

Keynote Address

Northeast Pennsylvania Equitable Transit Summit
Scranton, PA

October 17, 2017

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President and Chief Executive Officer
Federal Reserve Bank of Philadelphia



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Thank you. It's a pleasure to be here today.

Some speeches start with jokes. Fed speeches start with a disclaimer: The views I express here today are mine alone and do not necessarily represent those of anyone else in the Federal Reserve System, including my colleagues on the Federal Open Market Committee (FOMC).

With that out of the way, I want to say how great it is to have such a diverse group of stakeholders here. The Fed brings a lot of research and talent to bear in the community development sphere, but we're only as successful as our partners make us, so thank you.

I think all of us have questions we're asked regularly about our jobs. When I was in academia, that was mostly, "Can I have an extension?" The ones I hear now, other than "When are you raising rates?" often fall into the category of "Why does the Fed care about equitable transit? Why do you care about affordable housing? What does community development have to do with monetary policy?"

And I suppose on its face, it may not be evident. But the American economy is not a monolith; it's a collection of regions and businesses and households that are themselves a series of micro-economies making up the whole. We are stronger as a country when every link in that chain is economically sound. Ensuring that all our communities are economically stable and sustainable is important to everyone.

As for the rest of it — things like housing and transportation — they are the factors that help turn economic aspiration into reality.

Which is why we're here today. I'm an engineer by training, by the way, so I can talk about transportation for hours. People already think Fed presidents are boring policy wonks. Imagine getting stuck next to me at dinner parties, expounding on the wonders of bus routes ... But I have actually managed to get people to listen because transit-related issues can affect so many other economic factors.

Economic Growth & Mobility Project

As you all probably know, the Philadelphia Fed has launched an Economic Growth & Mobility Project that looks for practical applications for research. In fact, this summit on equitable transit is part of our first Research in Action project. I'd normally save the "thank yous" until the end of my remarks, but we wouldn't be here today without our partners. So, for making this possible, a quick note of thanks to our partners in forming the Equitable Transit Council, the Scranton Area Community Foundation, and Laura Ducceschi, its president and CEO. Thank you also to Teri Ooms, executive director of The Institute for Public Policy and Economic Development at Wilkes University. And thanks to all the members of the Equitable Transit Council for your commitment to collaboration.

Back to the Economic Growth & Mobility Project. The EGMP focuses on three key areas: job creation, workforce development, and infrastructure.

We often refer to these as the three legs of the mobility stool, but we could also call them strands of DNA because they're inextricably laced and are core parts of mobility's being.

We can have the best workforce development in the world, and we can create jobs at lightning pace. But if people can't afford to live near the training, or find a way to get to the jobs, it won't do much good. We have to look at the whole picture, not just what we need to get the economy moving, but how to make it happen. A central focus is, obviously, jobs, and we're dealing with a few different issues in the labor market right now.

First, not everyone is looking at the same employment realities. On a national level, there's very little slack left in the labor market. Unemployment is at 4.2 percent, and the other data — for instance, job openings and quits — also point to a pretty tight market. But that's a national average, and there are areas around the country that don't share that good fortune.

Second, in a market that's tight overall, we wind up with a different problem: Employers can't find workers with the right skills. If they can't fill those positions, they can't expand their businesses, and that affects growth.

Third, we are dealing with a low labor force participation rate. And as the baby boomers continue their march into retirement — and continue to live longer, to which I say “Go, boomers!” — the United States will have more people needing more services for more time. And while the millennial generation is technically a bit bigger, they're not all fully in the workforce yet, and even the oldest aren't quite in their prime earning years. Research by my staff shows that the labor force participation rate, which is currently just above 63 percent, will likely drop a couple more tenths of a percentage point over the next few years. Since growth is fundamentally growth in productivity plus growth in the labor force, there's a real incentive for us to get every last person off the sidelines that we possibly can.

We need to get workers to jobs. We need to get potential workers to training. We need to reach as many of them as possible. And we need to do it in an equitable way. Which brings us back to the subject of transportation.

Equitable Transportation and Economic Health

While transit is a central issue for everyone's economic health, the issues with transit aren't the same for everyone. They vary by geography and size, by resources and need.

Northeastern Pennsylvania, like the rest of the country, has a transportation system that grew in the latter half of the 20th century. Those systems reflected the way we lived: We moved to the suburbs and worked in the city and therefore, reasonably, designed systems to bring people into and out of the city center. Now that jobs are booming in distribution centers and office parks on the outskirts of town, we need to rethink how those systems can get people to jobs.

Of course, jobs aren't the only issue. There are other ways transportation impacts people's lives and their path to economic growth and mobility. Prosperity is more than a number on a balance sheet. To be fully economically healthy, we need to take into account all aspects of a person or family or community's assets that aren't numerically or monetarily defined. Things like access to quality health care and education affect our ability to move up the economic ladder as well. So

it's important to get people to jobs but also to doctors' appointments and school and the grocery store.

If you live in a city with a large transportation system and lots of options, it's easy to forget that in substantial portions of the country, if you don't have a car, you're out of luck. But even in larger metro areas, equitable transit is an issue. There was an article in the *New York Times* a few months ago about the effect of skyrocketing real estate prices pushing people farther and farther from where they work. A woman they profiled in the Bay Area leaves home at 4:00 a.m. to start work at 7:00. Another article this summer, about the New York metro area, was titled, "You Have a Bad Commute? Try Four Hours and Three Trains."

The benefit in this region is that we have the ability to be nimble. We don't have legacy infrastructure to redesign and adapt on the scale a larger area does. I can tell you from experience; I spent a summer in college working in the New York City subway. This was back in 1980, and I lived down in the tunnels from 6:00 p.m. to 6:00 a.m. for the entire summer, running prototypes of upgraded subway cars. Even back then, we had to work to update an old network. Since the existing infrastructure here is not as broad, we have the opportunity to imagine a more perfect system without those constraints. We have the ability to build an equitable system that works for everyone. We may have the challenge that most areas face of balancing budgets while trying to meet user needs, but we also have the space to be creative and agile. And while the budgetary issues are not insignificant, there are great examples of public-private partnerships out there as well as investment opportunities for the private sector.

There's also great potential in operating as a region. This is something I think is important, particularly in the context of infrastructure development. We don't all live and work in the same place; our lives and economic fates cross city and county and state lines all the time. With a region comprising three principal cities — Scranton, Wilkes-Barre, and Hazleton — as well as many boroughs and towns in between, that connection and collaboration is even more critical.

So, as we look to use our assets to build a better system, what are users' needs? We've been working with a range of partners to figure out how to best serve the people of northeastern Pennsylvania, including running focus groups in partnership with Wilkes University. The feedback was important to understanding what and where the needs are.

We heard that users' top destinations are health care and shopping and that the inability to get out to the industrial parks and distribution centers is hurting job prospects. We also heard that schedules are an issue, which makes sense. Not everyone works 9 to 5.

As we develop new systems in response to those needs, we have an opportunity to be a model for other areas. In such a large and diverse country, we can't always use the same approaches — Scranton and San Francisco have very different requirements. But Scranton and Stockton might not. There are areas across the map that can learn from our future successes.

Research in Action

That's one reason Research in Action is central to our Economic Growth & Mobility Project. We want to take the data and apply them to problems in our District but also have those areas serve as models for others.

My team has done a lot of research in conjunction with the Atlanta and Cleveland Feds on what they call "opportunity occupations," jobs that pay at or above the median wage that don't require a traditional four-year college degree. They know what industries those jobs are in and where they are geographically. This is going to be central to the work we're doing here — not just getting people to jobs but getting people to good jobs.

They're also working to put numbers behind the question of how public transit impacts job access. They're mapping the footprint of the existing transit networks and looking at how access to opportunity occupations using those networks varies across neighborhoods with different income and educational attainment levels.

Additionally, since we know that budget constraints are an issue for a lot of areas, our researchers have assembled examples of investment by financial institutions that meet Community Reinvestment Act requirements, which can help bring funders and partners to the table. One is a Cars for Careers partnership between a bank and a local nonprofit in the D.C. area. The bank provides affordable loans to low- and moderate-income clients to buy used cars that have been donated to the program. Another institution in Oregon is donating tax credits to the local public transit system and free dial-a-ride transportation for seniors and people with disabilities.

Conclusion

I said at the beginning of my remarks that the issues at the center of economic growth and mobility are intertwined and inextricable from the overall economic health of a region. They also have effects that span farther than each individual.

Transportation is essential to getting most people to jobs, and a region with low unemployment is stronger economically. A wider revenue base can mean more investment in education and infrastructure, and it can mean more investment in the community — which, in turn, can bring in more businesses and encourage more economic growth.

Transportation can also be central to health care and education. That's the current and rising American workforce, and keeping people healthy and educated will make that workforce stronger.

Transportation is not, obviously, the only aspect of infrastructure that affects economic health, but it is significant and it touches many others. And the work we're doing in northeastern Pennsylvania will help us here and serve as a model for others.

With that, I'm happy to take any questions.