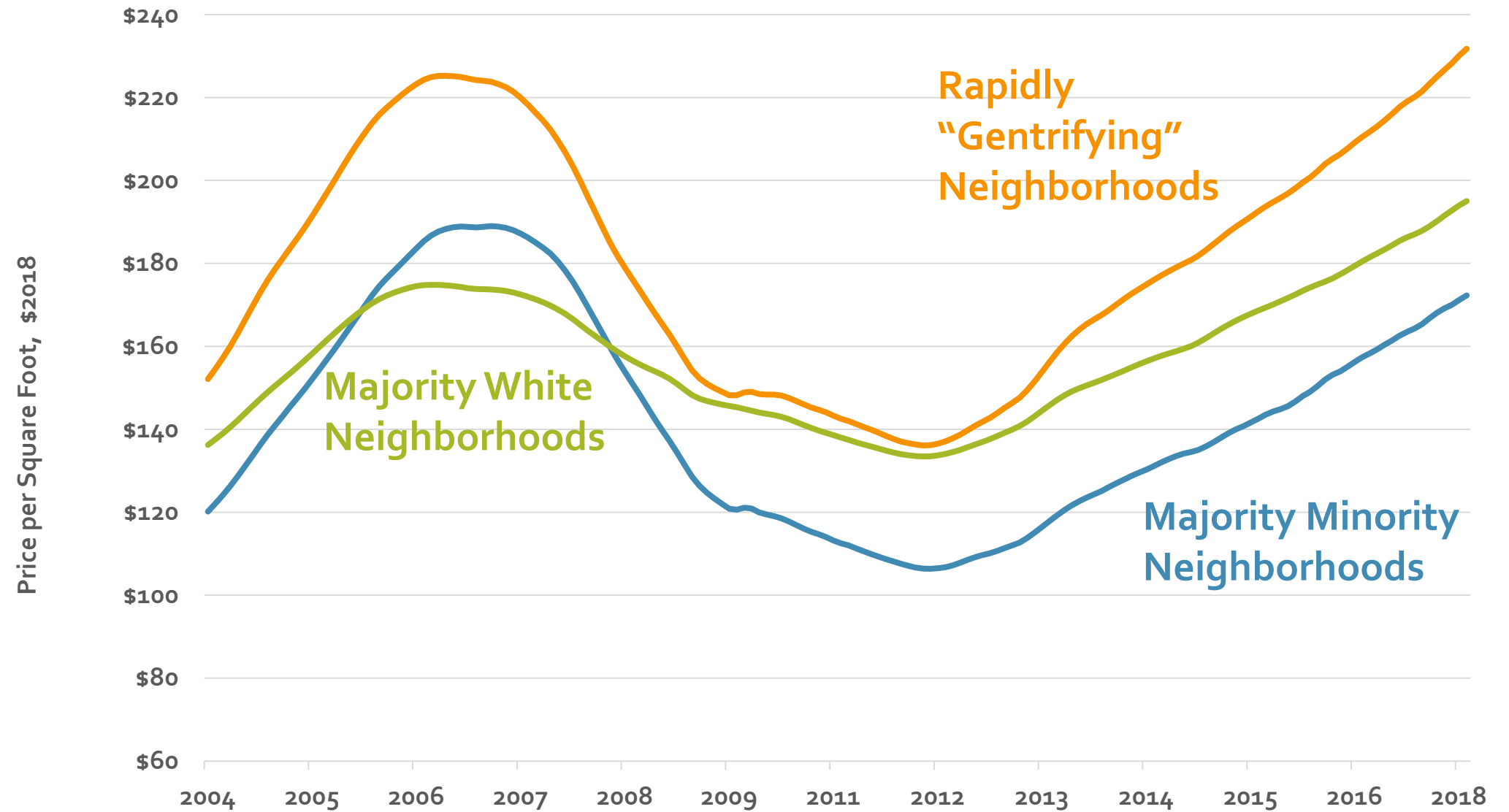
Comparison of Credit Card and Mortgage Interest Rates



Source: FRED, Federal Reserve Bank of St. Louis. Credit Card rate is based on accounts assessed interest. Measures are not seasonally adjusted.

Tightened mortgage market exacerbates disparities. Since the Recession, Blacks have largely been excluded from access to credit, with implications for the wealth gap and neighborhood change.

Disparate Access to Mortgage Credit Has Led to Widening of Homeownership and Wealth Gap



Source: Reid, Uneven Recovery, forthcoming publication. Calculated used HMDA, Zillow, and ACS data from 2000 to 2017.

Conclusion

- Monetary policy is not necessarily key driver underlying these trends
 - Fiscal and local policies matter
- Important to unpack key metrics such as unemployment and economic growth rate, credit v. debt, to understand who is benefiting from the recovery and who isn't
- Fed has other important tools, e.g. Community Reinvestment Act oversight, that can help to attenuate these inequalities

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