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Fed Officials Meet With Local Leaders to Support Low-Income Communities

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Dallas Fed President Robert Kaplan

DALLAS -- Federal Reserve officials met with nonprofit and civic leaders here Monday to kick off a series of public listening sessions as the central bank reviews how it conducts monetary policy.

Dallas Fed President Robert Kaplan and Fed Vice Chairman Richard Clarida, during a tour and hourlong forum, heard from area residents who have worked with low-income communities to improve access to education, affordable housing and healthy food. Similar events are planned for later this spring in the Minneapolis region and Camden, N.J., among others.

During the discussions, Mr. Clarida affirmed the importance of policies that promote a strong job market.

He noted that many central banks in other countries have a sole mandate to keep inflation under control; the Fed has that plus a second mandate from Congress to maximize employment.

"It is disadvantaged groups...that tend to benefit more in what we sometimes call a 'hot' labor market," Mr. Clarida said, highlighting the benefits of this so-called dual mandate.

He added that the recent stabilization of the share of workers in the labor force -- defying projections of a decline as the population ages -- suggested the potential for a strong job market to draw more workers in from the sidelines of the labor force.

The challenge now for Fed officials is to keep the economy cruising with a low unemployment rate and stable inflation.

After raising their benchmark interest rate four times last year, Fed officials have signaled plans to hold off on further increases for now to see how growth headwinds affect the U.S. economy.

"Inflation is not running away from us," Mr. Kaplan told reporters Monday. Policy makers "have the luxury of trying to do more to get more people into this workforce on a sustainable basis."

"You want to run a little hotter but you don't want to go too far," said Mr. Kaplan. Pushing unemployment too low risks creating imbalances that could ultimately end the expansion, hurting the most vulnerable groups, he said.

As part of the Fed's monetary-policy review, officials are considering whether to allow inflation to rise more often above their 2% target as they grapple with the significant likelihood that interest rates will remain much lower than in the past.

Monday's discussions in Dallas also illustrated the limits of the Fed's policies to tackle structural problems facing poor communities. The central bank has relatively blunt tools to guide the overall economy and regulate the financial system. One of these is the power to raise or lower interest rates.

Mr. Kaplan said one underappreciated tool regional Fed banks could use is convening community and business leaders to help tackle more complex challenges associated with poverty, gentrification, and access to credit.

Officials toured a food pantry and a community center that offers transitional housing to the homeless. The also heard from financial counselors who serve vulnerable populations.

"The biggest fear of the older adult is surprisingly not death," said Steve Benton, a financial counselor at the Elder Financial Safety Center in Dallas. "It is running out of money."

For seniors, "inflation risk is real," he said. "Their fixed income buying power shrinks as the cost of everything they need to live rises."

Shaylon Scott, regional director of nonprofit On the Road Lending, a nonprofit that finances auto purchases for low-income people, stressed the importance of access to affordable credit for the poor.

"Asset poverty is a huge barrier for families," said Ms. Scott. It is incorrect to assume a vehicle isn't an asset solely because it depreciates in value, she added. An affordable, reliable car can serve not only as a means to get to work but as an important financial asset for poor families.

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