

August 19, 2014

Dear Chair Janet Yellen, President Esther George, and leaders of the Federal Reserve System,

On the eve of the Federal Reserve's major annual conference in Jackson Hole, Wyoming, we are writing to remind you that the American economy is not working. **On behalf of millions working families, we urge you to adopt all policies necessary to rapidly reach a full employment economy that expands the middle class, raises wages, and reduces poverty.**

Although the stock market has roared back to life and the wealthiest Americans are richer than ever before, too many of us struggle to secure even basic levels of dignity. Our wages are too low and housing is too expensive; we are weighed down by student debt and credit card debt and mortgage debt; and there are simply too few good jobs to be found.

The theme of this year's Jackson Hole Conference is "Rethinking Labor Market Dynamics." We are glad to see that the Federal Reserve is focused on questions of the labor market, but we are concerned that the voices and experiences of working families are too often absent from the discussions that inform the Fed's policy making. Although the attendee list for this year's conference is still confidential, past experience is clear that at the conference – and, more importantly, throughout the year – Fed officials spend much more time hearing from bankers and corporate executives than from low-wage or middle-class workers, struggling homeowners, or the unemployed. We hope that in the coming months and years, the Federal Reserve's leaders will make a more concerted effort to listen to our voices. In the meantime, we urge you to keep in mind some key facts about the ongoing failure of the American economy:

- Our wages are too low: Since 1979, the typical worker's hourly compensation has risen a total of only 8 percent, although productivity has grown by eight times that amount.¹
- Stagnant low wages mean that workers live in poverty: 15 percent of the US lives in poverty,² 52 percent of poor people over 16 held a job at least a part of the year in 2013, and 64 percent of poor families had at least one person who worked.

Because of continued racial inequality, these burdens fall much heavier on some than others:

¹ Lawrence Mishel, Economic Policy Institute, *The wedges between productivity and median compensation growth* (April 26, 2012).

² The Stanford Center on Poverty and Inequality, *The Poverty and Inequality Report* (2014).

- Twenty-seven percent of blacks and 26 percent of Hispanics live in poverty. The racial wage gap is huge and the racial wealth gap is even bigger.³
- Women of color are at the greatest disadvantage: On average, Hispanic women are paid only 61 cents and black women are paid only 69 cents for every dollar that white men are paid.

These are appalling statistics for the richest and most powerful country in the world. We should demand much more of the American economy. A healthy economy, built from the middle-out, will feature jobs for everybody who wants to work and significantly rising wages.

Some elite voices have begun to assert that the economy is now in good shape and that the real threat is that workers' wages will rise too quickly.⁴ **Tens of millions of working families would beg to differ, and we strongly urge the Federal Reserve to reject the calls to raise interest rates and slow the economy down.**

Instead, the Fed should commit seriously to both sides of its statutory dual mandate and create the conditions necessary for genuine maximum employment.

After years of economic stagnation, weak labor markets, and widening inequality, it is crucial that the Federal Reserve declare that its goal is full-employment that expands the middle class and reduces poverty. The Fed should drop pre-set unemployment targets (that may or may not be associated with inflationary pressures) and substitute instead a clear declaration that it will not tighten before wage growth is rising significantly faster than productivity growth.

Rising wages, a growing middle class, and shrinking poverty are the conditions that will create long-run stable growth and an economy that works for everyone.

Sincerely,

The members of:

Action for the Common Good

Action North Carolina

Action United

Alliance for a Just Society

Alliance of Californians for Community
Empowerment

Arkansas Community Organization

American Federation of Teachers

California Reinvestment Coalition

Campaign for America's Future

Center for Community Change

Center for Effective Government

Center for Popular Democracy

Center for Working Families

³ The Stanford Center on Poverty and Inequality, *The Poverty and Inequality Report* (2014).

⁴ See, e.g., Martin Feldstein, Wall Street Journal, *Warning: Inflation Is Running Above 2%* (June 9, 2014) ("Research suggests that unemployment may not restrain wages. If so, real trouble may be ahead.).

Center on Policy Initiatives
Centro de Trabajadores Unidos en la
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Minnesota Neighborhoods Organizing
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Coalition
National Education Association
National Employment Law Project
National Jobs for All Coalition
National People's Action
Neighbor to Neighbor Massachusetts
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