

Summary of New York Fed's *Fed Listens* Events

The Federal Reserve Bank of New York (the “New York Fed”) hosted a series of *Fed Listens* discussions in the spring of 2019. In March and April, John C. Williams, President and Chief Executive Officer of the New York Fed, facilitated *Fed Listens* discussions with three of the New York Fed’s external Advisory Groups, including members of the New York Fed’s: Advisory Council on Small Business and Agriculture on Monday, March 25, 2019; Upstate New York Regional Advisory Board on Tuesday, March 26, 2019; and Community Advisory Group on Tuesday, April 3, 2019. The *Fed Listens* discussions culminated in a capstone roundtable discussion event hosted at the New York Fed on May 20, 2019, from 1:00 to 3:00 p.m. The event featured a brief introduction by President Williams, opening remarks by Richard H. Clarida, Vice Chair of the Board of Governors of the Federal Reserve System, followed by a discussion session moderated by Jack Gutt, Executive Vice President of Communications and Outreach at the New York Fed. The attendees who participated in the discussion along with President Williams and Vice Chair Clarida included labor and non-profit leaders, local government officials, congressional district staff and regional academics from the Second District. A webcast of the session as well as the agenda and list of attendees is available at <https://www.newyorkfed.org/aboutthefed/fed-listens>.

The following is a summary of some of the key points raised during the New York Fed’s *Fed Listens* discussions:

Big Picture

When asked about how important the Fed’s two statutory goals are, and whether they view one as more important than the other, answers were mixed. For example, some members of the small business community said that price stability, which reflects input costs for small businesses, is more important to them than keeping unemployment low. Participants from Puerto Rico also said that price stability was important given the Island’s reliance on imports. On the other hand, for several participants who represent workers, the Fed is too focused on price stability at the expense of other aspects of a healthy economy.

Job Market

Across all the discussions, there was consensus that at a national level, the U.S. is running a “tight” job market. Some labor leaders and employers argued that the benefits of running a tight labor market for a sustained period of time outweigh the risks. However, many expressed ongoing concerns about low- and moderate-income households, even in today’s “tight” job market. While wages have risen and the wage gap has diminished, participants emphasized that the cost of living, especially housing and healthcare costs, remains a challenge for a large part of the population. Some members of the Community Advisory Group agreed that pushing the economy too hard and keeping interest rates low poses some risk because it tends to propel higher housing prices. During the roundtable discussion, participants voiced particular concerns about the cost of living and low wages for a generation of recent graduates who are burdened with a significant amount of student debt.

When asked whether we have reached “full employment,” there was no such consensus. Some said they believed that we are at (or near) “full employment,” while many others argued that we are not at full employment as evidenced by continued wage disparities and income inequality and said the Fed should continue to push to see how low the unemployment rate can go. Those that said that we are not at “full employment” argued that the unemployment rate itself does not capture the tightness in the labor market. Labor leaders said that at “full employment,” firms would be spending on training, wages would be rising across the board, and there would be lower turnover. Many emphasized that despite the low U.S. unemployment rate and rising labor participation rates, certain pockets of the economy are far from full employment. For instance, participants from Puerto Rico said that the territories are seeing “unbearable” unemployment and expect that those trends will spread to the mainland soon.

Going forward, participants urged the Fed to focus on helping to create quality jobs with living and equitable wages, not just minimum wages.

In order to maintain the tight labor market and improve productivity, many participants spoke to the need for skills training, especially as technology is expected to disrupt the future of work. Participants from upstate New York, small businesses and labor leaders noted a sizable skills gap in labor supply versus demand and that there is a need for job readiness programs particularly for low-income individuals.

Inflation

Many participants said that it is important that price inflation be predictable and stable. Members of community groups said that stable inflation is particularly valuable for people in severe hardship. Some from upstate New York expressed a similar sentiment, explaining that inflation tends to be more concerning for low-income populations, as opposed to higher-income populations who tend to have the ability to absorb price changes. Participants from state and local governments said that stable inflation is critical for fiscal planning.

During the roundtable discussion, one participant argued that some inflation is good and echoed a sentiment from the advisory group discussions, that today inflation may be too low.

Younger participants noted that their generation is more concerned with another recession than with high inflation.

Transmission of Monetary Policy to the Broader Economy

Members of the advisory groups as well as many participants of the roundtable discussion expressed that they feel it is challenging to understand how a national monetary policy accurately reflects the multiple and diverse local economies that exist in the country. They worried that the impact of uniform monetary policy is very disproportionate. At all the *Fed Listens* discussions, the need to address income inequality—both across households and geographically—was an important underlying concern.

In all the discussions, participants emphasized the importance of the Fed communicating with the public about the state of the economy and its stance on policy. Members of the small business community said

that that the Fed messaging is comforting to the community and provides certainty for businesses especially in light of today's political environment. Participants underlined the need for the Fed to remain independent and apolitical in order to maintain its credibility.

In order to enhance the impact of the Fed's role in the community, participants recommended that the Fed think about communicating in different ways to get their message across to different sectors and populations of the economy. Rather than using terms like "full employment and stable inflation," they said that the Fed should consider language that an average person would understand. During the roundtable discussion, some economists agreed with this recommendation given that even from their perspective, the definition of what "full employment" is unclear.