

July 25, 2023

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chair Powell,

I write regarding my concern about the recent surge in Black unemployment – “a development some economists worry may be a ‘canary in the coal mine’”¹ – and the grave risk that resuming interest rate hikes this month could further derail the labor market for Black Americans. I urge you to consider the disproportionate impacts of the Federal Reserve’s (Fed’s) monetary policy on Black workers and maintain the pause on needless rate increases that threaten the economy.

Black workers have seen extraordinary labor market gains since the height of the pandemic.² Since peaking at 16.8 percent in May 2020, the unemployment rate for Black Americans steadily declined to a record low of 4.7 percent in April 2023 – the first time that Black unemployment has ever fallen below 5 percent since official records began more than 50 years ago.³ While this remained higher than the overall and white unemployment rates, the persistent gap between Black and white unemployment fell to an all-time low of 1.6 percentage points, down from 3.0 percentage points in February 2020 before the pandemic.⁴ In March, the employment-to-population ratio – which measures the share of people

¹ Reuters, “U.S. Black employment falls despite wider job market stability,” Safiyah Riddle, July 7, 2023, <https://www.reuters.com/markets/us/black-unemployment-rate-spikes-second-month-row-2023-07-07/>

² Washington Post, “Black women are finding better jobs than ever. A recession could reverse that,” Lauren Kaori Gurley and Federica Cocco, July 3, 2023, <https://www.washingtonpost.com/business/2023/07/03/black-women-full-employment/>

³ Federal Reserve Bank of St. Louis, “Unemployment Rate – Black or African American,” <https://fred.stlouisfed.org/graph/?g=179gY>

⁴ Federal Reserve Bank of St. Louis, “Unemployment Rate – Black or African American-Unemployment Rate – White,” <https://fred.stlouisfed.org/graph/?g=17dSP>

employed relative to the working-age population – for Black Americans exceeded the ratio for white Americans for the first time on record.⁵

In recent months, however, the labor market for Black Americans has materially worsened. Black unemployment has increased at an alarming pace since April, jumping 1.3 percentage points to 6 percent in June – “the largest two-month increase outside the pandemic in 14 years.”⁶ Consequently, the Black-white unemployment gap has widened such that Black unemployment is back to being nearly double that of white unemployment.⁷ In fact, of the nearly 300,000 people who have joined the ranks of the unemployed between April and June, Black workers account for nearly 90 percent.⁸ Meanwhile, the number of employed Black Americans, which hit a record-high in March, fell for the third consecutive month in June, resulting in 635,000 fewer employed Black Americans than there were three months ago.⁹ Black Americans “were the only major racial or ethnic group to experience a net drop in employment over the past three months”¹⁰ and to have seen declines in their labor force participation.¹¹

This recent data is alarming and underscores the dangers of the Fed’s aggressive rate-hike campaign. Extensive research shows that Black workers are usually among the first to lose their jobs when the labor market falters.¹² Accordingly, sharp increases in Black unemployment can be “a strong predictor of an impending recession.”¹³ As one economist noted, when the Fed hikes interest rates, “it does tend to disproportionately impact workers who face more barriers to opportunity, who are more marginalized. And so that means, plainly put, that when the Federal Reserve keeps raising interest rates, that will

⁵ Federal Reserve Bank of St. Louis, “Employment-Population Ratio,” <https://fred.stlouisfed.org/graph/?g=17eOy>

⁶ Reuters, “U.S. Black employment falls despite wider job market stability,” Safiyah Riddle, July 7, 2023, <https://www.reuters.com/markets/us/black-unemployment-rate-spikes-second-month-row-2023-07-07/>

⁷ Federal Reserve Bank of St. Louis, “Unemployment Rate – Black or African American-Unemployment Rate – White,” <https://fred.stlouisfed.org/graph/?g=17dSP>

⁸ Bloomberg, “Black Workers in the US Account for 90% of Recent Rise in Unemployment,” Catarina Saraiva and Alexandre Tanzi, July 7, 2023, <https://www.bloomberg.com/news/articles/2023-07-07/us-black-workers-account-for-90-of-recent-unemployment-increase>

⁹ Reuters, “U.S. Black employment falls despite wider job market stability,” Safiyah Riddle, July 7, 2023, <https://www.reuters.com/markets/us/black-unemployment-rate-spikes-second-month-row-2023-07-07/>

¹⁰ *Id.*

¹¹ CNBC, “The unemployment rate among Black workers increased in June for the second month in a row,” Tanaya Macheel, July 7, 2023, <https://www.cnbc.com/2023/07/07/the-unemployment-rate-among-black-workers-increased-in-june.html>

¹² Washington Post, “Black women are finding better jobs than ever. A recession could reverse that,” Lauren Kaori Gurley and Federica Cocco, July 3, 2023, <https://www.washingtonpost.com/business/2023/07/03/black-women-full-employment/>

¹³ Reuters, “U.S. Black employment falls despite wider job market stability,” Safiyah Riddle, July 7, 2023, <https://www.reuters.com/markets/us/black-unemployment-rate-spikes-second-month-row-2023-07-07/>

disproportionately hurt Black workers.”¹⁴ The consequences for Black women are particularly severe: the “glaring wage gap between Black women and nearly every other demographic group means that when they lose work, they have less socked away to cushion against a job loss, and the pain is felt more sharply.”¹⁵

The Fed’s threat to inflict further harm to Black workers by resuming interest rate hikes is even more wrongheaded in light of other economic developments. The headline inflation rate last month “plummeted to 3 percent, just a third of its 9.1 percent peak last summer,” while other inflation measures are “showing notable signs of coming down.”¹⁶ The continued progress on inflation has been broad-based as “gas prices have dropped, grocery costs have risen more slowly and used cars have become less expensive.”¹⁷ Moreover, as you noted in your June press conference, the “U.S. economy slowed significantly last year” and Fed policymakers “generally expect subdued [economic] growth to continue” as “[h]igher interest rates and slower output growth” weigh on business investment and the housing market.¹⁸ Analysts note that the slowing economy remains vulnerable to shocks, including renewed instability in global supply chains following Russia’s decision to end a grain-export deal with Ukraine and the looming resumption of student loan payments for more than 40 million Americans, which “could be enough to knock the recovery off course.”¹⁹ Even so, Fed policymakers are predicting at least two more interest rate increases by the end of the year and an increase in the unemployment rate of 0.5 percentage points to 4.1 percent.²⁰

¹⁴ NPR, “For the second consecutive month Black unemployment has increased,” July 10, 2023, <https://www.npr.org/2023/07/10/1186712393/for-the-second-consecutive-monthly-black-unemployment-has-increased>

¹⁵ Washington Post, “Black women are finding better jobs than ever. A recession could reverse that,” Lauren Kaori Gurley and Federica Cocco, July 3, 2023, <https://www.washingtonpost.com/business/2023/07/03/black-women-full-employment/>

¹⁶ New York Times, “Jerome Powell’s Prized Labor Market Is Back. Can He Keep It?,” Jeanna Smialek, July 17, 2023, <https://www.nytimes.com/2023/07/17/business/economy/jerome-powell-job-market-employment.html>

¹⁷ Politico, “U.S. inflation falls to 3%, lowest level in more than 2 years, as price pressures ease,” July 12, 2023, <https://www.politico.com/news/2023/07/12/inflation-rate-united-states-00105848>

¹⁸ Federal Reserve Board of Governors, “Transcript of Chair Powell’s Press Conference,” June 14, 2023, <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20230614.pdf>

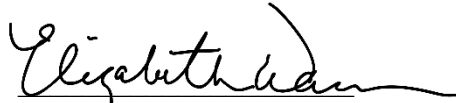
¹⁹ New York Times, “Could the Recession in the Distance Be Just a Mirage?,” Ben Casselman and Jeanna Smialek, July 19, 2023, <https://www.nytimes.com/2023/07/19/business/economy/economy-soft-landing.html>; NBC News, “What the end of Biden’s student debt relief plan means for the wider economy,” Shannon Pettypiece, June 30, 2023, <https://www.nbcnews.com/politics/supreme-court/end-bidens-student-debt-relief-plan-means-wider-economy-rcna88878>

²⁰ CNBC, “The Fed forecasts two more hikes in 2023, taking rates as high as 5.6%,” Yun Li, June 14, 2023, <https://www.cnbc.com/2023/06/14/the-fed-forecasts-two-more-hikes-this-year-taking-rates-as-high-as-5point6percent.html>; Federal Reserve Bank of St. Louis, Unemployment Rate, <https://fred.stlouisfed.org/series/UNRATE>

In your June press conference, you reiterated your commitment to interpreting the Fed’s maximum employment mandate as a “broad and inclusive goal.”²¹ Yet the Fed’s aggressive rate hikes disproportionately threaten Black workers and their families and risk fully reversing the extraordinary labor market gains we have seen over the economic recovery from the pandemic. I urge you to maintain the pause on interest rates hikes and fulfill your commitment to achieving maximum employment that is as broad and inclusive as possible.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Warren", written in a cursive style.

Chair
Subcommittee on Economic Policy
U.S. Senate Committee on Banking, Housing,
and Urban Affairs

²¹ Federal Reserve Board of Governors, “Transcript of Chair Powell’s Press Conference,” June 14, 2023, <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20230614.pdf>