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**Contact:** Joe Elstner, (314) 444-8902 or Charles B. Henderson, (314) 444-8311

## **St. Louis Fed's Poole Says Overall Employment Picture Improving; Fed Can Help Through Low Inflation**

See [speech](#)

JEFFERSON CITY, MO. -- The job and wage pictures are improving for a broad cross-section of the population in Missouri and nationally, including those who have been at the low end of wage distribution. Although the benefits of prosperity are far from being equally shared, the balance of evidence shows that conditions are better than some observers believe. The Federal Reserve can help these improvements continue by adopting policies aimed at keeping prices low and stable.

Those were the views of William Poole, Federal Reserve Bank of St. Louis president and chief executive officer, as he spoke at an "Investing Public Funds in the 21<sup>st</sup> Century" seminar at the Missouri capitol. The event was sponsored by Missouri State Treasurer Bob Holden, the Missouri Municipal League, the Government Finance Officers Association of Missouri, the Missouri School Boards Association and the Missouri County Treasurers' Association.

Poole began by citing highlights of economic growth since 1992:

- Real (inflation adjusted) gross domestic product output growth has averaged 3.7 percent per year, compared to 2.6 percent over the past 20 years.
- Eighteen million more people have jobs.
- Missouri's unemployment rate of 3.3 percent is lower than that of the United States.
- Missouri employers have added 276,000 workers.

Poole noted that "despite all this good news, many are still worried that gains from this remarkable expansion have not been distributed very broadly." He said that "although the benefits of prosperity are far from being equally shared," the balance of evidence shows that "there is less to worry about than some have described."

"Sustained prosperity has brought greater opportunities for groups sometimes excluded from employment and, in the process, has transformed labor markets," Poole said. "Perhaps the most remarkable of these transformations has been increased employment opportunities for blacks and women. In fact, shares of total employment for both groups are higher than they have been for many years."

The employment picture for blacks was "grim" in 1992, said Poole, with unemployment for the group at 14.2 percent. That rate is now 7.8 percent, and the average rate for 1999 should be lower than for 1998, when it was lower than at any time since 1972, Poole said. This trend contrasts with the unemployment rate for whites, he added, which has been mostly unchanged for 18 months. The decline in black unemployment from 14.2 percent to 7.8 percent "is a measure of our nation's progress, but also a measure of the very substantial distance we still have to go," Poole said.

Poole said another indication of labor market transformation is changes in the ratio of employment to population for different groups. For the civilian population aged 16 and over, he said, the ratio rose by 2 percent in the 1960s, another 2 percent in the 1970s and 3 percent in the 1980s. He noted that since 1992, the share of employed adult white women rose 3.1 percent, while the share of black women rose an "astounding" 10.7 percent. The U.S. economy is truly a fantastic job machine," Poole said.

Poole said that, besides an improved job picture, economic well-being is also improving. Since 1992, he said, inflation-adjusted disposable personal income has risen over 12 percent. He noted that despite this trend, some studies claim that the expansion has left behind low-income workers. "This argument is usually based on data showing that the average real wage has not increased very much," he said. "But we should be wary of claims based on average wages. Remember, the current expansion has increased the employment of many who were previously excluded. As these workers are added to the ranks of the employed, the average wage is necessarily pulled down, even if everyone else's wages are unchanged."

Poole said the Federal Reserve can contribute to a positive economic outlook by doing well at its main responsibilities: setting policies that maintain low and stable inflation; maintaining a sound banking system through efficient bank supervision and regulation; and providing efficient payment services through managing the nation's currency and playing a central role in check processing and development of electronic payment methods.

Concerning monetary policy, Poole said, "I don't know what actions will be required to keep inflation low over the months and years ahead. And I will not speculate on possible Fed action next week. But I do want to assure you that I will do what I can to contribute to Fed decisions to change interest rates in the direction necessary and at the time necessary. That also means we will leave rates alone when necessary." See [speech](#)