



N.Y. Fed seeks to aid rural U.S.

NEW YORK—What would the New York Federal Reserve Bank have to contribute to conversations about making rural America prosperous?

On the surface, nothing. The New York Fed's headquarters near Wall Street, which the Fed points out was inspired by Florentine Renaissance palaces, practically shouts that it is an urban, elite fortress.

The New York Fed is the first among equals of the 12 regional reserve banks that were established along with the board of governors in Washington when the Federal Reserve System was established in 1913. Its president always sits on the Federal Open Market Committee, which sets monetary policy, while the presidents of the other regional banks rotate. The bank is known for its closeness to the New York-based finance industry and its oft-criticized role in financial crises, particularly the one in 2008.

But despite its national stature, the New York Fed is still the regional bank covering New York state, northern New Jersey, southwestern Connecticut, Puerto Rico, and the Virgin Islands, all of which have rural areas troubled by the loss of industry and population, as well as problems of distance in accessing food and medical care.

On Tuesday, the New York Fed held a conference that brought to light approaches to rural development that would be unlikely to come up in other settings, and included an international perspective. About a dozen people showed up in person, in addition to more than 700 who signed up to view it online.

David Erickson, the head of community development for the bank, noted in an interview that the bank has a mandate to maintain full employment in its district. "The macroeconomy is a summation of many micro-economies, and many of them are not doing so well," Erickson said.

The conference was an opportunity to highlight *Investing in Rural Prosperity*, a book published by the Federal Reserve Bank of St. Louis and the Federal Reserve Board in Washington. Andrew Dumont, the senior community-development analyst at the Fed in Washington, said that he and his co-editor, Daniel Paul Davis of the St. Louis Fed, concluded that for a rural-development strategy to succeed, it must be:

- tailored to the specific community rather than trying to replicate a strategy used elsewhere;
- resilient enough to anticipate long-term structural shifts, such as the loss of a manufacturing plant and the effects of climate change, as well as short-term shocks such as the coronavirus pandemic;
- inclusive of all people who live there; and

- collaborative, including people from all sectors, including the broader geographic region.

"We are unashamed for being super pro-rural," Dumont said. But, he added, pointing out that people of color represent the largest potential for population growth in rural areas, "If rural communities want to thrive they have to welcome diverse people."

Rob Riley, president of the Northern Forest Center in New Hampshire, and Aaron Woolf, an Elizabethtown, New York, developer who once lost a race against House GOP Conference Chair Elise Stefanik, said that rather than trying to recruit industries from afar, local leaders should focus on creating a good standard of living for the community, up to

and including recreational options, on the theory that entrepreneurs and jobs will follow. Communities "evolve," Riley said, and the key is to focus not on "demise and collapse," but on the next evolution.

Caitlin Cain of the Rural Local Initiatives Support Corporation, a group that strives to identify priorities and opportunities in rural development, said extreme weather events are becoming so common that philanthropies are becoming involved in trying to address the problems caused by such events. Cain stressed that banks need a "rural and equity lens" in order to

satisfy the Community Reinvestment Act requirement that they meet the credit needs of the communities they serve.

Vannessa Piñeiro Montes of Banco Popular in Puerto Rico noted that when the El Yunque National Forest was closed for months her bank helped small businesses survive.

Scott Rasmussen, a New York state government official, said that the federal government is providing so much money to bring high-speed internet service to rural areas, the issue now is finding the underserved and connecting them.

Finally, Nicolas Hazard, a French author and adviser to the European Commission, emphasized that the best ideas for rural development are local, that they sometimes need outside money, and that they take time to come to fruition.

Redeveloping rural areas is "a question of democracy," Hazard said. Recalling the yellow-vest movement in France, which grew out of populist protests over President Emmanuel Macron's green fuel tax in 2018, Hazard said that when faced with economic struggles, some rural youth "think having a strong leader is better than having a democracy." □



The Federal Reserve Bank of New York

Contributing Editor Jerry Hagstrom is the founder and executive editor of The Hagstrom Report, which may be found at www.HagstromReport.com.