THE BROOKINGS INSTITUTION

WEBINAR

MIDDLE CLASS ECONOMIC SECURITY DURING THE COVID-19 CRISIS

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Panel Discussion:

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P R O C E E D I N G S

MR. REEVES: Good afternoon, my name is Richard Reeves. I'm a senior fellow at the Brookings Institution, and director of our Future of the Middle Class Initiative.

Thank you for joining us for this important event on economic security during the COVID pandemic, and all the other problems and divisions and challenges that our nation faces at this moment in time.

I'm going to briefly introduce our speaker and then our two panelists. You will hear first from our speaker, then from our panelists, and then we'll open up for questions. Please do join in using the #EconomicSecurity. Send us your questions on Twitter so that I can address them to our speaker and to our panelists.

And with that, I'll do brief introductions and then hand over to our speaker, who is Jeff Larrimore. Jeff is the chief of consumer and community research at the Federal Reserve Board, and today he's going to be sharing the latest data on financial security based on The Fed's own surveys.

You'll then hear from -- the first response will be from my colleague Camille Busette, who's a senior fellow in Governance Studies here at the Brookings Institution where she runs our Race, Prosperity, and Inclusion Initiative.

And I would just like to point out that just as of last week Camille has launched a new blog at the Brookings Institution on race equity which is called How We Rise. So, I encourage you to check out that new product that Camille has launched at the Brookings Institution.

And then you'll hear from Jenny Schuetz, who is a fellow in the Metropolitan Policy Program at Brookings. And just a quick shout out to Jenny, it was actually her idea to bring this event together. So, thank you for that, Jenny.

Jenny's a housing policy expert and interested in alternative wealth building strategies more generally.

And then once we have heard from both of our respondents, we'll have a moderated discussion among the three of the speakers today before opening it up to you for broader questions.

So, with that I'm going to hand it over to Jeff for his presentation.

MR. LARRIMORE: Thanks Richard. I'm excited to be here today and to be able to have this conversation with all of you and to discuss some of these results and how people are faring financially.

Before I begin, I want to start by emphasizing the usual disclaimer on this slide. This presentation reflects my own views and doesn't represent the views of the Board of Governors.

As a brief background of this survey, the Survey of Household Economics and Decision Making has been fielded by the Federal reserve near the end of every year since 2013 to monitor households' financial circumstances by asking people directly about their financial decisions.

They also ask them to give their own subjective self-assessments to their wellbeing, along with more traditional objective financial outcomes which hopes to provide a picture of peoples' financial lives as they are personally seeing them, and not just our assessments of the.

But also, a key feature of this survey is having the flexibility to integrate new topics, which lead to a decision to field an additional small supplemental survey the first weekend in April to understand the financial repercussions of COVID-19.

So, I'm going to share some results today, both from the main survey from October and the April supplement, as I think really both of them are important for understanding financial circumstances now, with the October survey giving us an understanding of how people were faring leading into the pandemic, while the April supplement provides information abut the early stages of the public health crisis.

I want to start by giving an overview of what we saw for family finances leading into the pandemic from the 2019 survey. So, this figure shows the share of adults who self-report that they are at least doing okay financially.

And in 2019, overall wellbeing used in this measure was flat with 75% of adults saying they were at least doing okay financially, but it remains 13 percentage points above where it was in 2013, so it was at a relatively high level, relative to recent years.

And I think this is very much consistent with what we see for other (inaudible) survey as well, that financial wellbeing has seen these modest improvements over time from 2013 up through 2019 before the pandemic occurred.

Yet, while most adults were at least doing okay financially at the end of last year, some of the financial challenges seen in this survey likely had implications for peoples' experiences in the current environment. And one of these challenges is income variability.

In addition to asking about peoples' annual income, the survey asks whether peoples' income varies from month to month. In 2019 30% of adults said that they had monthly incomes that varied at least occasionally from one month to the next.

In some cases, this volatility didn't really affect financial wellbeing much at all, but especially when people who lack credit access, we see that it often caused financial hardship.

So, as seen in this figure, nearly 4 in 10 people who are not confident that they could get a credit card say that their income varied at least occasionally from month to month. And about three quarters of those who were not confident in their credit access, said this variability caused them financial hardships during the year.

So, I think this has implications for how people are faring with income volatility since COVID-19, and their ability to (inaudible) consumption life income declines as those who lack credit access may have a harder time dealing with any short-term declines in income.

This also could have implications for racial and ethnic disparities in weathering economic downturns since there's this persistent gap in credit access by race and ethnicity.

So, here we can see the share adults who are not confident that they could get approved for a credit card by race and ethnicity on the top. And on the bottom, the share who say they were denied on at least one application, looking just at those who actually applied for credit in the year before this survey.

Most adults who wanted credit were able to obtain it, but there's this clear gap by race and ethnicity in the pursuit of credit access, and in actual denials, that may make it more difficult for Black and Hispanic adults to weather any short-term volatility through borrowing.

Another area where we see differences in financial circumstances leading into the pandemic is between owners and renters.

Across a range of measures in the survey, before the pandemic homeowners were in a better position financially than renters were. And here we see three of those measures.

At the top, homeowners -- both those with and without a mortgage -- were more likely to say they can pay up all their current month's bills in full.

A larger share of homeowners also say that they would pay an unexpected $400 emergency expense with cash or cash equivalent; which is if people who would be using a credit card that they pay off at the end of the month, and that they're really just using for convenience purposes.

And similarly, owners are far more likely to say that they are at least doing okay financially.

But of course, this also reflects many other aspects of peoples' financial situations.

I'm not controlling here for other demographic characteristics, and homeowners tend to be older and higher income than renters. But while it's not necessarily attributable to their housing decisions, this does indicate the extent to which financial difficulties are more concentrated among those who rent relative to those who own.

As a separate measure of financial preparedness, which is, of course, relative with elevated rates of unemployment, is whether people are able to cover three months of expenses.

This figure shows the share who say that they could not cover three months of expenses, including by using savings, borrowing, or selling assets, or a relatively broad measure.

Similar to that, which we saw for other measures of wellbeing, renters are less prepared for extended income losses as half of renters said they couldn't cover three months of expenses using any of these means.

So with that context on financial situations from before the pandemic -- and there are certainly a lot more in this survey as well that I can certainly talk about during the discussion, I now want to share some of the findings from early April on how people are faring relatively early in the public health crisis.

And here I do want to pause and emphasize the timing of the survey to note that it was conducted the first weekend in April. So, it was after the passage of the CARES Act, but before most benefits were received.

This slide shows what we've seen from other data sources that job losses in March and early April were certainly quite substantial.

In the survey we ask about a relatively broad measure of job loss which includes anyone who says that they lost a job or were told not to work between the beginning of March and the first weekend in April, even if they were still working in some capacity at the time of the survey, such that if they had a second job that they maintained, or if they found another job, or picked up additional work.

And we see that 13% of adults said that they experienced a job loss over this period. But in addition, 6% of adults say they weren't laid off, but that they had their hours reduced or took unpaid leave over this period.

So collectively, 19% of all adults either reported a job loss or an hours' reduction. I'm going to focus later on some of the financial outcomes for this group in particular, this 19% of people.

I want to stop and note, however, the bottom part here -- which I also find interesting, but I don't think gets as much attention.

So, 7% of people say that they either increased or hours worked overtime. This is going to include some people who worked overtime or extra hours early in the month of March before subsequent closures.

But it also reflects the fact that there are some people who were working additional hours in sectors that saw surges in demand, such as people who were producing or delivering goods bought online, or people at grocery stores. These industries and occupations where there really was an uptick in demand in response to peoples' changes in purchasing patterns.

In addition to the overall income declines, though, a notable aspect of work situations is the sharp education divide in employment, including where people are physically doing their work.

So, there was a difference in the likelihood of working from home by education last fall, but this difference is really magnified in light of the pandemic. After the onset of COVID-19, a much higher proportion of workers of all education levels were working from home, but there was this large education divide here as workers with a bachelor's degree were much more likely to say that they're working from home than those with less education.

And note also that these statistics reflect people who are actually working in the week before the survey, and don't include those who were laid off because they couldn't work from home.

So, to the extent that workers without a bachelor's degree were experiencing additional employment declines specifically because they couldn't work from home, is then going to further magnify these differences by education shown here.

And we can now think about how these job losses and hours' reductions are reflected in various measures of financial wellbeing which I think is really one of the big strengths of this survey. So, the next three slides I'm going to show a couple of these measures.

This slide is whether people expected the PDL (phonetic) to pay all of their current months' bills in full in the month of the survey.

So, in the fall, 16% of people were unable to pay all of the bills in full. And this is actually really similar in April.

So, in April 18% of all adults indicated that they didn't expect to be able to pay all of their bills in full. So, it's a slight uptick, but it's not really a statistically significant change.

But the results of the overall population can then mask some of the challenges among those who either lost a job or had their hours reduced.

So, for those who didn't have a change in their employment status, financial stability, using this measure, looks pretty similar to what it looked like in the fall. Bu among those who had these employment disruptions, the rate of financial challenge was much higher, as 35% said that they wouldn't be able to pay all of their months' bills in full in April.

And this could be seen in other measures as well. So, here I show the share who would pay a $400 expense using cash or its equivalent, which is one of the ways we track peoples' preparedness for small financial emergencies that might arise.

So noting that this does reflect how people would pay this $400 expense, and not necessarily whether they actually could pay, but we do see that those who lost a job are far less likely to say that they would pay this type of expense using cash or a credit card paid off at the end of the month. And they are far more likely to say that they would either borrow, sell something, or simply couldn't pay this expense.

Turning now back to the overall wellbeing measure that I started with, we can then see this very similar picture that a lot of the challenges really are concentrated among people who had these employment disruptions.

So, here I can turn back to the self-reported wellbeing measure that I started with, with the solid blue bar in this figure being the overall wellbeing results through 2019 that I showed on one of the initial slides, but I've added the April 2020 results on the right.

They consist with the findings for being able to pay bills, this spring we saw modest decline in the share doing at least okay financially, which slipped back from 75% to 72%. But is seen in the dashed orange bar on the far right, which just looks at those who had a job loss or had their hours cut.

This decline was really concentrated among people who had these employment disruptions. So, about half of this group said they are doing at least okay, whereas the other half are showing greater financial struggles.

And again, people who didn’t experience these employment distributions really looked very similar to what they looked like in the fall for this overall wellbeing measure.

And so, finally I want to end by pulling this back to the education results for employment that I showed earlier, and this difference in peoples’ ability to work from home and continued working by the level of education they have.

So, here I showed the trends in the same self-reported wellbeing measure, but now split out by education over time.

Those with more education consistently report higher rates of wellbeing, but improvements over time between those with and without a degree were similar from 2013 through 2019, each rising by about 12 to 13 percentage points.

However, this wasn’t the case in the start of 2020. So, in early 2020, after the onset of COVID-19, those with a bachelor’s degree were equally as likely to say that they were doing okay, as was the case last fall. But there was a 5-percentage point drop for those with less education.

So, I think this is really consistent with the fact that people with less education have thinner financial bumpers, as well as the higher rates of job loss and difficulty working from home during the pandemic for this group.

And so, I think this gives a sense of how some of the observations from our survey and from elsewhere about the concentration of job losses can then translate into concentration of broader financial challenges at the start of the public health crisis.

I think this gives us an overview of some of the highlights from this survey and the way that I've been thinking about the results; although, there certainly is a lot more that's included in the survey that I'd be happy to discuss as well.

But with that, I want to go ahead and turn it back to Richard, and I'm certainly looking forward to the discussion with all of you today. Thank you.

MR. REEVES: Thanks Jeff. Thank you for those fascinating results and the way that the crisis is touching Americans differently in terms of their finances, or, leaving some untouched, and deeply affecting others.

So, with that I'm going to hand to Camille who, among other things, is an expert on financial wellbeing from her previous roles as well as her current work on equity.

Camille, I'd love your reactions both in terms of the short and long-term implications of what you've heard

MS. BUSETTE: Yeah, absolutely. Jeff, I want to say, that was an excellent presentation.

I always look forward to looking at the SHED data, and I really find this particular couple of iterations -- sort of pre-April and the April piece -- to be an important real-time view of the way in which the unfolding COVID-19 economic recession is being experienced at the household level.

I think it's a great peek into that, and obviously an early peek into that, and things have maturated since then.

One thing I do want to point out before I get going into my comments is that in April 2020 -- and Jeff, you may want to comment on this -- I think there was still a lot of people who felt like the economic was going to bounce back pretty quickly. And subsequent to that, we now know that that's not the case.

And so, I think some of the way people think they were doing was probably predicated on the sense that disruptions would be short-term. Do you have any insights into that, Jeff?

MR. LARRIMORE: Yeah, I mean I think that's absolutely right. This survey really is a snapshot into peoples' experiences in early April at the very start of this public health crisis.

And we also look in the survey, for example, at peoples' expectations for reemployment. And at the time, of people who said they had job losses, something like 90% said they expected to go back to the same employer. So, it's a really high share.

And your right, I think one of the big questions of all of this is, it's not a two-week crisis. We're now in the middle of June -- so several months later -- and it is this question of, how long is it going to take before we're back to more normal situations, certainly.

MS. BUSETTE: Yeah. Great, thank you. So, I wanted to just touch on three points.

The first is that one of the things that I think is really highlighted by this data -- both the pre-COVID and the post-COVID data -- is the financial fragility of those with less than a bachelor's degree.

And, obviously, that has been exacerbated by the COVID-19 pandemic, but there are a number of measures there. One of which, Jeff, you had mentioned, which is income volatility, and that with the coincidence with gaps in credit access, to me, speak volumes about the fragility of this particular set of people.

So, these are folks who really in some ways they may have been more employed than they were in 2013, and they may have experienced better of employment, but the sense of fragility is still pretty high, I think, for those folks. And I think that comes through pretty clearly in a number of measures. So, that's number one.

Number two is this enduring chasm between Blacks' and whites' financial wellbeing. And it's obviously something we've been talking about a lot as a nation, but what I was struck by here is the range of indicators that demonstrated the depth and dimensions of that well gap, and have implications for the maneuver to weather the current economic recession.

And as we know in the prior economic recession, Blacks ended up doing much worse than whites on average, in navigating that recession. Homeownership dropped significantly, and I'm sure that Jenny will comment on that. But also, it took blacks a lot longer to get moving after the recession formally ended.

And so, one of the things that I saw there, and I thought was actually pretty interesting, was there was a section on involvement with the justice system, and then unpaid legal debt and fees related to that involvement. And for Blacks it was extremely high.

And so, not only is there, you know, a sense of historical gap due to all sorts of policies and to racism, but also, as Blacks experienced interaction with certain systems -- so, for instance, in the financial system there's less access to credit -- with the legal system there is debt that builds up -- and so, in every sort of facet, you see this gap and this kind of fragility really played out.

And that, to me, demonstrates that we have a long way to go in a solution because that gap has permeated basically every part of a Black person's experience, on average. And then we add to that all the information we're getting right now on the COVID-19 recession.

The National Bureau for Economic Research just put out a paper that showed that 3.3 million small businesses were shuttered over the last three months, and that was more than closed during the Great Recession. And most of these businesses, it turns out, are heavily minority owned and immigrant owned businesses; the ones that went under.

So, we also have some pressure there on the income side for small business owners. And then, of course, The Fed chair has repeatedly highlighted the impact of the economic recession on communities of color.

So, that picture looks, really, quite troubling, I would say, and I think speaks to a need for comprehensive and far reaching policies and income support in general.

And then the last thing I'll say before I turn things over to Jenny is when we see a big drop-off in employment, and in security, and financial wellbeing that we're seeing due to the COVID-19 crisis -- and, you know, there's a lot of uncertainty when COVID-19 will become less of a crisis -- I think it becomes really important for us to think about, what does it mean to be middle class in a situation like this, when so many people are really under a lot of stress.

And I know, Jeff, this is not something that the SHED focuses on, but it is something that I think we should add to the picture, which is the amount of hunger that Americans are experiencing of the result of the COVID-19 pandemic.

And so when you think about all the people who are lining up at food banks -- and many of them would have considered themselves middle class four months ago -- I think when we think about policies and how we are going to deal with a lot of the stress and the economic recession more generally, we also have to think about the fact that the notion of the middle class might really have been changed.

And so, just something for us to think about as we move forward.

I'm going to stop my comments there and turn things over to Jenny.

MR. REEVES: Thanks, Camille. I just wanted to interject with one question, Jenny -- which I think you may well get to in your remarks -- but I also want to underline this point about fragility.

In the Future of the Middle Class Initiative, we're interested in the quality of life of the middle class and the mobility up into the middle class. But as Camille has just pointed out, there is this sense of fragility and the risk of downward mobility that people might face as well. And something like the pandemic could expose the differential risk of downward mobility as a result of that.

One other question that we've already had in advance from Chris Jackson at the Overland Park Chamber of Commerce, Jenny, was the housing market outlook.

He's saying that so far it hasn't collapsed, but is that just because the government has put enough money into it? And what do you think that the outlook for the housing market is going to be more generally, both for renters and owners?

So, you may well be covering that anyway, but I thought it was a good time to interject that. I'll hand it over to you, Jenny.

MS. SCHUETZ: Great. I think Camille very nicely summed up that one of the big takeaways is just that even for people who look like they were doing okay, sort of at the end of this very long expansion, there was a lot of fragility. There was a lot of vulnerability that a strong labor market sort of papered over, but that once we got into this crisis, you start to see the cracks.

And, obviously, I was looking very closely at the breakouts that Jeff showed us, the difference between owners and renters -- you know, owners and renters are different from one another in lots of ways, homeowners tend to be older, they tend to have more assets and higher income even outside of homeownership.

One of the big differences between them, actually, is race. The median white household in the U.S. owns their home. The median Black household rents their home. The median Latino household rents their home.

So, there are all of these layers based on top of that, but it's very clear that there were a lot of people who could just barely cover their expenses when they had a steady job and a steady income. Once they start -- not just losing their jobs, but just having hours cut back -- so getting to Jeff's point about having income variability over time, once they start losing any of their income, they really can't cover their payments in full.

I thought that graph that showed half of renters can't pay for three months expenses -- well, we’re three months into a pandemic. If you are a renter and you could just barely cover things when you were getting paid, and then you lost your job for three months. You know, how many people can actually float all of their bills over that period of time.

We have been watching -- those of us in the real estate sector -- have been watching markets to see what's going to happen, and it's actually kind of astonishing that rental markets have held up as well as they have.

The National MultiFamily Housing Council has this rent payment tracker that shows that even through this week, 90% of renters in professionally managed buildings have been able to make a partial or full rent payment. That seems really unlikely concerning the job losses, but what it's really showing is this, that the income replacement the Federal Government has provided so far has worked.

Congress gave out stimulus checks, we had to top up to unemployment insurance, and that is the reason that people have been able to stay current on their rent; that’s the reason that we haven't yet seen massive numbers of evictions. But it also suggests that when Congress pulls back on that funding an awful lot of households are on the edge of a cliff and they are going to fall over very quickly.

So, I think the sort of policy lesson at this point is, stimulus works, income support to household works, and as long as it's working, we should keep doing it until the labor market really recovers.

MR. REEVES: All right, thanks Jenny. Jeff, I'm going to come back to you to pick up any responses. But those two things in particular I'd like your further reflections on.

One is the race gap that both Jenny and Camille have highlighted.

In some extent, the pandemic has just acted like an X-Ray, in sort of revealing, exposing these fractures that were there before, and then to some extent kind of reinforcing them.

But in particular, the fact that some of these risk factors around wealth and financial wellbeing, particular for Black Americans, just don’t seem to have moved for quite a long time.

So, it's one thing to say there are gaps, it's another thing to say this there are gaps, it's another to say this just doesn't seem to have narrowed. In fact, recent work by our colleague Bill Bales (phonetic), suggests that among millennials, there is this widening of the wealth gap.

And so, any comments that you may have abut how that needle just doesn't seem to have moved, and so what does that mean?

And the second is -- and this relates to Jenny's point about the labor market -- sort of papering over the cracks, and what's happening to the labor market.

You were pains to say the timing of the survey was post the passing of CARES Act, but before money started flowing. And so I'd also like your reflections on what you might expect to see from subsequent evidence. In that sense, the timing might be very critical in terms of how vulnerable people felt at that moment in time.

So, anything else I'd love you to answer too from Camille and Jenny's comments, but those two stuck out for me at least.

MR. LARRIMORE: Yes, I think the points about some of these racial disparities, and particularly how Black households, are faring is absolutely spot on.

I think that that's something that we see again, and again, in our survey, is across just a range of measures, how different peoples' experiences are financially based on their race.

I talked about the difference in having three months emergency expenses by renters versus owners; we see the exact same thing by race, ethnicity, that 45% of Black and Hispanic adults say that they couldn't cover three months of expenses compared to about 20-23% of white adults.

So, we see it in measures like that. We see it measures like -- I talked about the credit access -- we also see it for bank account access; whether people are unbanked and have that traditional access to banking products.

We also see it for things such as both peoples' ability to pay their current months' bills, but also we have a question asked me about, sort of getting at this point of even if people look like they are getting by okay, how close are they to the edge? And how close are they to financial hardships if something went wrong?

Asking them if you had a $400 expense that you had to pay, would you still be able to pay all of your current months' bills in full? And, again, for measures like that.

Even for among Black and Hispanic adults who have the same level of education as white adults, we see disparities there.

So, this is something that just comes up again and again, and is extremely consistent through the survey, that racial and ethnic disparity.

I think that in terms of this idea -- to your second question there -- about how people, the particular moment in time, and were people feeling particularly financially vulnerable there, I think it cuts both ways a little bit.

On one hand, people may have been particularly financially vulnerable because they haven't started seeing these financial benefits through things like the CARES Act showing up in their accounts and accruing to them.

But on the other hand, as Camille and I were talking about earlier, it was also a period where people expected in many cases the layoffs to be very, very, very short-term. And we are now, again, in mid-June and a lot of people are still out of work.

So, I think that's the flip side, is that one hand they haven't started seeing things like the stimulus programs showing up, but I think the perceptions about how long challenges are going to last have also changed.

So, I think it's not obvious to me necessarily that people are going to be more optimistic then than they are now. And if anything, I actually think for those who are still out of work, being out of work for this long presents some pretty serious challenges, especially if they don't know how long it's going to go for.

And I think that one other point I want to add to there in thinking about this idea of the fact that we do have these changing financial circumstances, is the fact that we conducted this survey in early April -- we're going to be actually doing another survey later this summer, it's our plan to be able to continue to monitor this.

So that's something we are definitely very aware of, and I'm very aware of, this idea that we do need to continue to track what financial circumstances are doing.

We can't just turn and say, "Well, it looked good in early April." Or to Jenny's point with the housing situation and peoples' ability to pay rent, "Well, it looks good now." But we need to also pay attention to what's it going to be looking like down the road and continuing to pay attention to those changes.

MR. REEVES: Thanks Jeff. I want to ask all three of you the same question -- and perhaps start with Camille, and then go to Jenny, and then go back to Jeff -- which is all three of you study this area very closely, and to some extent some of this is revealing stuff that we already knew, and perhaps kind of drawing more attention to it.

But has there been anything -- either from the SHED survey, or more generally -- that you've learned and/or that surprised you, either an inequality that's greater than you thought, or something you haven't thought of?

Or to some extent, there's a danger that, like, for those who study these inequalities, or these trends, there's no breaking news, it's just more like headline news --stuff that was previously good for a Brookings seminar is suddenly leading the news -- or is some of it new?

Camille is there anything that sort of struck you as, "Huh, even I who's looked at this a lot didn't realize A, or B."

MS. BUSETTE: You know, I think in one respect I think, yes, and I would say particularly information and the data on just the differences in financial wellbeing between people who have more than a bachelor's and people who have less.

We know in general, that people who have less than a bachelor's, tend to earn less. So, we would understand that they would feel slightly less secure.

I think the dimensions of that were much broader, and articulated in this data set, than maybe are well-known because I think that sort of the general way we think about the last couple of years is that, you know, the economy has just been roaring ahead and everybody pretty much has jobs, and if you look around the corner, you will find a job. It just really is pretty straight forward.

And we know that there's been some data that shows that the unemployment rate for Blacks has been double that of whites. But still overall the employment picture has been one that everybody thinks is fairly positive.

I think you dig a little bit into that, and you see, oh, lots of income volatility, like 30%. You know, that's a lot, right. You dig into it and you see a lot of people who rent and don't own, you see the homeownership rate of Black Americans has dropped significantly.

And there are a lot of things there that really make me very concerned about how, particularly people with less than a bachelor's degree, are going to be able to weather this particular storm.

And so the picture that it leaves for me is one of even during the height of kind the bull market, so to speak, and a really hot economy, that there were a lot of people who had jobs, but those jobs left them feeling really fragile.

And to me, that is probably one of the -- I think that's something that I think has been underappreciated, both generally, and this particular SHED survey really shows the dimensions of that.

MR. REEVES: Yeah, when you see the fragility when you put pressure on something, and we've just seen this massive pressure test, essentially.

But also, I'm really struck by your comment about education.

And one of my reflections is that we knew that there are these inequalities by education, by race, by tenure, by geography; and we knew that they went together. I think the tightness with which those things cluster together has become even more apparent, right. So, the clustering of the dimensions of advantage and disadvantage, which we knew was there.

It's just something that may (inaudible) because of the remote working aspect, the labor market aspect, the geography aspect, is rather almost as if every single dimension is being affected and therefore the extent to which we see multi-dimensional disadvantage and multi-dimensional advantage -- There are some of us who feel almost on every distribution we're kind of on the lucky end of it -- but there's a heck of a lot of distributions overlapping there, right?

MS. BUSETTE: Exactly, exactly.

MR. REEVES: Yeah. It's great. Jenny, anything that you've learned from all of this as someone who pours over these data over time, or did you know all this already?

MS. SCHUETZ: Not all of it. I think there are two things that have jumped out at me. One, is just this sort of question of who can work from home and what that means.

So, I hadn't particularly thought before about whether this is important. But there are some jobs that you can do from home, and some jobs you actually have to be in the office. But of course, that's really important for two reasons.

One is that if you can't do the job from home and the workplace shuts down -- the economy shuts down -- you are much more likely to be laid off from work.

And of course, the other side is, if you have to be there in person to do the job, and the public space is now a place where you get sick -- the public space is hazardous -- if you don't lose your job you are vulnerable to getting sick.

And sort of this sort of dimension of what does it mean that you have a job that's sort of insulated where you can continue getting a paycheck and not put yourself in danger. You know, this is a division that I hadn't thought about before, but certainly matters a lot at the moment.

The other thing that I guess wasn't a complete surprise to me, but has been frustrating, is just the lack of real-time data, particularly on housing markets.

So, I'm incredibly glad that Jeff and the Federal Reserve Board did this survey. I've been very grateful that the Census Bureau has been doing these Pulse surveys of the small businesses and households to give us real-time data.

I mentioned the National Multifamily Housing Council, which is an industry group surveying its own members, and they started doing that because we had no real-time data.

They've been sort of joking that the housing economists are a little jealous of the labor economists because labor economists get weekly data on what's going on in labor markets. So, it's depressing data, but they have data.

The housing economists are sort of, "We think the world is falling apart, but we actually don't have any data to measure that." And so, we're kind of grasping at straws to put together just how bad it is. And for policymakers, I think that's really important.

If all of our data are backwards looking, or if they are lagged by the time they get out, it is really hard to calibrate the need going forward because we're always three months behind.

Three months ago, households could more or less cover their bills and pay the rent. Do we need to add something now? I don't know.

We really need to have more real-time indicators, not just for labor markets, but for a range of household wellbeing. And I think that some of the questions in the SHED that asked this subjective sense of wellbeing, and the Census Pulse survey, do you expect that you can pay your rent or your mortgage next month?

So, the anticipation -- because households know a lot about this and so asking them to give us a sense of their fragility, their sense of vulnerability real-time, is just incredibly useful.

MR. REEVES: Thanks Jenny. It's worth give a shout to the (audio skip) opportunity for the insights to the team out of Harvard -- they are pulling together private sector and public data by geography, because sometimes it's just if you can pull a credit card company data, or the default data, or something like that, then that connects us closer to what's happening in real-time. I think those were excellent comments, Jenny.

Jeff, you were pulling this data together. You obviously expected some trends here, right. You expected some of the old bars to be different.

But even given your expectations about how different it was, was there anything either in your own data, or other data you've seen, that surprised you, or that you've learned?

MR. LARRIMORE: Yeah, I mean, I think that what really stuck out to me is the extent to which this did highlight a lot of preexisting inequalities that existed, and really magnify those.

I think that I was expecting -- just based on the news stories at the time that we were conducting this survey -- it was coming out that the financial situation was going to be bad for everybody. And I wasn't necessarily thinking about the extent to which things like being able to work from home is going to really just magnify inequalities.

And I think what sort of really struck home to me in some sense -- and there's an element where, I guess, intellectually I kind of did know this in the background -- but then I started to think about it in quite the same way, is that even if all of the job losses hit the population equally, which they didn't, but even if they did, then you still wouldn't have a situation where the hardship that results from that is going to be felt equally. That peoples' financial situations leading into the pandemic, and what we know from years of disparities that have existed, really then does sort of exacerbate these challenges.

So, I think that to me, when I was thinking about what is notable about this survey, and why is it something that isn't just what we already knew and existed, but now is larger news, is we haven't really had this sort of a quick short-term shock in this way before.

I mean, in previous recessions we've had that we've seen, low-income workers, Black workers being more likely to have job losses early in recessions, but the magnitude and scale of this is just in such so different in terms of the number of people that lost their jobs early on in this crisis. That that really stuck out to me as something that I wasn’t really fully expecting or prepared for when we were thinking about this survey.

MR. REEVES: It's almost like some of these slow motion inequalities that we've come used to seeing in trend lines over years, just sort of sped up.

MR. LARRIMORE: Yeah.

MR. REEVES: We’re sort of seeing this acceleration and magnification of some of these inequalities.

And so, what I'd like to do now is invite all of you to think about the future, and applying what we've learned, both from this moment, but more broadly to what that would mean for policy prescription going forward.

You know, what can we do, both in terms of easing some of the pain of the current moment, but I would say just as importantly, thinking about ways that we could reduce levels of financial insecurity going forward.

I'll slip in one other question, as well, which has come to us from a colleague of ours out at Brookings Mountain West, Caitlin Saladino, who's particularly interested in kind of at the metro level, what should we be thinking about.

Brookings Mountain West is based at UNLV in Las Vegas. And they have a labor market there that’s been hit kind of particularly hard, and it's also a very diverse city.

So, if you are the mayor, or you are the at the council, what should you be doing?

And perhaps we can think about that both in terms of the labor markets affects of the pandemic, but also the new exposure of racial inequality, and the racial equity issues that have been exposed, too. And Camille, you’ve written specific on that issue, if you're a mayor of local level.

But I'd just invite particular Camille and Jenny, but please chip in, Jeff. At a metro level to start with, what can cities be doing in terms of the own labor markets or in housing markets. We’ll start with you, Camille.

MS. BUSETTE: Well, I'm just going to say generally that one of the experiments that we tried under the CARES Act is providing people with $600 of income weekly, as a support and as an addition to the $1,200, or whatever people got as a stimulus check. I think that experiment has shown that having that kind of income support keeps people away from the precipice to some degree.

And as the recession kind of rolls on, and it becomes pretty obvious that we're not going to reclaim many of the jobs that have been lost, I think it's going to be very important to keep that income support up.

And so, I think you might have to vary that by locality, and I think local governments have to get involved to extent because if we don't have -- or before we have a vaccine to deal with COVID-19, we're going to have to deal with things like, for instance, there are going to be people who cannot work because they are vulnerable, cannot go into work, and as the survey has shown, don't have an option of working at home. So, there will have to be ways to support those people.

We're also going to have to think about lower income households where there is high density residency, as well as multigenerational residency, and how we deal with that. And money is probably going to go a long way.

So, there are some things that I think where income supports really thought through at the local level, but maybe funded at the Federal level, I think are going to be really, really useful. I think that's the first thing.

The second thing is access to credit and investments in communities of color. I think those are low hanging fruit.

And I think everybody from national, Federal financial services, regulators, all the way down to local banks and every locality should be thinking, how do we spend money so that we are making sure that communities of color have access to credit, and also that those communities are seeing an influx of investment that, in fact, improves wellbeing. Not just financial wellbeing, but wellbeing more generally.

MR. REEVES: Thank you. I think that's a nice link to you, Jenny, in some of the work you've done in this space. Obviously, you're an expert on housing markets in particular.

It may be that there's an opportunity here to fix some longstanding problems that have been highlighted, including at the local level, around wealth building more generally and the housing market, but also the intersection between the housing market, the labor market, and the credit market, as you were mentioning earlier, has just, I think, never been clearer.

And so, any thoughts that you would have if -- you do work with certain localities -- but what are the conversations you'd be having with them about what they should do now?

MS. SCHUETZ: Sure. I think one thing that has become painfully obvious is that we should try to build up the social safety net, and improve household security, financial security more broadly; put those policies in place when we’re in the good times.

We sort of let the safety net erode and let the strong labor market hide problems, and then a crisis hits and we’re trying to build a safety in real-time in the midst of a health crisis, and an economic crisis, and now a civil rights crisis.

You know, we should have a safety net before we get into crisis, not once we get there.

On the housing side there are a couple of ways that this has really shown up. So, cities like Las Vegas have really large homeless populations.

It turns out that having a bunch of homeless people who don’t have access to sanitation, who don’t have a roof over their head, who don’t have the ability to shelter in place and socially distance, that’s really dangerous for homeless people and it's also really dangerous for communities.

So, maybe this provides some stimulus for local governments to have to focus really seriously on reducing the homelessness rate, reducing housing insecurity. As Camille mentioned, it's pretty dangerous when you have households crowded in together in lots of space and they can't distance. We have a lot of old, poor quality housing, which is not great to live in when there are respiratory ailments going on.

So, we sort of just ignored these problems and pushed them off into the corners. And I hope that at least this is going to provide a little bit of impetus.

Camille has a really good point that most of the funding for this is going to have to come from the Federal Government, in part because local governments and state governments are really feeling a budget pinch right now.

Their revenue sources are way down. Things like sales taxes have taken an enormous hit. The demands on public services from local governments have gone way up at the same time.

The Federal Government is the only one that can print money and so it needs to be sending out checks not only to households, but to local governments to help them deal with these, sort of, fundamental insecurities and lack of safety net policies.

Local governments are going to wind up implementing a lot of this on the ground, and so they should be thinking about, if they get some more resources, what can they do?

Not just to tide people over the next three months and six months, but how do you start addressing these fundamental insecurities, put people onto a path for better jobs so that more people are going to have options in the future?

How are you going to start putting in place the public health infrastructure to take care of this because almost certainly this won't be our last pandemic?

How do you, for instance, some of the housing insecurities, access to credit -- now, I will say, one of the things that was a little unexpected to me about the credit access -- we're starting to see more households who are trying to pay their rent with a credit card, which isn't normally a great idea given that you pay high interest rates on it, but it's a whole lot better than getting evicted right now.

But households who don't have a credit card can't put their rent on it which means they really don't have something to fall back on.

In the longer run, we have to come up with a better way for households to build wealth. In particular, to build liquid wealth that they can tap into when they need to tide themselves over.

Relying on people to buy a house and build equity over 30 years doesn't necessarily help you for sort of 3 to 6 months of needing to tap into some liquid resources, some savings account, and we really just don't have a plan for that.

MR. REEVES: That's been particular true, of course, for Black Americans, and Americans of color more generally, which is the promise of the equity and wealth you can build through the housing market, it's always a sort of promise that will come later.

And so, a recession hits and the wealth is lost again.

So those alternatives, I think, are important. But I think it might, even in Las Vegas, one of the most striking images of the pandemic with the homeless people with 6 feet lines, trying to be 6 feet apart. And so again, it's kind of exposed some of those existing inequalities in the housing market more generally.

Jeff, I'm going to invite you to think about some of the implications of your own work. I realized that you're somewhat constrained in your ability to talk about policy, but we could just pretend it's just us; forget about the hundreds of people watching and just imagine it's just the four of us just chatting quietly.

So, I'd encourage you to throw caution to the wind and make some policy.

MR. REEVES: Well, certainly, as you mentioned, I certainly can't get ahead of the Federal Reserve and don’t want to be accused that we’re trying to make policy.

But I think what this does highlight is some of the places where policymakers can be certainly looking at issues and where people actually have financially security and where they don’t.

And one of the things that does stand out to me a little bit in thinking about some of these results from the survey is the length of time that it took for people to be building the financial resources that they had, and as limited as they were for some people, that when we first started this survey back in 2013 for our question on how you would pay the $400 emergency, we saw that half the people at that point said that they would borrow, sell something, or couldn’t pay this expense, and only half would be paying basically using cash. And it was only in 2019 that it was up to 63%.

So, you have this continued growth over the course of the expansion, and my expectation to some extent, if people are billing that, or drawing down those savings now, what's that thing going to do to their ability to handle whatever comes next, if they are having to deplete those resources right now.

And I think another sort of area that stands out from the survey that might be of some relevance is thinking about peoples’ retirement savings, and who has retirement savings and who doesn’t, which feels in some sense very far off, but if people are in the end -- that’s a potential source that people are able to turn to be able to weather short-term shocks.

But if people then are turning to these retirement savings, and a lot -- I think it's like 35 to 40% of people say that they feel like they're not on track with their retirement savings already -- if they are then using that as the resource to be able to weather short-term challenges now, is that going to then push people even farther behind.

So, I'm certainly not going to make any recommendations about what policymakers should actually be doing, but I think that there is a lot in this survey that people who are able to think more deeply about policy are able to potentially turn to as they are thinking about what some of these tradeoffs actually look like.

MR. REEVES: We'll have a little chat afterwards maybe (laughter). I'm sorry, that was very unfair of me.

We have a few minutes left and just a couple of questions that I think will help me to shape another round. This will particularly be aimed at Jenny and Camille because it specifically is about policy and addressing the race gap in wealth bu9ilding and wealth more generally.

One of the questions we've had is whether or not the race gap that has been referred to already, whether that still holds when you add climate (phonetic) controls for education, etc. And the answer is yes.

That's a partial explanation, but we see a strong race gap even with those covariates added in. and a couple of more questions about race, too.

And so obviously the issue of very different position in terms of white households and Black households, in particular, that we've referred to a number of times now already is getting more attention perhaps now than it has done for some time.

We're seeing HR40, which is the annually presented bill to the credit commission to study reparations for Black Americans getting a lot more attention than before.

We're see the work of people like Sandy Datery (phonetic), Derek Hamilton on baby bombs getting much more attention, etc.

And so, I just wanted to invite Jenny and Camille and to just reflect whether you think that some of the approaches to wealth building -- some of which I mentioned, but there'll be others as well -- whether or not we need either a race specific, or race conscious element to those wealth building strategies, as well as the broader based approach that we'll have given the inequities that have been highlighted in recent months.

So, I'll come to you first Jenny, if you don't mind, and then come to you Camille.

And I will say that Rashawn Ray and Andre Perry, two of our colleagues, have written recently on the issues of reparations and I encourage people to check that out.

I don’t want to make this narrowly about reparations, Jenny, but sort of broadly, the pace the race conscious or race specific wealth building strategies more generally.

MS. SCHUETZ: I would say that we still have a lot of pretty overt racial barriers.

So, obviously in the housing world, one of the big impediments to low-income renters moving into high opportunities neighborhoods, places with good schools and access to jobs, are the policies that local governments have put into place on exclusionary zoning.

So, if you make it impossible to build apartments in a high opportunity neighborhood then renters don’t have access to all of the resources there, which means that low-income families with kids can't get those kids into the best school systems because they can't afford to live in those school systems, they can't afford the housing there.

That’s not explicitly racial zoning, but it has very disproportionate affects by race. And so, getting rid a lot of the exclusionary zoning would disproportionately help Black and Latino families who are renters.

It's also just hard to ignore that kids who are born into a family that has some resources, that has assets, have a leg up at every stage in their life.

Their parents can use the money to help them do tutorials and summer programs and enrichment programs, help them pay for college, you know, help them pay the down payment on a house or to start a small business.

So, at every stage of your life, if your family has money, your family has wealth, you do better.

Black households in particular don’t have as much wealth because they have been systematically excluded from wealth building for generations.

And so the argument that we should provide a lump sum of resources to families, particular families with kids, that’s then at their disposal and they can use that as they go forward in life, that’s a very strongly case to be made both on fairness and on economic efficiency arguments.

MR. REEVES: Thank you. Camille, I'm going to give what I think will be the last word to you, which I think allows us to tie together the issues of race inequity, wealth, and economic security more broadly.

Your own work shows that you see downward mobility for Black kids particularly, conditional income, a huge wealth gap, and so this kind of risk is just very -- being middle class and Black is not the same as being middle class and white. I think that's beyond it.

And so, what are your thought right now in terms of wealth building more broadly, but specifically, should it be race conscious, race specific.

MS. BUSETTE: Well, thanks very much, Richard. And I would agree with everything that Jenny just mentioned. The one thing I would say in addition to that is that the scale of the problem is so immense that it does require a massive, massive kind of policy intervention.

And in this case, I mean, there have been a lot of all kinds of proposals, but I would say that the primary issue is that income still is hard for Black communities, and Black households, and Black men, and Black women to come by at the same level that their white counterparts come by.

And so, I do think there is --you know, just because of the scale of the problem, which is the result of intentional policies, then requires a massive policy intervention to correct something that was hundreds of years in the making.

Another thing that I would just say in general is that we always thing about fairness, and we got to this place because of a set of unfair policies.

And so, we need to undo those. And undoing that is the kind of fairness principle.

And the last thing that I'll say is that, you know, all of us are really affected by racism, whether we're white or we're Black, or anything else.

When you live in a world where there's a lot of untapped potential, you are affected by that.

When you live in a world where people are segregated and can't be participant in the economy, and that has all sorts of ramifications as what you're seeing with COVID-19, greater vulnerability to the disease, etc., we are all affected.

So, there are many reasons to think about a massive policy intervention to address this problem.

MR. REEVES: Thank you, Camille. Thank you to all of you. Thank you, Jeff, for bringing us your data and sharing it with us as well as sharing your time.

Thank you, Jenny, for your time and for having the original inspiration for this event, as well as your own work on housing.

And thank you, Camille, for your leadership of our Race, Prosperity, and Inclusion Initiative, and the new blog How We Rise, which draws attention to the very issues we've been discussing today.

Thank you to all of those of you who joined us, and those who asked questions, please watch this space, and stay safe.

MS. SCHUETZ: Yes.

MS. BUSETTE: Thank you, Richard. Thank you, Jeff and Jenny

MR. LARRIMORE: Thank you.

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