

Activists 'Fed Up' With Rate Rise Talk Offer Plosser a City Tour

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Josh Bivens, the research and policy director at the Economic Policy Institute, speaks in front of the Federal Reserve in Washington, D.C., on Nov. 14, 2014. Photograph: Jeff Kearns/Bloomberg

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Nov. 15 (Bloomberg) -- Labor and community organizers meeting with Federal Reserve Chair Janet Yellen challenged officials who are ready to raise interest rates to first come visit the poorest neighborhoods with them before saying that the economy has recovered.

Kati Sipp, one of about two dozen activists meeting Yellen, said at a press conference yesterday in front of the central bank in Washington that she would show Philadelphia Fed President Charles Plosser “what life is like in this economy” for his city’s unemployed.

“Clearly Charles Plosser hasn’t been coming out the way that I work,” said Sipp, director of Pennsylvania Working Families. “I work on 60th Street in West Philadelphia in a storefront office, and every single day someone or a couple of people come in to my office because they are looking for work.”

A spokeswoman for the Philadelphia Fed declined to comment.

Members of the group met with Yellen and Fed governors Stanley Fischer, Jerome Powell and Lael Brainard. The coalition of 20 community groups, labor unions and religious leaders from around the U.S. wants the Fed to hear the concerns of ordinary Americans as

LEADERS FROM AROUND THE U.S. WANTS THE FED TO HEAL THE CONCERNS OF ORDINARY AMERICANS AS it prepares to raise rates. It's part of wider public pressure, including from lawmakers of both parties, who want more accountability and transparency from the central bank.

The Fed has been criticized by Democratic and Republican groups over its rescue of big Wall Street banks in the 2008-2009 financial crisis, and over subsequent steps to support the economy through zero interest rates and massive bond purchases.

Yellen Meeting

The group meeting with Yellen and her colleagues yesterday included individuals struggling to find work despite the improving economic picture in the U.S., Ady Barkan, senior staff attorney at the Brooklyn-based Center for Popular Democracy, one of the organizers of the meeting, said in an interview.

"They all listened very intently and asked questions," Barkan said of Yellen and the three governors. "They were very interested in hearing about the personal stories of the folks we brought."

Those included Reginald Rounds, a resident of Ferguson, Missouri, near St. Louis, where protests erupted after an unarmed black teenager was shot and killed by police in August. The predominantly black town became a symbol of racial inequality and militarized policing as armored trucks and tear-gas canisters rolled through the suburban community after the shooting.

'Sky-High'

Barkan said Rounds told the Fed officials that "sky-high unemployment" in the St. Louis area had contributed to "desperation" in the town.

Another speaker was Shemethia Butler, an unemployed woman from Washington. She recounted for Yellen how she was laid off from a job that offered no paid sick days after becoming ill and missing time at work, Barkan said.

Barkan said he had agreed with Fed officials not to recount how Yellen and the governors responded.

Eric Kollig, a Fed spokesman, declined to comment on the meeting.

The jobless rate has fallen to 5.8 percent from a 26-year high of 10 percent in October 2009. Interest rates have been held near zero since December 2008, and most Fed officials project that they will raise borrowing costs sometime in 2015.

Still, millions of Americans can find only part-time work, and average hourly wages have risen at about a 2 percent pace for the last five years, barely outpacing inflation.

Big Banks

“The economy is not working for the vast majority of people,” Barkan told reporters before the meeting in front of the central bank headquarters facing the National Mall. “It’s too important of an institution to be controlled and dominated by big banks and corporations rather than the public.”

In addition to low rates to help the unemployed, the groups are pushing for a more open and transparent search process for regional bank presidents that includes more community input. Barkan said the group asked Yellen for support in arranging meetings with each regional Fed president.

While formal changes to the process of selecting regional Fed leaders would require legislation, Barkan said the Fed board of governors held significant informal influence over the process.

“I’m sure they could change the process if they wanted to,” he said.

Plosser, Fisher

Plosser and Richard Fisher of Dallas both plan to retire next year and the “Fed Up”

coalition wants more public input in naming their successors. Both banks have said they have hired executive search firms to find candidates.

Regional bank chiefs are picked by their respective boards, which are typically composed mostly of banking and business executives. Philadelphia's nine-member board includes Comcast Corp. Chief Financial Officer Michael Angelakis.

Both presidents have cast dissenting votes this year against the Fed's policy, and have been among officials favoring raising rates sooner to prevent inflation and financial-instability pressures from building.

"It's important that real people are also representing the public and Federal Reserve policy making," Sipp said. "We want publication of the names that are under consideration so that we know who they are, that it's not just a puff of white smoke and suddenly we have a new" president.

Search Firms

The Philadelphia Fed has hired executive search firm Korn/Ferry International and said yesterday that the Los Angeles-based company has set up an e-mail address -- PhiladelphiaFedPresident@KornFerry.com -- to receive inquiries.

The Dallas Fed announced two days ago that it hired Heidrick & Struggles International Inc. to seek a replacement for Fisher.

Economist Josh Bivens, research and policy director at the Economic Policy Institute in Washington, told reporters yesterday that the Fed's willingness to arrange the meeting was "incredibly encouraging" because the central bank "is one of the most important institutions in the world but few Americans know it."

While the unemployment rate has declined to a six-year low, there remains "too large a gap between today and a healthy economy," he said, adding that stakes are highest for disadvantaged groups, including African-Americans. Their unemployment rate tends to be twice as high as the broader U.S. level both "in good times and in bad," Bivens said.

The rate was 10.9 percent in October, and rose to a 26-year high of 16.9 percent in March 2010, Labor Department data show. The rate for whites was 4.8 percent last month.

Wider Inequality

Yellen, a labor market economist for most of her three-decade career in government and academia, has shown concern for people who aren't fully benefiting from a stronger economy. Last month, in a speech in Boston, she questioned whether widening inequality is "compatible with values rooted in our nation's history."

Since becoming chair in February, Yellen has focused attention on those who have been left behind after five years of economic expansion. In March, she told a community development conference in Chicago the Fed hadn't done enough to combat unemployment and cited local residents who have struggled with joblessness.

In August, the Center for Popular Democracy brought low-wage workers to the Fed's annual monetary policy symposium in Jackson Hole, Wyoming, where they spoke briefly with Yellen on the sidelines of the event and met with Kansas City Fed President Esther George, who also wants to raise rates sooner.

The activists arrived at the Fed wearing the same shirts that they wore when they gathered in the lobby of the Jackson Lake Lodge during the symposium: bright green T-shirts emblazoned with the question "What Recovery?"

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