Event Session

The Atlanta Model

Date: February 25???26, 2025

00:00:00 --> 00:00:02:	Hey, good morning, good afternoon.
00:00:04 --> 00:00:06:	Everybody could have kind of take a seat.
00:00:06 --> 00:00:10:	We'll get started with our closing general session here.
00:00:16 --> 00:00:19:	I thank you all for joining this Housing Opportunity conference.
00:00:19 --> 00:00:22:	I think this has been a record attendance.
00:00:22 --> 00:00:25:	I always project second day will be about 80% of
00:00:25 --> 00:00:26:	first day.
00:00:27 --> 00:00:29:	And look, a lot of you came back, so I
00:00:29 --> 00:00:32:	hope you're enjoying it and learning a lot.
00:00:34 --> 00:00:36:	I want to thank you all I staff and members
00:00:36 --> 00:00:38:	who made this conference possible.
00:00:39 --> 00:00:43:	We, we move the housing opportunity conference around each year.
00:00:43 --> 00:00:45:	Last year we were in Austin, the year before in
00:00:45 --> 00:00:48:	Phoenix, places that have high growth and every place in
00:00:49 --> 00:00:51:	the country has a challenging housing affordability.
00:00:51 --> 00:00:55:	So that's not an important criteria anymore.
00:00:55 --> 00:00:58:	I, I might have said yesterday, I've always called this
00:00:58 --> 00:01:00:	a silent housing crisis.
00:01:01 --> 00:01:04:	And it's not so silent anymore because people are really
00:01:04 --> 00:01:08:	aware of how difficult it is for Americans to afford.
00:01:08 --> 00:01:11:	And by the way, I work for Habitat Humanity also
00:01:11 --> 00:01:11:	worldwide.
00:01:11 --> 00:01:14:	So it's certainly a worldwide problem.
00:01:14 --> 00:01:17:	But in this country, the greatest country in the world,
00:01:17 --> 00:01:20:	the richest country in the world, it's a shame we
00:01:20 --> 00:01:21:	have such a housing problem.
00:01:22 --> 00:01:27:	And at Habitat, I learned that housing is a human
00:01:27 --> 00:01:27:	right.

00:01:27 --> 00:01:31: And I believe that myself, food, clothing and shelter.
00:01:31 --> 00:01:34: So it's really hard for families to prosper and grow
00:01:34 --> 00:01:38: without a decent home in a neighborhood of opportunity.
00:01:40 --> 00:01:44: I want to thank particularly Daphne Bond Godfrey to deliver
00:01:44 --> 00:01:46: this fantastic event.
00:01:46 --> 00:01:47: The ULI Atlanta.
00:01:48 --> 00:01:51: We're grateful to members of ULI Atlanta and the Terwilliger
00:01:51 --> 00:01:52: staff.
00:01:52 --> 00:01:56: You know, the District Council is something I basically celebrated
00:01:56 --> 00:01:58: when I was chair of ULI a lot of years
00:01:58 --> 00:02:02: ago and it's become so foundational and fundamental to us
00:02:02 --> 00:02:04: relating to local communities.
00:02:04 --> 00:02:07: And when we do these housing opportunity councils, we rely
00:02:07 --> 00:02:10: on the district councils to help put this together.
00:02:10 --> 00:02:14: The program and you know, the content of the programs
00:02:14 --> 00:02:17: in my experience in recent years has been really good.
00:02:17 --> 00:02:21: I hope you think that today both the breakout programs
00:02:21 --> 00:02:23: as well as the general sessions.
00:02:24 --> 00:02:27: So I founded the center 18 years ago when I
00:02:27 --> 00:02:31: stepped down as Chair of ULI because I had worked
00:02:31 --> 00:02:35: nationally with Trammell Crow Residential built apartments in 35 cities
00:02:36 --> 00:02:39: in this country and it was really hard to not
00:02:39 --> 00:02:42: notice how challenging it was for many families to afford
00:02:43 --> 00:02:44: a simple, decent home.
00:02:45 --> 00:02:48: Today we have 3 core pillars and educate the real
00:02:49 --> 00:02:53: estate community through case studies, awards, and research publications.
00:02:54 --> 00:02:58: One example is this newly updated released Home Attainability Index
00:02:58 --> 00:03:02: that Adam Ducker talked about, trying to have people understand
00:03:02 --> 00:03:04: where housing is more attainable than not.
00:03:06 --> 00:03:10: We convene experts on local housing challenges like the Advisory
00:03:10 --> 00:03:11: Services Panels.
00:03:14 --> 00:03:17: We do funding strategies and development tools for meeting the
00:03:17 --> 00:03:22: City's ambitious housing production and preservation goals, and we raise
00:03:22 --> 00:03:25: awareness through events like this as to what the challenges
00:03:25 --> 00:03:28: and some of the solutions are in housing.
00:03:28 --> 00:03:31: I I think I've learned over my 45 years in

00:03:31 --> 00:03:35: the apartment business that the fact that zoning is local
00:03:35 --> 00:03:37: can be a real challenge.
00:03:37 --> 00:03:40: I I tried to develop in Long Island, New York.
00:03:41 --> 00:03:43: We've had a company 7 years and done 4 projects.
00:03:43 --> 00:03:45: You can hardly get any zoning up there.
00:03:47 --> 00:03:50: So I think live Local in Florida is an example
00:03:50 --> 00:03:53: of things that can be done and some jurisdictions now
00:03:53 --> 00:03:57: are really taking up the challenge and trying to figure
00:03:57 --> 00:03:59: out how for local zoning not to be a big
00:04:00 --> 00:04:00: obstacle.
00:04:01 --> 00:04:03: As we close out this conference, we we felt it
00:04:04 --> 00:04:06: was important to address the big picture issues facing the
00:04:06 --> 00:04:07: housing industry.
00:04:09 --> 00:04:12: I'm fortunate to have two friends on the stage here
00:04:12 --> 00:04:17: to discuss their thoughts on inflation, insurance, job growth, monetary
00:04:17 --> 00:04:20: policy, and how all these topics impact what we care
00:04:20 --> 00:04:23: about today, housing affordability.
00:04:24 --> 00:04:24: Dr.
00:04:24 --> 00:04:28: Rafael Bostic, who took office in June 2017, is the
00:04:28 --> 00:04:32: 15th president and chief executive officer of the Federal Reserve
00:04:32 --> 00:04:37: Bank of Atlanta, responsible for all the banks activities including
00:04:37 --> 00:04:41: monetary policy, bank supervision and regulation and payment services.
00:04:42 --> 00:04:45: In addition, he serves on the Federal Reserve's chief monetary
00:04:45 --> 00:04:48: policy body, the Federal Open Markets Committee.
00:04:48 --> 00:04:52: The Federal Reserve Bank of Atlanta serves this six Federal
00:04:52 --> 00:04:56: Reserve district, which covers Alabama, Florida and Georgia, parcel Louisiana,
00:04:56 --> 00:04:58: Mississippi and Tennessee.
00:04:58 --> 00:05:02: The bank has branches in Birmingham, Jacksonville, Miami, Nashville and
00:05:02 --> 00:05:03: New Orleans.
00:05:04 --> 00:05:08: Rafael is joined by my old friend Dennis Shea, who
00:05:08 --> 00:05:12: is the Executive Director of the housing center I established
00:05:12 --> 00:05:15: 3 plus years ago at the Bipartisan Policy Center.
00:05:16 --> 00:05:19: I think housing is a nonpartisan issue that needs a
00:05:19 --> 00:05:23: bipartisan policy response, so Dennis and I work with the
00:05:23 --> 00:05:27: federal government to try and educate them on policy options
00:05:28 --> 00:05:30: that could be passed at the federal level.

00:05:31 --> 00:05:34:	He worked with me on a housing, a foundation that
00:05:35 --> 00:05:38:	I established some time ago and we spent three years
00:05:38 --> 00:05:43:	walking the halls of Congress talking to congressmen and senators
00:05:43 --> 00:05:45:	about the housing crisis.
00:05:45 --> 00:05:48:	And I was amazed to learn that not very many
00:05:48 --> 00:05:49:	knew we had a housing crisis.
00:05:50 --> 00:05:52:	Then I had to convince them that it really mattered.
00:05:53 --> 00:05:55:	And then we talked about what we could do about
00:05:55 --> 00:05:55:	it.
00:05:55 --> 00:05:57:	I, I used to be an advocate.
00:05:57 --> 00:06:00:	It's a little less important now of getting rid of
00:06:00 --> 00:06:03:	the mortgage interest deduction, which was the biggest subsidy that
00:06:03 --> 00:06:06:	we had, and not enough money for a low income
00:06:06 --> 00:06:08:	housing tax credits and other things.
00:06:08 --> 00:06:11:	So Dennis and I have been together for quite a
00:06:11 --> 00:06:12:	long time.
00:06:13 --> 00:06:17:	He contributed to two landmark reports, Housing America's future, New
00:06:17 --> 00:06:21:	direction for national policy and healthy ageing begins at home.
00:06:21 --> 00:06:25:	During the administration of President George W Bush, Dennis served
00:06:25 --> 00:06:29:	as assistant secretary for policy development and research, the US
00:06:29 --> 00:06:31:	Department of Housing and Urban Development.
00:06:32 --> 00:06:35:	He has worked with me in housing for quite a
00:06:35 --> 00:06:38:	while and we're hoping, we're hoping to make people in
00:06:38 --> 00:06:41:	the federal government kind of a crazy time in the
00:06:42 --> 00:06:45:	federal government now really believe that housing should be a
00:06:45 --> 00:06:48:	priority, that it is a human right.
00:06:48 --> 00:06:51:	So I'll turn it over now to Dennis and Raphael.
00:06:51 --> 00:06:52:	Thank you for being here.
00:06:53 --> 00:06:54:	Our pleasure, Ron.
00:07:01 --> 00:07:05:	Well, thank you, Ron for that very generous introduction.
00:07:05 --> 00:07:09:	And I also want to thank Uli for inviting me
00:07:09 --> 00:07:12:	here to participate in this event.
00:07:12 --> 00:07:16:	This is my first time here at an ULI event
00:07:16 --> 00:07:17:	on this topic.
00:07:18 --> 00:07:21:	And I have to say this is an impressive, impressive
00:07:21 --> 00:07:22:	turn out.

00:07:22 --> 00:07:25: And the programming over the past two days has been
00:07:25 --> 00:07:27: equally impressive.
00:07:27 --> 00:07:30: So I want to congratulate Rosie and the entire ULI
00:07:30 --> 00:07:33: team for putting together a great two days of programming.
00:07:39 --> 00:07:43: As Ron mentioned, I I lead the Tuiliger Center for
00:07:43 --> 00:07:49: Housing Policy at the Bipartisan Policy Center in Washington, DC,
00:07:49 --> 00:07:52: and I have to say it is a real privilege
00:07:52 --> 00:07:56: to lead that organization under Ron's tutelage.
00:07:57 --> 00:08:01: I don't think there's anyone in the United States who's
00:08:01 --> 00:08:06: contributed more to supporting housing and housing affordability, not only
00:08:06 --> 00:08:11: through philanthropy, but also through the intellectual firepower that he's
00:08:11 --> 00:08:12: brought to the table.
00:08:12 --> 00:08:14: Then Ron to Williger.
00:08:14 --> 00:08:16: So I would hope everyone could join me in giving
00:08:16 --> 00:08:17: him a big round of applause.
00:08:24 --> 00:08:28: Now I have the easy job in this duet or
00:08:28 --> 00:08:28: duo.
00:08:28 --> 00:08:30: I get to ask the questions.
00:08:30 --> 00:08:32: And Doctor Bostick, who's an old friend.
00:08:32 --> 00:08:33: Hi, Raphael.
00:08:33 --> 00:08:34: Good to see you there.
00:08:34 --> 00:08:34: Good to see you.
00:08:35 --> 00:08:36: Gets to answer them.
00:08:36 --> 00:08:39: So Are you ready to make some news?
00:08:39 --> 00:08:39: Let's do it.
00:08:42 --> 00:08:42: OK, OK, great.
00:08:43 --> 00:08:46: Well, let's talk about the I word, I guess in
00:08:46 --> 00:08:47: Fed speak.
00:08:47 --> 00:08:49: That's called price stability.
00:08:52 --> 00:08:57: The the the inflation rate remains stubbornly high in January,
00:08:57 --> 00:09:02: with the consumer price index putting the annual rate at
00:09:02 --> 00:09:03: 3%.
00:09:03 --> 00:09:05: You know why that that surprised me.
00:09:06 --> 00:09:06: What?
00:09:06 --> 00:09:11: Why is inflation not coming down as quickly as it
00:09:11 --> 00:09:12: once was?
00:09:12 --> 00:09:14: So thank you, Dennis.
00:09:14 --> 00:09:16: It's really good to share a stage with you.
00:09:16 --> 00:09:19: And Dennis was my predecessor at HUD and left the
00:09:19 --> 00:09:22: department in good shapes for me to go and do

00:09:22 --> 00:09:23: good things.
00:09:23 --> 00:09:26: And it's also very good to be back at Urban
00:09:26 --> 00:09:30: Land, at an Urban Land Institute event when I was
00:09:30 --> 00:09:33: a professor at USC in Los Angeles, I basically was
00:09:33 --> 00:09:36: at ULI things at least once a quarter.
00:09:37 --> 00:09:40: So it was nice to be here and see the
00:09:40 --> 00:09:44: Uli family in full effect here in Atlanta.
00:09:44 --> 00:09:47: And, and Ron, thank you for all that you've done.
00:09:47 --> 00:09:49: I, I echo Dennis, it's just been a great investment
00:09:49 --> 00:09:50: you've done.
00:09:50 --> 00:09:52: All right, So you asked about inflation.
00:09:52 --> 00:09:59: So inflation is high and it's higher than I want
00:09:59 --> 00:10:00: it to be.
00:10:01 --> 00:10:03: Our target is 2%.
00:10:03 --> 00:10:05: If you look at the at the CPI, the target
00:10:05 --> 00:10:08: that we should be aiming for is something like 2.3
00:10:08 --> 00:10:09: to 2 1/2 percent.
00:10:10 --> 00:10:13: I do think it's important to think about this in
00:10:13 --> 00:10:14: a broader context, right?
00:10:14 --> 00:10:18: So not that long ago inflation was at 7%, eight
00:10:18 --> 00:10:19: percent, 9%.
00:10:20 --> 00:10:23: So we've seen a lot of progress in terms of
00:10:23 --> 00:10:27: inflation getting back down to the targets that we hope
00:10:27 --> 00:10:30: for, but it has slowed in the last six months
00:10:30 --> 00:10:31: or so.
00:10:31 --> 00:10:34: But one of the main culprits has been the topic
00:10:34 --> 00:10:37: that we're talking about today, which is housing.
00:10:37 --> 00:10:40: If you if you look at in the indices that
00:10:40 --> 00:10:45: we use to calculate inflation, many products have come back
00:10:45 --> 00:10:47: down to pre pandemic levels.
00:10:47 --> 00:10:50: You think about goods and you think about some of
00:10:50 --> 00:10:54: the services that we would use, those prices have come
00:10:54 --> 00:10:55: down.
00:10:55 --> 00:10:59: Housing has not come down nearly as much and it's
00:10:59 --> 00:11:04: stickiness or stubbornness at the higher level has put something
00:11:04 --> 00:11:07: of a floor on how low inflation can go.
00:11:08 --> 00:11:11: Now one of the things that's actually somewhat somewhat paradoxical
00:11:12 --> 00:11:14: is that by many measures of housing, if you go
00:11:14 --> 00:11:17: to some of the market based measures like the Zillow
00:11:17 --> 00:11:20: or Redfin or those sorts of things, they report that

00:11:20 --> 00:11:22: housing has come down much faster.
00:11:22 --> 00:11:26: The pricing, prices of housing come down much more than
00:11:26 --> 00:11:29: you get in some of the official statistics and it's
00:11:29 --> 00:11:32: a puzzle that we're trying to fully unpack and understand,
00:11:32 --> 00:11:35: but it is something we'll have to watch.
00:11:35 --> 00:11:39: Another area that I I'm paying attention to is on
00:11:39 --> 00:11:40: the services side.
00:11:41 --> 00:11:46: And service prices evolve typically much slower than than goods
00:11:46 --> 00:11:51: prices because the bulk of what drives that price are
00:11:51 --> 00:11:56: wages and wages or salaries don't adjust nearly as fast.
00:11:56 --> 00:11:59: And so we would expect services to evolve at a
00:11:59 --> 00:11:59: slower pace.
00:12:01 --> 00:12:02: But that has moved.
00:12:02 --> 00:12:03: It has been moving.
00:12:04 --> 00:12:07: And you know, one of the things we'll have to
00:12:07 --> 00:12:10: keep an eye out for in the next several months
00:12:10 --> 00:12:12: is what is going to happen.
00:12:12 --> 00:12:13: And there are really 3 possibilities.
00:12:14 --> 00:12:17: It can go back down continuous pace to 2%, It
00:12:18 --> 00:12:21: can plateau, or it could actually turn the other way.
00:12:21 --> 00:12:25: Now I will say today, my outlook is that inflation
00:12:25 --> 00:12:28: will continue back on its path to get to 2%.
00:12:29 --> 00:12:30: That's been my outlook for a long time.
00:12:31 --> 00:12:34: And the data that we've seen is, has been generally
00:12:34 --> 00:12:36: consistent with that.
00:12:36 --> 00:12:39: The one caveat I would say on this is that
00:12:39 --> 00:12:42: for me, I've always expected it to be a bumpy
00:12:42 --> 00:12:43: ride down, right.
00:12:43 --> 00:12:47: So January we saw numbers that were not so positive
00:12:47 --> 00:12:49: in that regard.
00:12:50 --> 00:12:53: But one point, data point does not make a trend.
00:12:54 --> 00:12:57: And what we'll have to do in our building is
00:12:57 --> 00:13:00: really look over the next several months to see if
00:13:00 --> 00:13:03: that was an aberration or a bump in the road
00:13:03 --> 00:13:06: or did it actually represent something more fundamental.
00:13:07 --> 00:13:10: Help me understand this magic number 2%.
00:13:10 --> 00:13:12: Why does 2% matter?
00:13:12 --> 00:13:15: All right, so I don't call it a magic number
00:13:15 --> 00:13:18: per SE, but but here, here's here's how I think
00:13:18 --> 00:13:19: about it.
00:13:19 --> 00:13:23: You know what you want ideally in an economy is

00:13:23 --> 00:13:26: for there to be some inflation.
00:13:27 --> 00:13:29: That's a sign the standards of living are are increasing.
00:13:30 --> 00:13:31: That's a sign that innovation is happening.
00:13:32 --> 00:13:35: That's a sign that productivity is occurring, right.
00:13:35 --> 00:13:38: If you don't have that that pressure, that energy in
00:13:38 --> 00:13:42: the in the marketplace, then you won't get inflation, but
00:13:42 --> 00:13:44: you don't want it to be too high because if
00:13:44 --> 00:13:48: it gets too high, then it starts to distort decisions
00:13:48 --> 00:13:50: that families and businesses make.
00:13:50 --> 00:13:53: And I think about what the Fed's job is, it's
00:13:53 --> 00:13:57: really to create a foundation about the general trend of
00:13:57 --> 00:14:01: the economy so that individuals and families can make judgments
00:14:01 --> 00:14:05: about what's the best investment for me to maximize my
00:14:05 --> 00:14:09: productivity or to innovate and and develop that next new
00:14:09 --> 00:14:09: product.
00:14:10 --> 00:14:12: In order to be willing to make a long term
00:14:12 --> 00:14:15: investment, you have to have some confidence that you know
00:14:15 --> 00:14:17: where the economy is going to be when you get
00:14:17 --> 00:14:18: onto the marketplace.
00:14:19 --> 00:14:21: And so if inflation is too high, then what it
00:14:21 --> 00:14:24: means is that the set of investments that is going
00:14:24 --> 00:14:27: to make sense three or five years down the road
00:14:27 --> 00:14:30: are going to be relatively small because they're going to
00:14:30 --> 00:14:33: have to generate huge returns in ways that are difficult.
00:14:34 --> 00:14:36: And so we want inflation to be there, but not
00:14:36 --> 00:14:40: too high because we want everyone to see opportunities to
00:14:40 --> 00:14:43: invest in themselves to make themselves better.
00:14:43 --> 00:14:47: Because if that happens, then our economy grows more resiliently,
00:14:47 --> 00:14:51: it's more innovative, people are more self-sufficient and they fully
00:14:51 --> 00:14:53: engage in the marketplace.
00:14:53 --> 00:14:53: So that's where we want to.
00:14:53 --> 00:14:55: Go and deflation is very bad.
00:14:55 --> 00:14:56: Yeah, we don't want that.
00:14:56 --> 00:14:57: We don't want that.
00:14:57 --> 00:15:00: So, so inflation is 0 or negative.
00:15:00 --> 00:15:03: That's a sign that we've got some problems in the
00:15:03 --> 00:15:06: economy that are going to be actually quite difficult to
00:15:06 --> 00:15:09: fix, and so we really want to avoid those situations
00:15:09 --> 00:15:10: if we can.

00:15:10 --> 00:15:11: So, thanks, Rafael.
00:15:11 --> 00:15:15: So let's turn to employment, which is the the other
00:15:15 --> 00:15:17: side of the Fed's dual mandate.
00:15:18 --> 00:15:22: As I understand it, monthly job growth slowed in the
00:15:22 --> 00:15:26: second-half of last year, but it has held up reasonably
00:15:26 --> 00:15:27: well.
00:15:28 --> 00:15:31: So what's your overall assessment of the labor market and
00:15:31 --> 00:15:33: what's your outlook for the coming months?
00:15:33 --> 00:15:37: So the labor market for the last they basically the
00:15:37 --> 00:15:40: whole time I've been in this job for 7 1/2
00:15:40 --> 00:15:42: years now has been tight, right?
00:15:42 --> 00:15:45: So in the, in the run up to the pandemic,
00:15:45 --> 00:15:50: unemployment rates were somewhere in the high 3, high threes,
00:15:50 --> 00:15:55: low fours, which by historic standards is an incredibly robust
00:15:55 --> 00:15:57: and tight labor market.
00:15:57 --> 00:16:00: And when we were talking to business leaders in the
00:16:00 --> 00:16:02: months leading up, they were all telling us we're having
00:16:03 --> 00:16:04: a hard time finding workers.
00:16:05 --> 00:16:08: We we want to to grow, but labor is a
00:16:08 --> 00:16:10: constraint that is that is real.
00:16:11 --> 00:16:15: You Fast forward through the pandemic, that didn't change.
00:16:15 --> 00:16:16: It actually got worse.
00:16:16 --> 00:16:20: And so they were at one point the unemployment rate
00:16:20 --> 00:16:21: was at 3.4%.
00:16:21 --> 00:16:24: And most businesses we talked to said we will do
00:16:24 --> 00:16:27: anything to prevent people from leaving.
00:16:28 --> 00:16:30: We will put retention, we will hold, we will wage
00:16:30 --> 00:16:34: increases grew substantially and those things wound up being a
00:16:34 --> 00:16:37: challenge because business is like, I don't know if we
00:16:38 --> 00:16:39: can sustain this.
00:16:39 --> 00:16:40: I can't don't know if we can do those things.
00:16:41 --> 00:16:44: Where we are today is we've come off that hyper
00:16:44 --> 00:16:48: tightness, but we're still in a in a robust situation.
00:16:48 --> 00:16:52: So what I say is labor markets are looser, but
00:16:52 --> 00:16:54: they're not loose, right?
00:16:54 --> 00:16:57: So and so they're still is still an environment where
00:16:57 --> 00:17:01: wages are growing healthily, where people can find jobs if
00:17:01 --> 00:17:04: they want them and where employers are are able to
00:17:04 --> 00:17:07: look out into the marketplace and find the people that
00:17:07 --> 00:17:10: they need to do the things that they're looking to

00:17:10 --> 00:17:11: do.
00:17:11 --> 00:17:15: Now, now, you and your staff have noted that labor
00:17:15 --> 00:17:19: growth has predominantly occurred in a small share, small number
00:17:19 --> 00:17:24: of economic sectors, mainly healthcare and social assistance, leisure and
00:17:24 --> 00:17:26: hospitality and government.
00:17:26 --> 00:17:27: That might be changing.
00:17:28 --> 00:17:30: So is is that a concern?
00:17:30 --> 00:17:33: This, this that the labor growth is, is appearing in
00:17:33 --> 00:17:35: a small share of the economic sector?
00:17:35 --> 00:17:38: You know, it's, it's interesting, I think about this in
00:17:38 --> 00:17:39: really two ways.
00:17:39 --> 00:17:43: The first way is when the pandemic happened, the economy
00:17:43 --> 00:17:46: shut down, we lost millions of jobs.
00:17:47 --> 00:17:50: And one of the things that we've been tracking is
00:17:50 --> 00:17:53: sector by sector, to what extent has the job, have
00:17:53 --> 00:17:57: the jobs recovered such that they are back on that
00:17:57 --> 00:17:58: pre pandemic trajectory.
00:17:59 --> 00:18:01: And if you look at that, the some of the
00:18:01 --> 00:18:05: sectors you called out, healthcare for example, was actually slow
00:18:05 --> 00:18:06: to get back.
00:18:06 --> 00:18:09: And so until relatively recently, it was still playing catch
00:18:09 --> 00:18:09: up.
00:18:10 --> 00:18:12: And so a lot of the outsized growth that we
00:18:12 --> 00:18:15: were seeing in the months in the latter part of
00:18:15 --> 00:18:18: 2024, I think still reflected some of that catch up.
00:18:19 --> 00:18:22: Now we do need to also be thinking about this
00:18:22 --> 00:18:25: set at sort of a holistic level to ask the
00:18:25 --> 00:18:28: question like once the catch up is over, what's left?
00:18:28 --> 00:18:30: Like do you have other things?
00:18:30 --> 00:18:33: And that's where the, the lack of breadth of growth
00:18:33 --> 00:18:36: has been something that we've been wanting to watch and
00:18:36 --> 00:18:37: and monitor today.
00:18:38 --> 00:18:41: The last several readings we've gotten, unemployment suggested the the
00:18:42 --> 00:18:44: the economy is moving slower in that regard.
00:18:44 --> 00:18:46: But even here it's not slow.
00:18:46 --> 00:18:49: And there's a debate that's going on now about what's
00:18:50 --> 00:18:51: the break even level.
00:18:51 --> 00:18:54: You know, we have population growth, we have regular churn.

00:18:54 --> 00:18:57: So just to break even you're going to need a
00:18:57 --> 00:18:58: minimum number of jobs.
00:18:59 --> 00:19:02: When I was a professor, the number was about 100
00:19:02 --> 00:19:03: and 25150 thousand.
00:19:03 --> 00:19:04: Today.
00:19:04 --> 00:19:08: Some estimates were suggested as low as 75 to 100,000,
00:19:08 --> 00:19:13: in part because of trends in immigration and and that
00:19:13 --> 00:19:17: has an implication for what needs there are in the
00:19:17 --> 00:19:18: economy.
00:19:19 --> 00:19:21: Just as a quick follow up, what, what role, what
00:19:22 --> 00:19:24: level of importance do you attribute to growth in the
00:19:24 --> 00:19:25: manufacturing sector?
00:19:25 --> 00:19:27: I mean, that's been a big, that was a big
00:19:27 --> 00:19:29: priority the Biden administration.
00:19:29 --> 00:19:31: It's a priority of the Trump administration.
00:19:31 --> 00:19:34: What about manufacturing jobs in the United States?
00:19:34 --> 00:19:36: How important is that that we grow, that that sector?
00:19:36 --> 00:19:39: So the US economy has been in a secular trend
00:19:39 --> 00:19:41: in this for a long time in the sense of
00:19:41 --> 00:19:45: what we were at one point predominantly a manufacturing economy.
00:19:45 --> 00:19:48: And since the 60s or 70's the trend has shifted
00:19:48 --> 00:19:52: pretty considerably just that we are now predominantly a service
00:19:52 --> 00:19:52: economy.
00:19:53 --> 00:19:55: We this is not the country where things are made.
00:19:55 --> 00:19:58: This is where ideas are built and then those ideas
00:19:58 --> 00:20:02: are executed in other places and that's a different way
00:20:02 --> 00:20:03: to provide value add.
00:20:03 --> 00:20:07: And on some level that approach has meant that American
00:20:07 --> 00:20:08: driven products.
00:20:08 --> 00:20:11: Are the products with the highest value add and that's
00:20:11 --> 00:20:14: one way that we've retained our high standard of living.
00:20:14 --> 00:20:19: It's an interesting question as to how important we should
00:20:19 --> 00:20:23: think about manufacturing as a component to the US economy.
00:20:23 --> 00:20:29: On one hand, the manufacturing job that you need today
00:20:29 --> 00:20:31: actually let me back up.
00:20:33 --> 00:20:36: Back in the day, manufacturing didn't require a lot of
00:20:36 --> 00:20:39: super specialized skills, so you didn't need to have a
00:20:39 --> 00:20:43: lot of special education or excessive excessive a lot of
00:20:43 --> 00:20:43: training.
00:20:44 --> 00:20:47: You could just go and do that and get a

00:20:47 --> 00:20:49: really good wage right today if you could.
00:20:49 --> 00:20:52: How many people here have been in the manufacturing place
00:20:52 --> 00:20:53: recently in a factory?
00:20:54 --> 00:20:55: Not recently.
00:20:56 --> 00:20:57: So not too many.
00:20:57 --> 00:20:59: So let me just tell you, it's not your last
00:20:59 --> 00:21:04: generation manufacturing and the jobs that happen in manufacturing plants
00:21:04 --> 00:21:07: today are mainly done by machines and the there are
00:21:07 --> 00:21:10: still a lot of jobs there, but those jobs require
00:21:10 --> 00:21:14: you to be calibrating machines, reading measures and metrics and
00:21:14 --> 00:21:15: understanding things.
00:21:15 --> 00:21:18: It's a different type of skill set that's required.
00:21:19 --> 00:21:22: And so when we think about where that where that
00:21:22 --> 00:21:25: goes in the future, we have to really ask, do
00:21:25 --> 00:21:28: we have staff, we have people in our population who
00:21:28 --> 00:21:31: have those skills and if you don't, then how do
00:21:31 --> 00:21:34: you transition to make those things happen.
00:21:34 --> 00:21:36: And one, that's one of the things that our bank
00:21:36 --> 00:21:37: has spent a lot of time on.
00:21:37 --> 00:21:41: We have a center on workforce and economic opportunity and
00:21:41 --> 00:21:44: we are trying very hard to understand how you build
00:21:44 --> 00:21:47: an ecosystem so that people who have one set of
00:21:47 --> 00:21:51: skills can position themselves and transition to get the next
00:21:51 --> 00:21:54: set of skills for the jobs of tomorrow.
00:21:55 --> 00:21:57: The degree to which we're successful in that, I think
00:21:57 --> 00:21:59: we'll go a long way to answering your initial question.
00:21:59 --> 00:22:03: Because if we have a ready made army of workers
00:22:04 --> 00:22:07: that are able to do the job, then the hurdle
00:22:07 --> 00:22:12: to be able to to produce in those things profitably
00:22:12 --> 00:22:14: in this country goes down.
00:22:15 --> 00:22:16: And so we'll have to see how this all plays
00:22:16 --> 00:22:17: out.
00:22:17 --> 00:22:19: It'll be an interesting question in the in the next
00:22:19 --> 00:22:20: several years.
00:22:21 --> 00:22:21: Well, great.
00:22:21 --> 00:22:24: So, so big picture, I'm listening to you Raphael.
00:22:24 --> 00:22:27: You've said that inflation is on the on the right
00:22:27 --> 00:22:27: track.
00:22:28 --> 00:22:30: No, progress is a bit a bit bumpy.

00:22:32 --> 00:22:37:	The labor market is not showing signs of serious deterioration.
00:22:38 --> 00:22:41:	The macro economy is generally solid.
00:22:42 --> 00:22:43:	That's what I'm hearing from you.
00:22:44 --> 00:22:49:	So what does that mean for monetary policy?
00:22:49 --> 00:22:51:	This current state of affairs in the in the overall.
00:22:51 --> 00:22:52:	Economy, sure.
00:22:52 --> 00:22:56:	So what it means for monetary policy today I think
00:22:56 --> 00:22:59:	is that we need to stay where we are and
00:22:59 --> 00:23:01:	let let's see sort of where the world is.
00:23:02 --> 00:23:07:	So first statement, monetary policy today where our interest rates
00:23:07 --> 00:23:11:	are, I think they are in a restrictive posture.
00:23:11 --> 00:23:14:	They are not pushing the economy to be faster.
00:23:14 --> 00:23:18:	They are actually mildly causing it to slow, which is
00:23:18 --> 00:23:21:	going to be required for us to get inflation down
00:23:21 --> 00:23:22:	to 2%, right.
00:23:22 --> 00:23:25:	We have the dual mandate, we have the employment mandate,
00:23:25 --> 00:23:27:	we have the price stability mandate.
00:23:28 --> 00:23:32:	You can say that we're hitting our employment mandate and
00:23:32 --> 00:23:35:	now we have to get the price stability mandate under
00:23:35 --> 00:23:35:	control.
00:23:35 --> 00:23:37:	We have to get to that number and we are
00:23:37 --> 00:23:37:	not there.
00:23:38 --> 00:23:40:	So in order to do that, we need to make
00:23:40 --> 00:23:43:	sure that our policies are not putting extra pressure in
00:23:43 --> 00:23:46:	the economy that would cause prices either to want to
00:23:47 --> 00:23:49:	be stable or go up because that won't get us
00:23:49 --> 00:23:50:	there.
00:23:50 --> 00:23:52:	So we need to be in a a restrictive posture.
00:23:53 --> 00:23:56:	The thing that I am also watching for though, because
00:23:56 --> 00:23:57:	we've actually been fairly fortunate.
00:23:57 --> 00:24:01:	We've got inflation go from seven, 8% to about 3
00:24:01 --> 00:24:06:	and maybe a little less without seeing large deterioration in
00:24:06 --> 00:24:07:	the labor market.
00:24:08 --> 00:24:10:	And if I don't know if you remember the the
00:24:10 --> 00:24:14:	stories in the news several years ago, everyone said that
00:24:14 --> 00:24:14:	wasn't possible.
00:24:15 --> 00:24:17:	They said if you were going to get inflation to
00:24:17 --> 00:24:20:	your 2% target, you were going to have to trigger
00:24:20 --> 00:24:20:	a recession.
00:24:21 --> 00:24:23:	That was never my outlook, but that was what was

00:24:23 --> 00:24:24: out there.
00:24:24 --> 00:24:27: I'm glad to say my outlook played out pretty well
00:24:28 --> 00:24:31: this time and I'm hopeful that we can continue with
00:24:31 --> 00:24:34: that and not see significant dislocation.
00:24:34 --> 00:24:37: So we are watching this very closely to see if
00:24:37 --> 00:24:41: we can continue to see inflation come down without seeing
00:24:41 --> 00:24:44: that that deep weakness in the economy.
00:24:44 --> 00:24:47: So, so you, you voted for the three cuts in
00:24:47 --> 00:24:50: the federal funds rate last year.
00:24:50 --> 00:24:53: How did you get to that position of voting to
00:24:53 --> 00:24:57: reduce and were there particular data points or or broad
00:24:57 --> 00:24:59: conditions that sealed it?
00:25:00 --> 00:25:00: Sure.
00:25:00 --> 00:25:03: So let me talk a little bit about the process
00:25:03 --> 00:25:05: that we use, because in Atlanta we use a, a
00:25:05 --> 00:25:09: process that is fairly unique that grew out of the
00:25:09 --> 00:25:10: great financial crisis.
00:25:10 --> 00:25:14: So during the great financial crisis, more banks failed in
00:25:14 --> 00:25:17: the 6th District in my district than anywhere else in
00:25:17 --> 00:25:18: the country.
00:25:19 --> 00:25:22: And so we obviously missed something that we needed to
00:25:22 --> 00:25:24: make sure we didn't miss again.
00:25:25 --> 00:25:28: So my predecessors put in place a new team that
00:25:28 --> 00:25:32: we call the Regional Economic Information Network, whose job it
00:25:32 --> 00:25:34: is to go out and talk to people and find
00:25:34 --> 00:25:38: out what are you worrying about, what's working, what's not
00:25:38 --> 00:25:40: working, all this sort of stuff.
00:25:40 --> 00:25:44: Because what was clear is that the official data wasn't
00:25:44 --> 00:25:46: giving us all the things we needed.
00:25:47 --> 00:25:49: So we needed to go out into the field, be
00:25:49 --> 00:25:53: much more aggressive, engaging with business leaders and others to,
00:25:53 --> 00:25:57: to find out what's happening and find the trend before
00:25:57 --> 00:25:58: it became a trend in the data.
00:25:59 --> 00:26:01: And so we have a whole team that does that.
00:26:01 --> 00:26:04: And every, every FOMC cycle, they go out, they talk
00:26:04 --> 00:26:07: to 60 to 120 folks, see if there are new
00:26:07 --> 00:26:10: things or narratives that are coming out and they come
00:26:10 --> 00:26:11: and brief me on it.
00:26:12 --> 00:26:14: We also have a survey center that we built up.
00:26:14 --> 00:26:17: So we run maybe 5 or 6 different surveys, some

00:26:17 --> 00:26:20: of them national only representative, some of them representative of

00:26:20 --> 00:26:23: the 6th District, where we ask business leaders again, in

00:26:23 --> 00:26:27: a forward-looking context, like what do you think you're going

00:26:27 --> 00:26:29: to do with your wages in the next 12 months?

00:26:29 --> 00:26:32: Do you think that your customers are going to continue

00:26:33 --> 00:26:35: to buy the goods that you have at the same

00:26:35 --> 00:26:37: level over the next 6 to 12 months?

00:26:37 --> 00:26:40: Do you think you have, are you planning to raise

00:26:40 --> 00:26:43: prices like all these sorts of questions, another source of

00:26:43 --> 00:26:44: forward-looking information.

00:26:44 --> 00:26:46: So we can try to find out things before the

00:26:46 --> 00:26:49: before they show up in the aggregate data and then

00:26:49 --> 00:26:50: we also get the aggregate data.

00:26:50 --> 00:26:52: So we I get these briefings.

00:26:52 --> 00:26:54: You're a data guy, I know that.

00:26:54 --> 00:26:55: You're yeah, I love, I love my data.

00:26:55 --> 00:26:57: And one of the things I I miss about this

00:26:57 --> 00:26:59: job is I don't actually get to play in the

00:26:59 --> 00:27:01: data as much like I see other people doing it.

00:27:02 --> 00:27:06: But what we saw pretty quickly toward the end in

00:27:06 --> 00:27:11: the middle of last year was the idea that inflation

00:27:11 --> 00:27:16: was moving and that businesses did not have pricing power

00:27:16 --> 00:27:19: to offset any any increased costs.

00:27:19 --> 00:27:21: And if that was the case, then we were going

00:27:22 --> 00:27:24: to be making good progress toward that 2% level.

00:27:25 --> 00:27:28: Now we had moved our interest rate up pretty significantly

00:27:28 --> 00:27:30: to slow the economy down.

00:27:30 --> 00:27:33: And what I and our, I think my colleagues also,

00:27:33 --> 00:27:37: we called it the recalibration, as we started getting closer

00:27:37 --> 00:27:40: to target, we needed to start to pull off some

00:27:40 --> 00:27:43: of the restrictiveness because if we waited till we were

00:27:43 --> 00:27:46: right at 2%, then we would have waited too long

00:27:46 --> 00:27:49: and then the restrictiveness would have pulled us way past

00:27:49 --> 00:27:50: that target.

00:27:50 --> 00:27:52: And so I for me, I felt like it was

00:27:52 --> 00:27:55: a good time to start to pull off of that

00:27:55 --> 00:27:58: the highs of our interest rate so that we could

00:27:58 --> 00:27:59: so, so ease it in it's kind.

00:27:59 --> 00:28:01: Of an art, not a science.

00:28:01 --> 00:28:02: It's always an art.

00:28:03 --> 00:28:05: I mean, we're talking about people now, right?

00:28:05 --> 00:28:07: So people, you know, you're never going to get like,
00:28:07 --> 00:28:09: no, none of us here are machines and they're doing
00:28:09 --> 00:28:11: things exactly the same all the time.
00:28:12 --> 00:28:15: And, and now I think we're at a place where
00:28:15 --> 00:28:19: because our policies often work with a lag, we, I
00:28:19 --> 00:28:22: think it's prudent to just at some point pause and
00:28:22 --> 00:28:26: see what's happened and to make sure that you're getting
00:28:26 --> 00:28:28: what you need and then learn.
00:28:29 --> 00:28:32: And once you learn, then we can decide what the
00:28:32 --> 00:28:34: next action or steps should be today.
00:28:34 --> 00:28:37: I think we've learned a bunch, but I think some
00:28:37 --> 00:28:40: things are on the horizon that are going to influence
00:28:40 --> 00:28:42: sort of what the future looks like.
00:28:42 --> 00:28:44: And so in that sense, I think they're also things
00:28:44 --> 00:28:45: to to wait for.
00:28:45 --> 00:28:46: Great.
00:28:46 --> 00:28:47: Well, thank you, Rafael.
00:28:47 --> 00:28:50: Now let's turn to a subject that I know is
00:28:50 --> 00:28:53: near and dear to your heart, as Ron mentioned in
00:28:53 --> 00:28:56: his introduction of you, and that's that's housing.
00:28:58 --> 00:29:01: You're the former assistant secretary for policy development and research
00:29:02 --> 00:29:04: at housing and LED the the Lusk Center for Real
00:29:04 --> 00:29:05: Estate at USC.
00:29:05 --> 00:29:08: So you, you have a deep, deep background in, in
00:29:08 --> 00:29:09: housing and housing policy.
00:29:09 --> 00:29:13: And as you well know that so many Americans today
00:29:13 --> 00:29:17: are, are struggling with high housing costs here in Atlanta.
00:29:17 --> 00:29:18: Look this up.
00:29:18 --> 00:29:22: Average rents have increased by 30% over the past five
00:29:22 --> 00:29:26: years and home prices have risen by 50% during the
00:29:27 --> 00:29:27: same.
00:29:27 --> 00:29:29: I hope that right maybe your, your staff at the
00:29:29 --> 00:29:31: Fed will double check, but I think that's right.
00:29:32 --> 00:29:32: But you know what?
00:29:32 --> 00:29:36: What do you consider to be the main causes behind
00:29:36 --> 00:29:39: today's housing affordability challenges?
00:29:39 --> 00:29:43: Well, well, first of all, on the statistics, you should
00:29:43 --> 00:29:44: have checked our tools.
00:29:44 --> 00:29:47: So online we have a home.
00:29:47 --> 00:29:48: I knew I shouldn't have said this.
00:29:48 --> 00:29:51: A home ownership affordability monitor and we have a rental

00:29:51 --> 00:29:55: affordability monitor that provides metro area by metro area, the
00:29:55 --> 00:29:57: statistics on this and I didn't actually look up Atlanta.
00:29:57 --> 00:29:59: So we're both in the same place on this.
00:29:59 --> 00:30:00: OK.
00:30:00 --> 00:30:02: But I would say if you all are not subscribed
00:30:03 --> 00:30:05: to the Atlanta Fed, you should do this.
00:30:05 --> 00:30:08: We send a weekly blast out with all the tools
00:30:08 --> 00:30:10: and the new things, any new papers that have been
00:30:10 --> 00:30:11: written.
00:30:11 --> 00:30:14: And we are trying to make as much as possible
00:30:14 --> 00:30:17: the things that we know, things that you know, so
00:30:17 --> 00:30:20: you can go to atlantafed.org and you can find these
00:30:20 --> 00:30:20: things.
00:30:20 --> 00:30:22: You can, I think there's a subscribe button on there
00:30:22 --> 00:30:23: somewhere.
00:30:23 --> 00:30:26: Please do that because I want that information to be
00:30:26 --> 00:30:28: out as widely as possible.
00:30:28 --> 00:30:32: And when you think about the sources and the causes
00:30:32 --> 00:30:36: of the affordability challenge, it really depends on where you
00:30:36 --> 00:30:36: are.
00:30:36 --> 00:30:39: And you're one of the things that surprised me in
00:30:39 --> 00:30:40: taking this job.
00:30:40 --> 00:30:42: I was in Los Angeles.
00:30:42 --> 00:30:44: Clearly you got a problem there.
00:30:44 --> 00:30:48: You know, that's your short thousands of units.
00:30:49 --> 00:30:50: The population, the way outstrips that.
00:30:51 --> 00:30:53: When I came to the Southeast, I thought, I want
00:30:53 --> 00:30:54: to hear about this anymore.
00:30:54 --> 00:30:56: Like, we don't have like every.
00:30:56 --> 00:30:57: That's not LA.
00:30:57 --> 00:30:58: And I was totally wrong.
00:30:59 --> 00:31:03: But every place I go to, I hear people complaining
00:31:03 --> 00:31:08: about how it's difficult to find affordable housing, whether it
00:31:08 --> 00:31:10: be Knoxville, TN, Meridian, Ms.
00:31:11 --> 00:31:12: Albany, GA.
00:31:13 --> 00:31:16: It's clearly Atlanta, but it's not just the big places.
00:31:17 --> 00:31:18: And that's been quite interesting.
00:31:18 --> 00:31:22: I think that the challenges vary depending on where you
00:31:22 --> 00:31:22: are.
00:31:22 --> 00:31:25: So a place like Atlanta, this metro area is growing
00:31:25 --> 00:31:26: incredibly fast.

00:31:27 --> 00:31:31: The population is changing faster than the number of units
00:31:31 --> 00:31:32: is changing.
00:31:32 --> 00:31:35: And that supply demand imbalance is putting upward pressure and
00:31:35 --> 00:31:38: it's most acute in some of the hottest neighborhoods.
00:31:38 --> 00:31:40: So I'm in our buildings in Midtown.
00:31:41 --> 00:31:43: You see cranes all over the place.
00:31:43 --> 00:31:46: There are not pricing at a Fort for the middle
00:31:46 --> 00:31:48: or moderate income family.
00:31:49 --> 00:31:52: They're pricing for a different population because it's going to
00:31:52 --> 00:31:52: be an auction.
00:31:53 --> 00:31:56: You go to some other places, you might have challenges
00:31:56 --> 00:32:00: around housing quality itself, so people living in housing that
00:32:00 --> 00:32:01: is of poor quality.
00:32:01 --> 00:32:05: In other instances it's about a mismatch between the cost
00:32:05 --> 00:32:08: of how much it is to build housing and the
00:32:08 --> 00:32:10: incomes people have.
00:32:10 --> 00:32:13: So there may be, there are some markets where even
00:32:13 --> 00:32:16: if you built at the lowest possible costs that we
00:32:16 --> 00:32:20: know today, people's incomes are not sufficient to make that
00:32:20 --> 00:32:21: an affordable reality.
00:32:22 --> 00:32:25: And so, you know, I often say affordability is a
00:32:25 --> 00:32:27: ratio, it's cost and income.
00:32:27 --> 00:32:30: And you might need to think about moving both of
00:32:30 --> 00:32:32: those or how you might move both of those.
00:32:32 --> 00:32:34: And this is where workforce training and those sorts of
00:32:34 --> 00:32:36: things could be quite interesting.
00:32:36 --> 00:32:39: But we can all agree that a key cause of
00:32:39 --> 00:32:43: the housing affordability problem today is the mismatch between the
00:32:43 --> 00:32:46: demand for housing and available supply.
00:32:46 --> 00:32:50: And there have been numerous studies saying that we've underbuilt
00:32:50 --> 00:32:53: HUD housing by 3.9 million homes, 4 million homes up
00:32:53 --> 00:32:54: for growth as a study.
00:32:54 --> 00:32:55: Freddie Mac has a study.
00:32:55 --> 00:32:57: It's all it's millions of homes.
00:32:57 --> 00:33:01: So if you were housing czar for a day, what
00:33:01 --> 00:33:03: steps so be put the czar?
00:33:03 --> 00:33:06: You know, if your housing czar for a day, what
00:33:06 --> 00:33:10: steps would you take to encourage the construction of more
00:33:10 --> 00:33:14: affordable homes, both on the rental side and starter homes
00:33:14 --> 00:33:15: for sale?

00:33:15 --> 00:33:19: So I think the first thing I want to do
00:33:19 --> 00:33:25: is try to leverage contours of the urban space, right?
00:33:25 --> 00:33:26: So what do I mean by that?
00:33:27 --> 00:33:30: There are parts of the urban space where it's natural
00:33:30 --> 00:33:31: to have density.
00:33:32 --> 00:33:36: If you think about metro train stations, you think about
00:33:36 --> 00:33:40: along bus lines, you know, those sorts of things where
00:33:40 --> 00:33:45: the infrastructure is really consistent with having large numbers of
00:33:45 --> 00:33:46: people.
00:33:46 --> 00:33:49: And then try to make sure that we build our
00:33:49 --> 00:33:51: housing to that level, right?
00:33:51 --> 00:33:55: And in many places we don't see that where you'll
00:33:55 --> 00:34:00: have like here in Atlanta, there are Marta stations where
00:34:00 --> 00:34:05: it's fairly low density with for a good radius around
00:34:05 --> 00:34:06: that station.
00:34:06 --> 00:34:11: Those are, I think, missed opportunities in terms of trying
00:34:11 --> 00:34:15: to have a a landscape of housing where it makes
00:34:15 --> 00:34:15: sense.
00:34:16 --> 00:34:22: A second thing I think is to OK, I'm bizarre.
00:34:22 --> 00:34:22: I can just.
00:34:22 --> 00:34:24: You can just Yeah, you, you, you're wearing the crown.
00:34:24 --> 00:34:25: So just.
00:34:25 --> 00:34:29: Is is to introduce density in ways that people today
00:34:29 --> 00:34:31: don't appreciate, right.
00:34:31 --> 00:34:34: So I think when people hear the word density, they
00:34:34 --> 00:34:37: emit their minds immediately go to certain types of developments,
00:34:38 --> 00:34:40: the high rises, the public housing, you know, all that
00:34:40 --> 00:34:41: kind of stuff.
00:34:42 --> 00:34:44: And there are some layouts of how you can build
00:34:44 --> 00:34:48: it fairly high densities that don't don't actually feel where
00:34:48 --> 00:34:50: you don't feel the weight of the density.
00:34:51 --> 00:34:54: And I think trying to increase the awareness of that
00:34:54 --> 00:34:57: reality is, is also something that I would try to
00:34:58 --> 00:34:58: do.
00:34:58 --> 00:35:02: And then the third thing, and I was talking to
00:35:02 --> 00:35:06: someone earlier today is, and this has been true when
00:35:06 --> 00:35:09: I was back at USC like 25 years ago, that
00:35:09 --> 00:35:14: innovation and how you build housing has come relatively slowly.
00:35:14 --> 00:35:16: Yeah, we're always almost getting there, right?
00:35:16 --> 00:35:17: Almost.

00:35:17 --> 00:35:21: This, it hasn't changed and finding ways to really accelerate
00:35:22 --> 00:35:25: innovation in the space, which I think with both lower
00:35:26 --> 00:35:31: costs and actually lead to more interesting configurations that better
00:35:31 --> 00:35:34: fit how people need to Live Today could be another
00:35:34 --> 00:35:39: way to to accomplish this, this improvement in affordable housing.
00:35:40 --> 00:35:40: Great.
00:35:41 --> 00:35:46: You know, our our mutual friend Ron Tuilliger often reminds
00:35:46 --> 00:35:50: us that it's important to not only build more homes,
00:35:50 --> 00:35:55: but to preserve the existing stock of affordable homes.
00:35:55 --> 00:35:58: And but each year we lose thousands of homes to
00:35:58 --> 00:36:03: affordable homes to obsolescence, and thousands more convert to market
00:36:03 --> 00:36:04: rate.
00:36:05 --> 00:36:10: The affordability restrictions of an estimated 500,000 lie tech units
00:36:10 --> 00:36:14: are expected to expire by the end of this decade.
00:36:14 --> 00:36:19: So how important is, in your view, affordable housing preservation
00:36:19 --> 00:36:23: and what role can public policy play in supporting it?
00:36:24 --> 00:36:26: So preservation is, is critical.
00:36:26 --> 00:36:28: You know, if we didn't, if we didn't lose a
00:36:28 --> 00:36:31: single unit, we'd still be way behind, right?
00:36:31 --> 00:36:34: So losing additionally, this means you're just deeper in the
00:36:34 --> 00:36:34: hole.
00:36:35 --> 00:36:38: So if we can prevent that from happening, that gives
00:36:38 --> 00:36:40: us a, a fighting chance to, to build our way
00:36:40 --> 00:36:43: out of this in a way that we have not
00:36:43 --> 00:36:44: really been able to do that.
00:36:45 --> 00:36:45: For me.
00:36:45 --> 00:36:48: I think, you know, I, I guess it was a
00:36:48 --> 00:36:49: long time ago now.
00:36:49 --> 00:36:53: I, I worked on a, a research project where we
00:36:53 --> 00:36:58: tried to look at models of preservation and to identify
00:36:58 --> 00:37:04: unique approaches to finding funding to allow housing that is
00:37:04 --> 00:37:08: at risk of, you know, retiring out or that needed
00:37:09 --> 00:37:11: upgrades to not be lost.
00:37:12 --> 00:37:15: So like there's a housing preservation network and a, and
00:37:15 --> 00:37:18: a bunch of other institutions out there that are trying
00:37:18 --> 00:37:21: to do these things and we need more creativity in
00:37:21 --> 00:37:21: this space.
00:37:22 --> 00:37:27: Another thing that I've been thinking about, and this is

00:37:27 --> 00:37:31: really just pie in the sky, is the reality that
00:37:31 --> 00:37:36: we we don't have enough tradespeople in building to begin
00:37:36 --> 00:37:37: with.
00:37:38 --> 00:37:41: And maybe there's a way to partner or marry a
00:37:41 --> 00:37:47: building up a trades workforce with rehabbing homes that are
00:37:47 --> 00:37:51: of lower quality or that are at risk of going
00:37:51 --> 00:37:51: into.
00:37:51 --> 00:37:52: Specializing in rehab.
00:37:53 --> 00:37:54: Specializing in rehab or obsolescence.
00:37:55 --> 00:37:58: I, I did a, a trip to central Alabama in
00:37:59 --> 00:38:03: the Black Belt and there were so many and these,
00:38:03 --> 00:38:08: this is a, a relatively high unemployment area and very
00:38:08 --> 00:38:10: poor housing.
00:38:11 --> 00:38:12: And it's, it's about the quality.
00:38:13 --> 00:38:17: There may be ways to identify these nexuses where you
00:38:17 --> 00:38:21: can accomplish more than one thing at the same time.
00:38:21 --> 00:38:24: And it may be that some foundations can proof and
00:38:24 --> 00:38:27: be and develop a proof of concept that this can
00:38:27 --> 00:38:28: work.
00:38:28 --> 00:38:31: And then you might find ways to then take things
00:38:31 --> 00:38:32: to scale.
00:38:32 --> 00:38:35: But I think it's going to be, there are opportunities
00:38:35 --> 00:38:36: out there.
00:38:36 --> 00:38:39: It will take someone who's hard headed and not going
00:38:39 --> 00:38:40: to take no for an answer.
00:38:41 --> 00:38:44: And it's going to persevere and, and push through some
00:38:44 --> 00:38:46: of the challenges to, to be able to do those
00:38:46 --> 00:38:46: things.
00:38:47 --> 00:38:49: But I'm optimistic that we can do it because I
00:38:49 --> 00:38:52: because there are some nice models out there and there's
00:38:52 --> 00:38:55: some smart people who are who are noticing things in
00:38:55 --> 00:38:57: the field that we might be able to leverage.
00:38:58 --> 00:38:58: Well, that's great.
00:38:58 --> 00:39:00: We should follow up on that.
00:39:01 --> 00:39:06: You know, today you really can't talk about housing affordability
00:39:06 --> 00:39:10: without mentioning rising property insurance costs.
00:39:11 --> 00:39:16: Catastrophes like Hurricanes Helene and Milton and the tragic wildfires
00:39:16 --> 00:39:20: in in Southern California and Los Angeles have certainly brought
00:39:20 --> 00:39:23: greater attention to this issue.
00:39:24 --> 00:39:28: What role have insurance costs played in inflation and what

00:39:28 --> 00:39:30: have you heard from your contacts?
00:39:30 --> 00:39:33: I know you you talked to a lot of people
00:39:33 --> 00:39:37: about how insurance costs affect property development and the general
00:39:38 --> 00:39:39: cost of doing business.
00:39:39 --> 00:39:40: Yeah.
00:39:40 --> 00:39:43: So insurance is as much as people talk about the
00:39:43 --> 00:39:47: affordable housing problem often than number item number 2 is
00:39:47 --> 00:39:48: insurance cost.
00:39:49 --> 00:39:54: And in, in part it's because the risks, the spatial
00:39:54 --> 00:39:59: risk has changed in a pretty fundamental way.
00:40:00 --> 00:40:03: And when I started in this job, there had never
00:40:03 --> 00:40:06: been a hurricane or a storm that got to Atlanta
00:40:06 --> 00:40:09: and was still hurricane force never happened.
00:40:09 --> 00:40:13: I got here in June, in September, a hurricane was
00:40:13 --> 00:40:15: here at hurricane force.
00:40:16 --> 00:40:19: And since then, it just seems like every year there
00:40:19 --> 00:40:21: are a ton of these things.
00:40:21 --> 00:40:24: And you know, the five year storm is happening every
00:40:24 --> 00:40:24: year.
00:40:24 --> 00:40:26: The 10 year storm is happening every two years.
00:40:27 --> 00:40:32: And what it, what it means is that insurance companies
00:40:32 --> 00:40:37: are facing a totally different math around coverage and, you
00:40:37 --> 00:40:40: know, they're actually paying the money.
00:40:40 --> 00:40:43: So they, they, they respond pretty quickly and you start
00:40:43 --> 00:40:45: to see these shifts and, and in my district, I
00:40:45 --> 00:40:48: have the Gulf Coast, so I'm super sensitive to that.
00:40:48 --> 00:40:52: But California with the, with the wildfires and the droughts
00:40:52 --> 00:40:55: and, and all these things and every place where or,
00:40:55 --> 00:40:59: or even Houston with the flooding, flooding these, these superstorms
00:40:59 --> 00:41:01: that can drop lots of water.
00:41:01 --> 00:41:03: The risks are showing up in different ways and they're
00:41:03 --> 00:41:04: showing up regularly.
00:41:04 --> 00:41:05: And that's a challenge.
00:41:06 --> 00:41:09: So there are two things for me that I think
00:41:09 --> 00:41:09: about.
00:41:10 --> 00:41:13: One is, and I talked about this for my banks
00:41:13 --> 00:41:13: as well.
00:41:13 --> 00:41:16: So we're a bank regulator need to make sure that
00:41:16 --> 00:41:20: banking institutions are sensitive to the risk associated with the

00:41:21 --> 00:41:24: port, their lending portfolios so that they can survive.
00:41:24 --> 00:41:27: And that's one of the conversations I want to have,
00:41:27 --> 00:41:30: but also want to work with communities and and help
00:41:30 --> 00:41:33: them think about what resilience looks like.
00:41:33 --> 00:41:36: You know, when I was at HUD, actually, we did
00:41:36 --> 00:41:41: a partnership with NOAA, the oceanography and I always mess
00:41:41 --> 00:41:44: up the whole thing, but to try to build tools
00:41:44 --> 00:41:49: to help communities understand where their assets were at risk
00:41:49 --> 00:41:52: of these these nature events so that you can start
00:41:52 --> 00:41:54: to have resilience plans.
00:41:54 --> 00:41:56: You can start to do contingency, you can start to
00:41:56 --> 00:41:58: invest in those sorts of things.
00:41:58 --> 00:41:59: And that's important.
00:41:59 --> 00:42:02: What I'll say is like in Florida, for example, we
00:42:02 --> 00:42:06: did a an insurance roundtable, super interesting talking about all
00:42:06 --> 00:42:07: the challenges.
00:42:07 --> 00:42:12: One of the challenges that they had was lawsuits around
00:42:12 --> 00:42:17: repairing the homes, and so they've done a little tort
00:42:17 --> 00:42:18: reform.
00:42:18 --> 00:42:21: Assignment of benefits they assigned benefits allowed other people to
00:42:21 --> 00:42:21: sue on.
00:42:21 --> 00:42:23: All those sort of things.
00:42:23 --> 00:42:25: And that has actually helped.
00:42:25 --> 00:42:28: So I think the statistic they told me was that
00:42:28 --> 00:42:33: for for insurance companies in Florida, half of their spend
00:42:33 --> 00:42:35: was in legal fees, right?
00:42:35 --> 00:42:37: Which that math also doesn't work.
00:42:38 --> 00:42:41: And so you need to understand to be able to
00:42:41 --> 00:42:42: unpack in each situation.
00:42:43 --> 00:42:45: And this and the rules in the vary state by
00:42:45 --> 00:42:46: state about how this plays out.
00:42:47 --> 00:42:50: And so the the solutions are going to require us
00:42:50 --> 00:42:54: to get into the details, understand what's going on, and
00:42:54 --> 00:42:57: then see if there are ways to to again scale
00:42:57 --> 00:43:00: that up so that it becomes less of a burden.
00:43:00 --> 00:43:01: That's great.
00:43:01 --> 00:43:03: I mean, I'm going to make a shameless plug for
00:43:03 --> 00:43:05: the Tuiliger Center at the Bipartisan Policy Center.
00:43:05 --> 00:43:09: We are issuing a paper, a white paper tomorrow, that

00:43:09 --> 00:43:13: staff white paper that outlines a series of options, a
00:43:13 --> 00:43:17: menu of possible options for federal action to help mitigate
00:43:17 --> 00:43:22: the impact of rising insurance property costs on housing affordability.
00:43:22 --> 00:43:26: And we're having an event in conjunction with the release
00:43:26 --> 00:43:27: of that white paper.
00:43:27 --> 00:43:31: So you can TuneIn go on our website, bipartisanpolicy.org if
00:43:31 --> 00:43:34: you're interested to set 10 O clock Eastern Time tomorrow.
00:43:34 --> 00:43:36: So I had to make a shameless plug for this
00:43:36 --> 00:43:38: work, but it's it's really important.
00:43:38 --> 00:43:42: We're going to go to turn to audience questions, but
00:43:42 --> 00:43:45: I just want to ask a couple more questions, Raphael.
00:43:46 --> 00:43:49: You know, the Federal Reserve Board plans to review its
00:43:49 --> 00:43:54: monetary policy strategy tools and communications this year.
00:43:54 --> 00:43:58: And I believe that's a strategic review that the Fed
00:43:58 --> 00:44:00: conducts every five years, right?
00:44:00 --> 00:44:02: And is that right?
00:44:02 --> 00:44:05: So can you give us a quick recap of what
00:44:05 --> 00:44:09: that review entails and why the Fed does it?
00:44:09 --> 00:44:10: Sure.
00:44:10 --> 00:44:12: So this is a bit of history.
00:44:12 --> 00:44:14: So I my first job at a Graduate School was
00:44:14 --> 00:44:18: at the Board of Governors in DC and Alan Greenspan
00:44:18 --> 00:44:19: was the chair at the time.
00:44:20 --> 00:44:24: And when the Fed did something, historically, there was no
00:44:24 --> 00:44:29: statement, there was no press conference, there was no anything.
00:44:30 --> 00:44:34: Market participants basically had to just start watching prices in
00:44:34 --> 00:44:38: bond sales and things to understand whether the Fed was
00:44:38 --> 00:44:39: was doing something.
00:44:41 --> 00:44:44: And we decided, an economist for many years, I wasn't
00:44:44 --> 00:44:48: even there at the time, decided that was probably not
00:44:48 --> 00:44:50: the best way to deliver policy.
00:44:50 --> 00:44:53: And if there'd be value and having people know what
00:44:53 --> 00:44:54: you did and why you did it.
00:44:55 --> 00:44:58: And so over time, the way that we've rolled out
00:44:58 --> 00:45:00: our policies has changed.
00:45:00 --> 00:45:03: And now today we have a statement, we have a
00:45:03 --> 00:45:07: press conference and every other meeting we have a summary
00:45:07 --> 00:45:11: of economic rejections with people called the dot plot, which
00:45:11 --> 00:45:15: shows sort of how all of the participants are thinking

00:45:15 --> 00:45:17: about where policies should go.
00:45:17 --> 00:45:20: There's been a radical change in the 25 years or
00:45:20 --> 00:45:22: so that's happened.
00:45:22 --> 00:45:24: And So what we've decided.
00:45:24 --> 00:45:27: And so right around the great financial crisis right after
00:45:27 --> 00:45:30: that, the committee decided that they would have a statement
00:45:30 --> 00:45:34: that described the philosophies and the principles that are governing
00:45:34 --> 00:45:37: how they think about whether policy should move or not.
00:45:37 --> 00:45:39: But talks about inflation, it talks about labor markets, it
00:45:39 --> 00:45:42: talks about supply and demand and all that sort of
00:45:42 --> 00:45:42: stuff.
00:45:43 --> 00:45:46: And what we've decided to do, and I think this
00:45:46 --> 00:45:51: is prudent, is every five years, like assess how is
00:45:51 --> 00:45:52: it working?
00:45:52 --> 00:45:54: Do people understand what we're doing?
00:45:54 --> 00:45:57: Do people, are people able to look out into the
00:45:57 --> 00:46:01: world, take the statistics that we say are important in
00:46:01 --> 00:46:04: the dimensions and have a good idea about where our
00:46:04 --> 00:46:05: policy is going to go?
00:46:06 --> 00:46:08: And if the answer is no or if we've changed
00:46:08 --> 00:46:11: in terms of how we're doing it, this is an
00:46:11 --> 00:46:14: opportunity to revise it and try to lower the barriers,
00:46:14 --> 00:46:17: remove the mystery of how monetary policy plays out.
00:46:18 --> 00:46:21: But we did a change in 2020 right before the
00:46:21 --> 00:46:25: pandemic, which introduced a whole host of other challenges because
00:46:25 --> 00:46:27: it was not anticipated.
00:46:28 --> 00:46:31: And now we're going to ask that question again and
00:46:31 --> 00:46:33: see a sort of how we do, how we've been
00:46:33 --> 00:46:37: doing in terms of the implementation of policy and how
00:46:37 --> 00:46:39: we communicate it so that people understand.
00:46:39 --> 00:46:41: It should be quite interesting.
00:46:41 --> 00:46:44: The last time we asked people sort of how do
00:46:44 --> 00:46:48: you think about inflation, how do you think about unemployment
00:46:48 --> 00:46:49: and attachment to labor markets?
00:46:50 --> 00:46:52: Which ones, if you had to do a trade off,
00:46:52 --> 00:46:54: which ones are you most concerned about?
00:46:55 --> 00:46:58: We heard pretty loudly that inflation is much more significant
00:46:58 --> 00:47:01: of a challenge than the employment side, which seems to
00:47:01 --> 00:47:02: recover more quickly.

00:47:03 --> 00:47:06: And so I'm expecting we're going to have a bunch
00:47:06 --> 00:47:06: of round tables.
00:47:06 --> 00:47:09: We'll have a research conference to try to get sight
00:47:09 --> 00:47:11: lines on that once again.
00:47:11 --> 00:47:15: And again, if you're subscribing, we'll we'll do a program.
00:47:15 --> 00:47:17: Each of the Reserve Banks will do a program.
00:47:17 --> 00:47:21: So ours, they're all, they'll all be called Fed lessons.
00:47:22 --> 00:47:25: And so you should, if you're not in our district,
00:47:25 --> 00:47:28: you should go find the Reserve Bank that's close to
00:47:28 --> 00:47:31: you and find out when they're doing that Fed lessons
00:47:31 --> 00:47:34: because it is an opportunity for you to be there
00:47:34 --> 00:47:37: and also to participate and offer some feedback.
00:47:38 --> 00:47:38: Thanks, Rafael.
00:47:38 --> 00:47:40: We can open it up to questions.
00:47:40 --> 00:47:41: We have microphones.
00:47:41 --> 00:47:46: It's strategically situated at three separate places in the ballroom
00:47:46 --> 00:47:46: here.
00:47:46 --> 00:47:50: So please, please ask some Rafael some questions and please
00:47:50 --> 00:47:53: identify here yourself before you ask the question.
00:47:53 --> 00:47:53: Over here.
00:47:54 --> 00:47:57: Hi, Carmen Romero from Arlington, VA Hi, Carmen.
00:47:57 --> 00:47:58: Nice to see you.
00:47:58 --> 00:47:59: Dennis.
00:47:59 --> 00:48:04: My question is around immigration and tariffs and your thoughts
00:48:04 --> 00:48:07: on how that will impact the housing market potentially?
00:48:09 --> 00:48:14: So it's a good question on the tariffs.
00:48:15 --> 00:48:17: You know, one of the things that I would say
00:48:17 --> 00:48:20: on tariffs that that full and real impact will depend
00:48:20 --> 00:48:23: on what tariffs actually wind up being put in place.
00:48:24 --> 00:48:27: And you know, over the last, you know, couple of
00:48:27 --> 00:48:30: months we've had lots of proposals, some of them have
00:48:30 --> 00:48:32: gone in, some of them have not.
00:48:33 --> 00:48:34: And it'll depend.
00:48:34 --> 00:48:37: So if there's a, a heavy tariff on lumber or
00:48:37 --> 00:48:40: products that are thing that go into building housing, that's
00:48:40 --> 00:48:43: going to be a challenge for housing costs.
00:48:43 --> 00:48:44: And that is true.
00:48:45 --> 00:48:47: But we will just have to see what what winds
00:48:47 --> 00:48:49: up happening and, and how that plays out.
00:48:50 --> 00:48:53: And you know, one thing I've learned is that 95%

00:48:53 --> 00:48:56: of the things you see in the press are don't
00:48:56 --> 00:48:57: actually happen.
00:48:58 --> 00:49:00: And so I want to make sure that we wait
00:49:00 --> 00:49:03: and see what has actually happened before we run too
00:49:03 --> 00:49:06: many detailed models, because a couple years ago we were
00:49:06 --> 00:49:09: running models on everything and it was running this down
00:49:09 --> 00:49:11: into the ground on immigration.
00:49:11 --> 00:49:16: This is another one where we know that immigrants have
00:49:16 --> 00:49:20: been playing a role in a lot of the trades.
00:49:21 --> 00:49:24: And part of the question will be sort of what
00:49:24 --> 00:49:25: is the policy?
00:49:26 --> 00:49:29: You know, some proposals are that you're going to find
00:49:29 --> 00:49:32: just the violent criminals and that that's where it stands.
00:49:32 --> 00:49:35: Others may or may not believe that and that you
00:49:36 --> 00:49:40: might see differential impacts on the availability of that kind
00:49:40 --> 00:49:42: of Labor if they can.
00:49:42 --> 00:49:44: If it turns out that there is a shortfall there,
00:49:44 --> 00:49:47: that is also going to be a challenge because the
00:49:47 --> 00:49:49: cost of building will go up.
00:49:49 --> 00:49:52: You're going to have to as, as builders pay more
00:49:52 --> 00:49:56: to attract the workers to work on your project and
00:49:56 --> 00:49:57: not another one.
00:49:58 --> 00:50:00: And so, but again, all of this at this point
00:50:00 --> 00:50:01: is notional.
00:50:02 --> 00:50:06: And as as we learn more, the the true contours
00:50:06 --> 00:50:10: of this will come into clearer focus.
00:50:11 --> 00:50:11: Thank you.
00:50:11 --> 00:50:12: Yes, Sir.
00:50:12 --> 00:50:15: Yes, hi Kenneth Jones, Urban Core Oakland, CA.
00:50:15 --> 00:50:19: I just wanted to, and this is my own edification,
00:50:19 --> 00:50:25: ask about how consumer confidence is, you know, because that's
00:50:25 --> 00:50:30: often cited metric of the economy, how that information is
00:50:30 --> 00:50:35: gathered to sort of actually, you know, how that statistic
00:50:35 --> 00:50:36: is is developed.
00:50:36 --> 00:50:38: Yes, so consumer confidence is critical.
00:50:38 --> 00:50:41: So, you know, I'm an econ major, but I'm also
00:50:41 --> 00:50:42: a psychology major.
00:50:42 --> 00:50:46: And one thing that I know is that people don't
00:50:46 --> 00:50:51: make decisions based on exclusively on doing math.
00:50:52 --> 00:50:54: A lot of it is how is is how you
00:50:54 --> 00:50:57: feel is what's on your mind at the moment.

00:50:58 --> 00:51:00: Like who yelled at you two hours ago?
00:51:01 --> 00:51:03: Like, it's a lot of those things.
00:51:03 --> 00:51:08: And so psychology and mindset are actually critically important in,
00:51:08 --> 00:51:12: in, in terms of people's willingness to make big bets,
00:51:12 --> 00:51:16: willingness to engage at all, make and making decisions that
00:51:16 --> 00:51:20: I got to retrench and hold because I'm afraid.
00:51:20 --> 00:51:23: So we have to monitor those things all the time.
00:51:23 --> 00:51:25: We try to measure this and tease us out a
00:51:25 --> 00:51:26: lot of different sources.
00:51:27 --> 00:51:29: In some ways it shows up.
00:51:29 --> 00:51:34: You'll hear often hear economists talk about expectations, so expectations
00:51:34 --> 00:51:38: about inflation, expectations about the ability to get a job
00:51:38 --> 00:51:39: next year.
00:51:40 --> 00:51:42: And that's just a reflection or a way to talk
00:51:42 --> 00:51:44: about people's confidence.
00:51:45 --> 00:51:47: And so we need to monitor that.
00:51:47 --> 00:51:50: I will say one of the things we've heard over
00:51:50 --> 00:51:53: the last 6 to 12 months is the heightened level
00:51:53 --> 00:51:56: of uncertainty that we have in a host of areas
00:51:57 --> 00:52:00: is causing people to wait because they want to make
00:52:00 --> 00:52:04: sure they know what the environment is going to be
00:52:04 --> 00:52:06: before they make big bets on things.
00:52:07 --> 00:52:09: And so we'll see how long that goes and whether
00:52:09 --> 00:52:12: people feel like they're getting more clarity.
00:52:13 --> 00:52:15: And to the extent they are, then, then that will
00:52:15 --> 00:52:17: be a signal for us about where the economy is
00:52:17 --> 00:52:18: likely to go.
00:52:18 --> 00:52:21: So it's that's another reason why we want to be
00:52:21 --> 00:52:24: out there asking people talking to them about sort of
00:52:24 --> 00:52:27: where what their where their head is on various issues.
00:52:28 --> 00:52:28: Thanks.
00:52:28 --> 00:52:29: Yes.
00:52:29 --> 00:52:33: Hi Amber Stewart with Greenville Housing Fund out of South
00:52:33 --> 00:52:34: Carolina.
00:52:34 --> 00:52:37: So you touched upon it earlier of the fact that
00:52:38 --> 00:52:41: even if we build the housing, the wages don't even
00:52:41 --> 00:52:43: match to attain that housing.
00:52:44 --> 00:52:47: So what can a lot of times the salary wages
00:52:47 --> 00:52:51: of people are not part of these conversations.
00:52:51 --> 00:52:54: So what can the Federal Reserve in the public sector

00:52:54 --> 00:52:58: as a whole do to help incentivize the increase of
00:52:58 --> 00:53:04: salaries and wages where we're not triggering unemployment, higher inflation,
00:53:04 --> 00:53:04: all of that?
00:53:05 --> 00:53:09: So that's a very good question.
00:53:09 --> 00:53:11: I'm glad you asked it the way you did, because
00:53:11 --> 00:53:14: on some level the Federal Reserve can't do much on
00:53:14 --> 00:53:15: this, right?
00:53:15 --> 00:53:16: We, we have limited tools.
00:53:16 --> 00:53:19: They're very specific, they're very broad based.
00:53:19 --> 00:53:22: They don't hit target and we can move interest rates
00:53:22 --> 00:53:24: and we can talk about problems.
00:53:24 --> 00:53:26: So one of the things that I think is a
00:53:26 --> 00:53:30: superpower of the Fed is that when people, when we
00:53:30 --> 00:53:33: invite people to a session, they usually show up.
00:53:34 --> 00:53:37: And so it allows us to be able to bring
00:53:37 --> 00:53:40: people together when we see a problem and understand it,
00:53:40 --> 00:53:43: to try to curate a conversation that may not happen
00:53:43 --> 00:53:44: in other venues.
00:53:44 --> 00:53:46: And that can be very helpful.
00:53:46 --> 00:53:48: So as I go around, as my team goes around
00:53:49 --> 00:53:52: and we see challenges and we see common complaints or
00:53:52 --> 00:53:57: issues or when we see very interesting and innovative solutions,
00:53:57 --> 00:54:02: we have opportunities to facilitate knowledge transfer and knowledge sharing
00:54:02 --> 00:54:04: and all those sorts of things.
00:54:05 --> 00:54:07: So, so I think for us, my job is to
00:54:07 --> 00:54:12: understand how the economy works and then understand what is
00:54:12 --> 00:54:16: keeping people from reaching their full potential.
00:54:17 --> 00:54:18: One of our tag lines is an economy that works
00:54:18 --> 00:54:19: for everyone.
00:54:19 --> 00:54:22: And that's the goal that we're trying to achieve.
00:54:22 --> 00:54:25: And if we see if I see things that are
00:54:25 --> 00:54:28: not working, I want to make sure the policy makers
00:54:28 --> 00:54:31: who can make a difference in that are aware of
00:54:31 --> 00:54:34: it so that if they so choose, they can take
00:54:34 --> 00:54:36: steps to to improve things.
00:54:37 --> 00:54:37: Thanks, Raphael.
00:54:37 --> 00:54:38: Yes, Sir.
00:54:39 --> 00:54:40: Thank you, Doctor Brochrick.
00:54:40 --> 00:54:43: One of the things we're seeing in housing costs is

00:54:43 --> 00:54:47: that in fact, when you take apart inflation, housing costs
00:54:47 --> 00:54:49: are the kind of long pole in the tent and
00:54:50 --> 00:54:51: inside of the indices.
00:54:51 --> 00:54:55: Seems that renewals on rents are actually what's driving it.
00:54:55 --> 00:54:59: And there's a very big spread between renewal rents and
00:54:59 --> 00:55:00: and rents to new leases.
00:55:01 --> 00:55:03: And there are other Fed banks like Cleveland are starting
00:55:03 --> 00:55:05: to look at other metrics to sort of separate that
00:55:06 --> 00:55:08: even by cities, they have a better handle on their
00:55:08 --> 00:55:08: inflation.
00:55:09 --> 00:55:13: What that also means is that if you if higher
00:55:13 --> 00:55:14: interest rates Dr.
00:55:14 --> 00:55:18: renewables because people aren't moving out as much and for
00:55:19 --> 00:55:22: their rents, then do you have to get to like
00:55:22 --> 00:55:25: 1 1/2 to 1.3% and everything else in order to
00:55:25 --> 00:55:27: get closer to the 2% overall?
00:55:28 --> 00:55:31: Because again, housing is coming down slowly because of the
00:55:31 --> 00:55:34: impact of of people not as moving out as much
00:55:34 --> 00:55:35: in the lock in effect.
00:55:35 --> 00:55:37: So we're going to have some thoughts on that.
00:55:38 --> 00:55:44: So decomposing inflation indices is complicated.
00:55:45 --> 00:55:48: And you know, one of the realities is that and
00:55:48 --> 00:55:51: I, I, I'm not an index expert, I'm going to
00:55:51 --> 00:55:52: start with that.
00:55:53 --> 00:55:55: And we have some on staff and I should have
00:55:55 --> 00:55:56: them here to answer this question.
00:55:57 --> 00:55:58: But but here's what I would say.
00:55:59 --> 00:56:04: What we try to understand is the suite of things
00:56:04 --> 00:56:08: that that are changing all at once to try to
00:56:09 --> 00:56:13: understand how to aggregate it all together.
00:56:14 --> 00:56:17: So one measure that we have been using a lot
00:56:17 --> 00:56:21: in the through the pandemic is the notion of the
00:56:21 --> 00:56:23: breath of inflation, right?
00:56:23 --> 00:56:26: So the way you calculate an inflation index is you
00:56:26 --> 00:56:29: take a basket of 35 or 40 products and you
00:56:29 --> 00:56:31: buy it this month, you add it up and then
00:56:31 --> 00:56:34: you buy it next month, you add it up.
00:56:34 --> 00:56:35: How much more to just spend?
00:56:35 --> 00:56:36: That's your inflation rate.
00:56:37 --> 00:56:39: So you can do it in the aggregate or you
00:56:39 --> 00:56:40: can do it product to product.

00:56:41 --> 00:56:42: So I bought soap, soap.
00:56:42 --> 00:56:43: How much the soap changed?
00:56:44 --> 00:56:45: How much did the oranges change?
00:56:46 --> 00:56:47: How much did the gas change?
00:56:49 --> 00:56:51: When you do it the second way there, you're going
00:56:51 --> 00:56:53: to get a distribution of changes.
00:56:53 --> 00:56:56: Some are going to be negative, some are going to
00:56:56 --> 00:56:58: be 0, some are going to be at 2%, some
00:56:58 --> 00:56:59: are going to be at 5%.
00:57:00 --> 00:57:04: And what we've started tracking is in an average month,
00:57:04 --> 00:57:08: what's the share of inflation goods that are above 3%,
00:57:08 --> 00:57:09: they're above 5%.
00:57:10 --> 00:57:13: At the height of the pandemic, it was 7580% of
00:57:14 --> 00:57:15: goods were at 3 or 5%.
00:57:16 --> 00:57:19: If 75 or 80 or 5%, it's hard to get
00:57:19 --> 00:57:22: to two, which I think is the thrust of your,
00:57:23 --> 00:57:27: your, your point today that, that fraction, I think that
00:57:27 --> 00:57:30: the, the typical for 5% is like 18%.
00:57:30 --> 00:57:36: The typical for 3% is like 33% Today.
00:57:36 --> 00:57:39: The 5% is at 25, somewhere in that range.
00:57:39 --> 00:57:41: The 3% is at 40, right?
00:57:41 --> 00:57:43: So there's still breath out there.
00:57:43 --> 00:57:46: And so part of this is rather than than then
00:57:46 --> 00:57:49: put it all on one, it's really the, the, the,
00:57:49 --> 00:57:53: the, the, the completeness of it that we're trying to
00:57:53 --> 00:57:55: measure and understand.
00:57:55 --> 00:57:58: And sometimes there's some outliers that are sitting up there
00:57:58 --> 00:58:00: for a long time and housing has been in that
00:58:00 --> 00:58:02: space, but there are other things that can offset it.
00:58:03 --> 00:58:04: And those are the things that we also want to
00:58:04 --> 00:58:05: be mindful of.
00:58:05 --> 00:58:05: Thank.
00:58:07 --> 00:58:07: You.
00:58:07 --> 00:58:09: Thank you, Raphael, can I ask you a final question
00:58:09 --> 00:58:10: on fiscal policy?
00:58:10 --> 00:58:11: Is that is that OK?
00:58:11 --> 00:58:12: No, no, OK.
00:58:12 --> 00:58:12: No.
00:58:12 --> 00:58:16: All right, OK.
00:58:16 --> 00:58:19: I'm just going to make a point that we have
00:58:19 --> 00:58:22: a, you know, a national debt that exceeds, you know,
00:58:22 --> 00:58:23: $36 trillion.

00:58:23 --> 00:58:26: And I know we at the BPC think that has
00:58:26 --> 00:58:31: implications for for the housing market because bondholders are going
00:58:31 --> 00:58:36: to demand higher interest payments on debt, which could affect
00:58:36 --> 00:58:37: mortgage rates.
00:58:37 --> 00:58:40: And we pay as much on interest payments every year
00:58:40 --> 00:58:43: as you pay on Medicare and and defense.
00:58:43 --> 00:58:46: So it's we got to do something about it.
00:58:46 --> 00:58:49: But anyway, this was a wonderful conversation.
00:58:49 --> 00:58:51: Let me thank everybody.
00:58:51 --> 00:58:52: Please give a round of applause.
00:58:52 --> 00:58:54: This is a Tour de force thank.
00:58:54 --> 00:58:55: You.
00:58:55 --> 00:58:55: Thank you.
00:58:55 --> 00:59:01: And I think Rosie's going to come up.
00:59:04 --> 00:59:05: I guess we'll stay here.
00:59:06 --> 00:59:07: Thank you both.
00:59:07 --> 00:59:10: That was fantastic and thank you everyone for coming.
00:59:11 --> 00:59:14: This is a great showing for closing general sessions, so
00:59:14 --> 00:59:16: I appreciate everyone sticking around.
00:59:17 --> 00:59:19: I also want to thank, we have not mentioned yet,
00:59:19 --> 00:59:22: we had a program committee that pulled from both ULI
00:59:22 --> 00:59:25: Atlanta member leaders and the Twillinger Centers Advisory Board.
00:59:25 --> 00:59:27: And so a few of them are here, a few
00:59:27 --> 00:59:29: weren't able to come, but they were really instrumental in
00:59:29 --> 00:59:31: pulling this program and speakers together.
00:59:31 --> 00:59:33: So I, I thank them.
00:59:34 --> 00:59:36: You will like Atlanta Daphne again, I'm sure she's around
00:59:36 --> 00:59:38: here somewhere, the Twiliger Center staff.
00:59:39 --> 00:59:41: But really it, this is a labor of love.
00:59:41 --> 00:59:43: A lot of people pulled this off.
00:59:43 --> 00:59:46: And so I appreciate everybody's help and we really appreciate
00:59:47 --> 00:59:47: you all coming.
00:59:47 --> 00:59:49: There will be a survey.
00:59:49 --> 00:59:50: Please fill it out.
00:59:50 --> 00:59:52: It helps us figure out what what you enjoyed, what
00:59:52 --> 00:59:55: you didn't enjoy so we can make this conference better
00:59:55 --> 00:59:56: every year.
00:59:57 --> 00:59:59: If you are going to a tour, they are leaving
00:59:59 --> 01:00:02: from the lobby in 30 minutes, so please head down

01:00:02 --> 01:00:02: there.
01:00:03 --> 01:00:06: Otherwise, we hope to see you at the closing reception
01:00:06 --> 01:00:08: at Five O 5 Cortland and hopefully we'll see you
01:00:09 --> 01:00:10: next year as well.
01:00:10 --> 01:00:10: Bye.
