A National Campaign for
Full Employment, Good Jobs, and a Reformed Federal Reserve

No institution has more influence over our economy than the Federal Reserve. But the range of voices that seeks to participate in discussions about the Fed's policies is limited and generally does not include workers, unemployed people, or the poor. In 2014, economic inequality is dominating the national discourse and an important debate is emerging about optimal future monetary policy. Since 2008, the Federal Reserve has been focused on confronting the Great Recession and strengthening the economy. With the ascension of Janet Yellen to Chair of the Federal Reserve's Board of Governors, the Fed is led by a labor economist who has spent many years studying unemployment, wages, and inequality. But, as the economy recovers, some commentators and lobbyists have already begun to demand that the Fed raise interest rates to put the brakes on growth and keep wages from rising. There is a real danger that in late 2014 and early 2015, the Fed will be pressured to shift its focus away from the dual mandate of maximum employment and stable prices and will instead be encouraged to focus exclusively on preventing any general price increases, regardless of the costs to employment and workers. Workers and others concerned with the continued weak economy should take this opportunity to advocate for economic policy that prioritizes full employment, shared prosperity, and rising wages and a Federal Reserve that protects the American economy from the dangers of unrestrained Wall Street speculation.

I. Context

Nearly six years after a global economic collapse, inequality has suddenly become the political topic du jour. It was the central theme in President Obama's 2014 State of the Union address, Thomas Piketty's book has captured wide attention, and in advance of the midterm elections both political parties are now trying to position themselves as advocates for workers and against poverty.

Because gridlock in Congress precludes meaningful federal policy to combat inequality or poverty, the primary economic justice work of recent years has been at the state and local level: there are now many ambitious campaigns to set the minimum wage as high as $15 per hour, expand the right to paid sick days, and raise standards for government contractors.

But these efforts do not address the underlying cause of stagnant wages and expanded poverty: a weak economy that is not creating enough good jobs. In the absence of robust growth, over 10 million workers are unemployed and 13 percent of the labor force is underemployed. The crisis remains particularly acute for African Americas, 11.6 percent of whom are unemployed, which is more than twice the rate among whites. And for women – particularly women of color – the combination of a persistent gender pay gap and stagnant wages means too much insecurity and too much poverty.

More than any other institution, the Federal Reserve has the power to change this reality and create a strong economy. By setting interest rates and inflation and unemployment targets, the Fed regulates the flow of money and the pace of economic activity; its policies influence the economy's aggregate demand for goods and services and, subsequently, for workers.

A return to robust economic growth – and full employment – would directly reduce poverty and would meaningfully improve the prospects for achieving a social justice agenda that expands workers' rights, transitions away from fossil fuels, reforms our immigration system, and makes genuine investments in public education and infrastructure.

The Federal Reserve is also the nation's primary regulator of the banking system. Five years after their irresponsible practices caused a global economic collapse, Wall Street banks are bigger than ever, retain tremendous political power, and funnel too much of the nation's money into speculation rather than investments in the real economy.

Meanwhile, households are weighed down by over $11 trillion in debt, including over $1 trillion in student debt. Crippled by monthly payments, with little prospect for wage growth, hundreds of millions of American families live a life of economic precarity.

Promisingly, however, the Federal Reserve is now under the leadership of Janet Yellen, who "according to colleagues, . . . takes the nation's worst problems, especially unemployment, as a deeply personal challenge."[1] As the Fed considers major policy choices in the coming months and years, we should ensure that the voices and experiences of working families – not just those of corporate executives and bankers – are heard by the important decision-makers throughout the Federal Reserve system.

II. Proposal

We propose to launch a campaign to help inform members of the public about the importance of these issues and to expand public discourse about monetary policy, job creation, and wage growth.

Pro-growth monetary policy should be a central component of the public policy agenda. Rather than cede the debate over monetary policy to the business elite, working families and their allies need to talk about these issues and their importance to the country.

As the economy continues to slowly recover and the headline unemployment number falls, some elite voices are becoming louder in their calls for increased interest rates and a hawkish stand against inflation of any kind. But the falling unemployment rate reflects in part the fact that workers continue to leave the labor force, not that sufficient numbers of new jobs are being created. Wages remain stagnant, the long-term unemployed are not finding work, and the economy remains dismal for vulnerable groups like African Americans and young people. We should highlight this continued economic weakness and encourage the Federal Reserve to expand its support for the economy: the phrase "full employment" should return the national lexicon because it captures a vision of a more equitable and just society.

Conducting the campaign will mean educating working families about the Fed and its role in the economy. This will not be trivial. But political change requires the democratization of knowledge. This campaign will be a valuable opportunity to engage in public education that creates a real understanding among our members about the role that the Fed's political decisions

[1] Michael Hirsh, *How Janet Yellen's Agenda Could Transform Washington*, National Journal (Jan. 6, 2014).

about money play in our economy and our society.

The primary goals of the campaign include:

(1) Ensure that monetary policy contributes to sustained growth and prosperity. In order to achieve this, the Federal Open Market Committee should delay interest rate hikes until we reach full employment.

(2) **Engage Fed officials in a discussion of the meaning of its "dual mandate."** Under Federal law, the Federal Reserve's goal is to promote both "maximum employment" and "stable prices." Maximum employment should feature rising wages, not stagnant ones, and should see more people pulled into the labor force, not fewer.

(3) Ensure that the American public is properly represented on the Boards of Directors of the regional Feds. Commercial banks play a central role in choosing Federal Reserve Presidents, through their power to appoint members of the regional Boards of Directors. There should be more opportunities for the public to express its opinions about who should be appointed to the Boards and presidencies and regional Feds and the public should have more of a voice in the regional Feds' policy decision-making process.

The secondary goals of the campaign are to:

(4) **Elevate issues of debt, money, and growth in the national discourse**. At various moments in U.S. history, access to money was a central topic of public debate. The availability of credit, the impact of crushing debt, and our rate of economic growth: all of these should be debated as public policy choices, not taken for granted as outcomes of an omnipotent market. Organizing about the Fed can help stimulate the discourse necessary to achieve better public policy.

(5) **Support advocacy for better regulation of Wall Street**. The American economy was destroyed by the irresponsible practices of Wall Street and by the federal regulators' refusal to rein in that behavior. Stimulating public debate about the importance of regulation is important to the future stability of the financial system.

III. About Us

The **Center for Popular Democracy** is a high-impact national organization that promotes equity, opportunity, and a dynamic democracy in partnership with innovative base-building organizations, organizing networks and alliances, and progressive unions across the country. CPD builds the strength and capacity of democratic organizations to envision and advance a pro-worker, pro-immigrant, racial and economic justice agenda.

Collectively, our staff of more than 40 brings decades of experience to bear, merging technical and legal expertise with deep organizing experience to support our partners in winning, sustaining, expanding and replicating victories across the country. CPD not only helps partners win organizing campaigns and further innovative policy agendas, but we also support them to build strong organizational infrastructure and political muscle.

The Center for Popular Democracy will be joined in this campaign by core partners interested in Federal Reserve bank cities across the country, each of which have broad memberships bases, deep political relationships, and alliances with labor and community groups across their cities.