

# Understanding How Americans Earn, Save, and Invest

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New Perspectives on Consumer Behavior in Credit  
and Payments Markets Conference

Philadelphia, PA (virtual)

September 9, 2021

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Patrick T. Harker

President and Chief Executive Officer  
Federal Reserve Bank of Philadelphia



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Good afternoon and welcome! It's great to see so many of you at this, the Philadelphia Federal Reserve's 11th biennial conference on household finance and consumer payments — though this is the first we've held in 2D.

While I'll regret the lack of hallway conversation — honestly, some of my best ideas have come about quite randomly at the edges of conferences like this — it's great that by holding this conference virtually we are able to host such a widely dispersed set of participants and attendees. Though I suspect some of you are regretting missing the opportunity to pad your frequent flyer account balances ... which is something *else* I can personally attest to.

As the president and CEO of the Philadelphia Federal Reserve, it always gives me great pride to tout the stellar work of our Consumer Finance Institute. But before I do that, also as president and CEO of the Philadelphia Federal Reserve, there is something else I must do. That is providing the standard Fed disclaimer: The views I express today are my own and do not necessarily reflect those of anyone else on the Federal Open Market Committee or in the Federal Reserve System.

We launched the Consumer Finance Institute — CFI to us at the Philadelphia Fed — in 2017 as a strategic initiative dedicated to producing leading-edge, policy-relevant research, and events like this one. CFI explores how credit markets and payment systems affect consumers and the economy. But while the institute itself is only 4 years old, it is built on a foundation of two decades of heavy investment in research centered on how people earn, spend, save, and invest. The Philadelphia Fed's interest in these topics is not only academic: Our goal at CFI is to develop insights that contribute to a healthy consumer sector, a stable financial system, and a resilient regional and national economy.

For us, this is personal. Philadelphia is the poorest big city in the United States.

Conferences like this one are a big part of CFI's strategy to promote a healthier economy — and you'll soon see why. In the next two days, we'll be learning about path-breaking research focused on timely subjects such as building wealth through homeownership, consumer bankruptcy, pandemic housing relief, and consumer protection and regulation. These are rich and interesting subjects for rigorous research in their own right, but they are also vitally important topics that have an impact on all Americans, just about every day.

When I was reviewing the conference materials, I was also struck by how much of the research presented at this conference will focus on the racial inequities that continue to bedevil our society. The research presented will focus, for instance, on racial disparities in bankruptcy filings and housing values, important examples of the many drivers of our nation's yawning racial wealth gap.

And this, too, is personal for us. Philadelphia is not only America's poorest big city, it is also the nation's largest predominantly Black one.

In recent years, CFI researchers have documented new facts about differences in outcomes by race as it pertains to consumers' finances, with the ultimate goal of identifying why those disparities exist. Without both — the facts and an understanding of the causal drivers — there is no way to have meaningful discussions about how public policies can improve outcomes.

In my view, such research and debate is the right thing to do, morally — and also holds great economic importance. As the nation's central bank, the Federal Reserve is charged with building an economy that makes opportunity available to everyone and that achieves maximum employment. We can't do that so long as profound racial inequities persist for reasons we do not fully understand.

So just in the past year, CFI has published important new research findings, for instance, that Black, Hispanic, and Asian mortgage borrowers were significantly more likely than White borrowers to miss payments due to financial distress — and significantly less likely to refinance to take advantage of the large decline in interest rates that was spurred by the Federal Reserve's mortgage-backed security purchase program. We've also examined which groups took up mortgage forbearance at which rates, and what effect that had on racial disparities. The news there is somewhat more encouraging. And we've conducted an ongoing series of surveys focused on how the pandemic has affected different groups of Americans.

CFI scholars have also taken a historical view, examining, for example, the ongoing effects of racial covenants included in housing deeds nearly a century ago. Using a series of geospatial maps, we found that properties with covenants within the city of Philadelphia formed an invisible barrier to less densely populated areas sought after by White residents and around predominantly White neighborhoods throughout the city — and that those effects are still visible.

These are just a few examples of the work CFI researchers are doing every day, and I urge all of you — once the conference is over — to please dig into our website at [philadelphiafed.org](http://philadelphiafed.org), for much, much more.

Now, I'm well aware you've joined us to hear from our conference presenters rather than me, so I'll leave you. But before I go, I can't resist one more boast about the fantastic work we're doing at the Consumer Finance Institute. For this conference, we received approximately 140 submissions and selected only eight papers to be presented. Super Bowl tickets are easier to get most years. What a testament to the global recognition that CFI is receiving for its important, path-breaking work!

So, thank you again for joining us and please enjoy the conference.