



Remarks as Prepared for Delivery

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*“Creating a Vibrant, Inclusive Economy:
Remarks at the Community College
of Rhode Island”*

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*The views expressed today are my own, not necessarily those of my colleagues on the
Federal Reserve Board of Governors or the Federal Open Market Committee.*

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Key Takeaways

1. Collins wanted her first visit to an educational institution as Boston Fed president to be at a *community* college – because they provide affordable, accessible higher education to learners from all backgrounds. Community colleges play a crucial role in helping students develop the necessary skills to contribute in the economy of today and of the future. It is essential that our economy has opportunities for everyone to thrive, and that makes community colleges particularly important.

2. High inflation impacts everyone – and we need to make sure it does not become entrenched. An inflation rate that is low and predictable is needed for fostering conditions that promote a vibrant, resilient, and inclusive economy – and for maximum employment that is sustainable over time. This is why it is so important to remain resolute in bringing inflation back down to the Fed’s 2 percent target in a reasonable amount of time.

3. While inflation is still too high, there are some promising signs of moderation. Collins believes we may be at, or near, the point where monetary policy can pause raising interest rates. This will provide an opportunity to more fully assess the impact of the actions taken to date and the general tightening of credit conditions on economic activity. However, it is important to make each policy decision based on a wholistic assessment of information available at the time.

4. Collins noted the breadth of ways the Fed advances its mission – e.g., providing back-end infrastructure that underpins the financial system that people and organizations depend on; supervising banks for safety, soundness, fair lending, and community reinvestment and serving as a “lender of last resort”; working to support community economic development and identify impediments to participation in the job market and economy; and conducting economic research and analysis to support monetary policymaking, in pursuit of the dual mandate from Congress to promote price stability and maximum employment.

Good morning. It is truly a pleasure to be here with you today, at CCRI, the Community College of Rhode Island.

Since I started in this job about 10 months ago, being out and meeting with stakeholders has been a key focus. I like to say that the Fed's overarching mission is to foster conditions supporting a vibrant, inclusive economy that works for all. So it is essential for us to connect with and learn from people across the Boston Fed's district (which is essentially New England) – about their experiences, challenges, and opportunities.

My initial remarks today revolve around what we at the Fed are doing, and you at CCRI are doing, to support a vibrant and inclusive economy that works for all.

Given my background as a professor, dean, and provost, I've been fortunate to receive speaking invitations at a number of educational institutions. But this is the first talk at an educational institution that I am giving as president of the Boston Fed, because I wanted my first visit with students, and faculty to be at a *community* college.

Overview

I would like to touch briefly on three things – and then look forward to a conversation with President Hughes, and to questions from all of you:

- First, I want to highlight *why* I wanted to prioritize speaking at a community college like CCRI; and why community colleges, and all of you engaged with them, are so important to our economy and society.
- Then, I'll talk briefly about the range of things we do at the Federal Reserve, to advance our mission.
- And finally, I'll share some of the lessons I've learned from my own career path, in case my experiences may be helpful to you.

But before I begin, let me note, as always, that my remarks today are my own views; I'm not speaking for any of my colleagues at other Federal Reserve Banks or at the Board of Governors.

The Importance of Community Colleges

Community colleges provide affordable, accessible higher education to millions of learners from all backgrounds. They support a wide range of needs for students, employers and communities, and provide opportunities for upward mobility.¹ And community college *students* exemplify working hard, juggling multiple responsibilities, and developing additional skills to contribute to the economies of today and the future.

I would especially like to acknowledge the cohort of entrepreneurs and owners of small businesses who are here today. You play such an important role in a vibrant economy.

As I travel around New England and talk with employers, one of the most prevalent themes is the need for skilled personnel, to power their organizations and industries. Indeed, our region's labor market provides opportunities for good jobs, enabling people to prosper and thrive. But those jobs require evolving sets of skills and expertise. So I congratulate all of you for investing in yourselves and your skills here at CCRI. Doing so is not only good for you; it also helps the organizations, households, and communities that make up our economy.

As a policymaker, it is critical to me that our economy provides opportunities for everyone, not just for some. This makes community colleges, like CCRI, particularly important in the broader higher education and skill-development landscape.

¹ See the recent study by Jack Mountjoy, "Community Colleges and Upward Mobility," *American Economic Review*, 2022, 112(8): 2580–2630.

At the Fed, part of our mandate from Congress is to use our tools to maximize employment. So if things like a lack of childcare, or insufficient housing, prevent some people from participating in the job market and economy, we need to study those impediments. We need to deepen our understanding of the obstacles and help explore ways, locally and more broadly, that progress can be made to address them. The Boston Fed has been doing this through our research-based Working Places program, in locations across New England – including Cranston, Newport, and Providence here in Rhode Island.² Working Places encourages and fosters local, cross-sector collaboration to identify issues and work on solutions to address complex economic problems.

Our Roles at the Federal Reserve

In fact, the Federal Reserve’s portfolio of activities is much more extensive than many realize – and I’d like to speak briefly about the breadth of ways we, at the Fed, work to achieve our mission.

The Fed, which is the U.S. central bank, was created almost 110 years ago by Congress. I’ll mention four of our key roles:

- We provide a lot of back-end infrastructure that underpins the financial system, supporting stable and reliable payments that people and organizations throughout the economy depend on. Think cash, direct deposits, wire transfers, and a new service we’re about to unveil, FedNowSM instant payments.³ It is the first new payments “rail” the Fed has built in 50 years, and it will allow individuals

² Learn more about these efforts at <https://www.bostonfed.org/workingplaces.aspx>

³ Learn more about the FedNow service at <https://explore.fednow.org/>

and businesses to send and receive instant payments and have access to the funds immediately.

- Second, we supervise some of the country’s banks for safety, soundness, fair lending, and community reinvestment. And we serve as a “lender of last resort” to the financial system, to ensure liquidity and to support financial stability.
- Third, we work to support community economic development initiatives, like the Working Places program I just mentioned.
- Fourth, and importantly, we conduct monetary policy in the pursuit of our dual mandate from Congress to promote price stability and maximum employment. I’ll say a bit more about this area of our work.

To me, maximum employment refers to the broad, inclusive goal of job opportunities for all. Price stability means inflation that is low and stable enough that it is not on people’s minds. Inflation at 2 percent, the target the Fed has defined, accomplishes that goal. But as you all know, prices have been rising more rapidly than that, so much attention has been focused on inflation. In my conversations with people across the region, I have heard from small business owners ending projects due to cost increases, and from workers having to take on additional jobs given rising prices on necessities.

These and other discussions are a constant reminder that inflation impacts everyone, and is particularly challenging for those with lower incomes. The Federal Reserve has been responding forcefully to make sure that high inflation does not become entrenched.

I’ll note that wage increases that are simply chasing higher prices do not make workers better off, they just fuel more inflation. What matters for workers are gains in inflation-adjusted, or *real* wages.

Thus, I see the two dimensions of the Fed’s mandate – stable prices and maximum employment – as intertwined, especially over the medium and longer term. Low, predictable inflation is needed for fostering conditions that promote a vibrant,

resilient, and inclusive economy – and for maximum employment that is sustainable over time. This is a key reason why it is so important for us to remain resolute in bringing inflation back down to the 2 percent target in a reasonable amount of time.

There are several factors behind the inflation we've been experiencing, but ultimately it reflects demand outpacing supply, resulting in pressures on wages and prices that fuel inflation. The Fed raising interest rates is intended to slow spending, cool the labor market, and bring demand back into alignment with supply.

Since March 2022, the Fed has raised rates from near zero to just over 5 percent – with the most recent increase occurring just a few weeks ago. And recent stresses in the banking system are likely to further tighten credit conditions for businesses and consumers, also cooling demand.

While inflation is still too high, there are some promising signs of moderation. I believe we may be at, or near, the point where monetary policy can pause raising interest rates. This will provide an opportunity to more fully assess the impact of the actions taken to date and the general tightening of credit conditions on economic activity. However, I also believe it is important to make each policy decision based on a wholistic assessment of information available at the time – and the next policy meeting will be in mid-June. In the meantime, we continue to monitor a wide range of data – about price developments, labor markets, financial conditions and more – to evaluate how the economy is doing.

My Own Path, and Some Lessons Along the Way

Let me turn, for a moment, to my own career path. I'll just mention a few dimensions of my journey, and then wrap up.

First, I was inspired to be a lifelong learner by my parents and relatives. While I realize that not everyone has that support, I hope you will be inspired by those you meet here at CCRI, to never stop learning and developing your skills. The pace of change in our economy, and the skills it requires, make that essential.

During my studies, I encountered instructors who were inspiring, challenging ... or both. It was the challenging ones who taught me the most. I encourage you to seek out opportunities to stretch yourself – maybe by asking questions, to be sure you have mastered a subject, or taking a class here at CCRI that will push you. I know many people around you at CCRI care about your success – so, seek out those who will inspire and challenge you.

And throughout my career, I have been fortunate to have encouragement from friends and family – especially my husband and (now adult) children. Again, I realize not everyone is so fortunate. I'll just say that it is vital to have allies and supporters as you do the hard work of juggling everything, both while attending CCRI and in the future. So I encourage you to seek out allies ... and perhaps most importantly, to *be* an ally. I've found that working together, building networks and partnerships, is a key to success – whether in school, or in a new job, or as President of the Boston Fed.

Concluding Observations

Let me close by encouraging you to keep at what you are doing here at CCRI, and to embrace being a lifelong learner. I have such respect for all of you, who are working so hard to broaden your skills. You're building a more prosperous future for yourselves, and also for our economy.

Indeed, as someone who thinks about and works on our economy all the time, I want to thank you, students – and your instructors and supporters as well as the staff here at CCRI – for helping to build a vibrant, high-skill, inclusive economy – in Rhode Island and beyond.

With that, thank you again for having me here today. I look forward to questions and conversation.