



The Federal Reserve: A Crucial Player in Informing Economic Development



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Michael Langley: *Welcome to the Federal Reserve Bank's Economic Development podcast series. I'm Michael Langley, CEO of the Greater Minneapolis Saint Paul Regional Economic Development Partnership, which we call Greater MSP. I'm also honored to serve as the vice chair of the International Economic Development Council's board of directors this year.*

The International Economic Development Council, or IEDC, has designated 2016 as the Year of the Economic Developer and the week of May 8th as Economic Development Week. Economic developers across the globe work to drive economic growth by building strategies that create and maintain jobs and capital investment in their localities, regions, and states.



Will Lambe

While the Federal Reserve System primarily works to promote full employment and price stability, its community development function conducts research, analysis, and events that have tremendous economic development impact. Some recent initiatives have included analysis of relative economic dynamism of small cities; resources and expertise around growing local entrepreneurs and the small business ecosystem; and evaluation of national and regional workforce development policies, programs, and networks.

There are a number of highly experienced economic developers who are Fed staff, and the Fed and IEDC have enjoyed a healthy collaboration through the years. Today we're speaking with two Federal Reserve representatives about their economic development related work: Will Lambe, senior adviser on community development finance at the Atlanta Fed, and Daniel Davis, senior manager with the St. Louis Fed. Welcome, and thanks to you for being with us today, to both of you.

Will, let's start with you. Why do you think the Federal Reserve is engaged in economic development in this country?



Daniel Davis

Will Lambe: To answer that, Michael, I need to at least just make quick reference to our roots. As you mentioned, each Federal Reserve Bank throughout the System has a community development, or CED, community and economic development function. Those functions are rooted in the Community Reinvestment Act, or CRA, of 1977, which as you know compels commercial banks to meet the credit needs of all communities from which they take deposits. That's just a long way of saying the CED teams across the Reserve Bank System are focused on places with, and people living in, economic distress, otherwise referred to often as low- to moderate-income communities.

I think the explanation for why we're engaged in economic development is that the main strategies of economic developers—whether it's recruitment, business retention, or job creation through entrepreneurship-type programming—depending on the execution, have tremendous potential for revitalizing distressed places and creating opportunities for low-income people. So that's really sort of the essence of how we're engaged in economic development.

Langley: *Great. Well, as you've led a national effort across the Federal Reserve Banks and partners also in understanding and improving investment in smaller cities and distressed areas, can you share more about the kind of economic development component of the work, in terms of either workforce finance or real estate?*

Lambe: This is a really exciting part of our portfolio here in Atlanta. Since our Bank's region is the Southeast—small cities are like nerve centers for regional economies. Depending on how you define a small city, somewhere between 20 and 40 percent of the U.S. population lives in smaller cities. Folks living in rural areas increasingly rely on the economic density in nearby small cities for employment opportunities, for retail, for health care, for education and other services.

In a nutshell, we've come to believe that smaller cities have a lot of untapped, or what you might think of as undercapitalized opportunities, for achieving community and economic development outcomes. We're involved in research and what I think of as momentum-building efforts to shine more light on the untapped potential in smaller cities. These are really efforts in partnership with a variety of philanthropic partners and colleagues from other Federal Reserve Banks.

Finally, the overarching intent of this work around smaller cities is to attract more outside investment in the smaller markets from foundations, from banks, from other socially motivated investors, which, as you know, Michael, will in turn support the work of local economic developers in those markets.

Langley: *Absolutely, Will. So Daniel, to get you in this conversation, and it follows on from Will's last remarks, is that we know the St. Louis Fed has been engaged in supporting all sizes of communities in building economic development capacity. So in your mind, what is the Fed's role in this and what specific economic development goals have you hoped to support in your region?*

Daniel Davis: Well, Michael, at the St. Louis Fed our work is really split among two dimensions when it comes to supporting economic development within communities. And that first [dimension] is that it's really focused on fostering collaboration among key players within the industry to ensure that they have the connections and resources they need to establish economically viable communities. We work to do this in rural communities around our

region by leading workshops that we call "Saving Your Small Town," where we disseminate information about effective rural economic development strategies that are largely focused on principles of asset-based economic development and entrepreneurship and how those two key strategies play a role in building strong rural economies.

To build on this, we've recently launched a multiyear initiative called Delta Communities. The aim of Delta Communities is to strengthen underserved communities across the Arkansas and the Mississippi Delta region. The framework of the initiative is to bring local leaders together and to invite them to consider opportunities that exist to put into place economic development strategies that promote small business development, job growth, and even infrastructure improvements. Delta Communities aims to give these small rural places the tools that they need to do sustainable economic development themselves. As a result, the St. Louis Fed is releasing a guide here in just a few months that can help those who are new to the industry better understand what levers they can pull to fund economic development strategies.

Of course, outside of our work in the Delta and other rural areas, the St. Louis Fed is engaged in meaningful work to support development in cities like Memphis and St. Louis, Little Rock, and Louisville, where our inner-city neighborhoods often have difficulty accessing capital for economic development initiatives. In each of those cities, the St. Louis Fed works with local government, community development financial institutions, banks, community organizations, and the business community to support the local community's capacity for economic development.

We take seriously our role as a broker of high-quality information, and this spring, as an example, we're partnering in Memphis with the Urban Land Institute and the Mid-South Mayor's Council to bring together over 200 mid-South leaders in government and economic development to collaborate on the challenges and opportunities the mid-South region faces, and to consider how regional cooperation can improve economic development outcomes.

So that's one dimension, but the second part—and I'll speak more briefly on this piece—is that our work supports economic development by identifying challenges confronting low- and moderate-income neighborhoods and communities. We conduct on an annual basis a community development outlook survey that seeks to pinpoint what some of the most significant community and economic development challenges and opportunities actually are. We include as part of this a slice aimed at gathering and reporting information *from* economic developers. This includes perspectives on the outlook for business and job growth across the seven states that the St. Louis Fed serves as well as perspectives on what is needed for communities to take advantage of economic globalization.

Lastly, we're in the process of developing an online scorecard that looks at 22 indicators that we believe are predictors of economic and social development, and then drilling those indicators down to the county level, to reveal how any of the 3,100 counties in the United States are progressing across areas of economic mobility at the household, community, and overall economy levels. The aim is that economic developers and others will be able to take this information and use it to inform the important investments they are making.

Langley: *Daniel, let me ask you a follow-on: How are other Federal Reserve Banks around the country, from your knowledge, engaged in economic development in their own regions?*

Davis: I'd say all of the Federal Reserve Banks are engaged in economic development, to some extent. As an example, last August, the Minneapolis Fed launched the Center for Indian Country Development with a mission to help self-governing communities of American Indians in the United States actually attain their economic development goals.

Then beginning in 2013, the Federal Reserve Banks of Cleveland, Chicago, Philadelphia, and Richmond partnered together to respond to the unique challenges that Rust Belt communities were experiencing. Over the span of a couple of years, they facilitated an exchange of ideas among the leadership of several Rust Belt cities, helping them think through ways of developing and implementing strategies to attract new residents and investments.

Over at the Boston Fed, their team is active in promoting economic development through the Working Cities Challenge, which is an economic development competition for smaller postindustrial cities trying to help lower-income residents.

In the realm of small business and entrepreneurship, the New York Fed has led a national effort across our Reserve Banks to better understand the business conditions, credit needs, and borrowing experiences of small businesses, and the Kansas City Fed has developed a number of great resources for practitioners and policymakers alike focused on entrepreneurship-based economic development for growing local communities.

The San Francisco Fed has studied local conditions and solutions in economically distressed communities and produced a series of books with national partners and experts on what is working for these communities.

Michael, I could offer a number of examples but perhaps just one more, the Federal Reserve Bank of Dallas has been working in the Colonias, which are unincorporated settlements, many of which fall along or near the border with Mexico, that lack basic infrastructure.

Langley: *Well, quite impressive. The Fed's work also links economic development, as both of you have mentioned, to fields of workforce and community development. Why do you feel this is important, and how does the Federal Reserve play a leadership role in connecting community development and workforce to economic development?*

Lambe: Workforce and community development, however one might define those activities, are, in my view, the building blocks for economic development. In order to facilitate efficiently economic growth through job creation and capital investment, we have to ensure that a place, whether it's a city or a county or a region or an entire state, has a workforce and community institutions to build on top of. I would say the Fed's role in these areas differs by region, as Daniel just suggested.

Workforce development has been a major element of our portfolio and this has included a significant and growing body of research around workforce and labor market policy. We also publish best practices and assemble national experts to address some of the pressing practice—as well as policy—questions about workforce intervention.

Davis: I would absolutely agree with Will and just add on that really strong economic development is facilitated by stable and productive community and workforce development. All three, they're foundational and interrelated for creating communities that are going to build new businesses and communities that are going to increase job growth. I think the Federal Reserve is at this nexus of the business sector, financial sector, and works with the communities themselves.

The Fed has a unique role in convening and sharing information that crosses these various sectors to engage leadership at the local, state, and national level through the regional Reserve Banks and the work of the Board of Governors in Washington. Really, these links between economic community and workforce development are increasingly becoming a part of the conversations that are held throughout the country. I think that we've seen this trend

where the community and economic development departments at the Fed have continually started to incorporate this idea of workforce development into their portfolios to help communities understand how important workforce development is to boosting community and economic development.

Langley: *So my last question for both of you is, given this, I'm interested on how both of you recommend that we local economic developers around the country engage their Federal Reserve counterparts who work on these similar issues. What can we do more together?*

Davis: Well to me, the best way is actually just to get in contact with your local Federal Reserve and let them know that as economic developers, that you're interested in and want to be a part of their work. To me, the best way to do this is through a web portal called fedcommunities.org. This is a web portal that's out there where there are hundreds of Federal Reserve resources about what's going on around the Federal Reserve System and at the Board of Governors in DC.

I think our colleagues around the Federal Reserve System will be happy to hear from economic developers who are interested in learning more about the research, data, and resources the Fed provides. Additionally, I think economic developers are an essential part of moving our communities forward, as we've been talking about today. The Federal Reserve understands this. We have a desire to include the voice of the economic developer and the dialogues we're having around the country.

So the first step I would say is encouraging economic developers to reach out to their local Reserve Bank, and share with staff their interest in working together.

Lambe: Absolutely. I'll just add, in addition to what Daniel just suggested, is each Bank in the Federal Reserve System has what's called a community affairs officer, which is the best conduit for any potential partner to access the wide range of Federal Reserve Bank resources and expertise that might exist, both within the community and economic development function but also across other parts of the Bank. So, keep in mind that the community affairs officers at the Banks are another good way to initiate new partnerships with our System.

Langley: *Great. Don't forget, for those of you listening, fedcommunities.org. On behalf of our panelists, Will and Daniel, and myself, Michael Langley from Greater MSP, we'd all like to say "Happy Economic Development Week," and thank you for joining this podcast series today, Economic Development, from the Federal Reserve Bank. Thank you very much for listening. That concludes our podcast.*

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