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Bank of Boston®

*Remarks as Prepared for Delivery*

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# ***A Partnership for Economic Progress***

*Remarks at the 2024 Annual Meeting &  
10<sup>th</sup> Year Anniversary of the Lawrence Partnership*

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June 18, 2024  
Lawrence, Massachusetts

*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 is encouraged by recent economic data that suggests demand and supply are coming into better balance. Still, the appropriate approach to monetary policy continues to require patience.** Collins says recent economic information is encouraging, after the string of higher-than-expected inflation readings during the first quarter of 2024. The data suggest an economy with demand and supply coming into better balance, as needed to restore price stability. However, she says, this process may take more time than previously thought. It is still uncertain whether inflation is durably on a path back to the 2 percent target. The appropriate monetary policy approach continues to require patience, providing time for a methodical assessment of the evolving constellation of available data.
- 2. “Working Places” is an example of how the Fed encourages economic progress on the local level.** Collins says the research-based Working Places initiative is grounded in the Boston Fed’s public service mission to build a vibrant and inclusive economy and the Fed’s Congressional mandate to achieve price stability and maximum employment. It’s an example of a strategic partnership, she says, that aims to improve New England’s economy. This community development effort complements the Reserve Bank’s monetary policy, research, payments, and supervision work as it seeks to fulfill its mission and mandate.
- 3. In Lawrence, Massachusetts, collaborative leadership and a shared vision continue to impact the resurgent city’s future.** Lawrence is home to one of the first success stories of Working Places. Collins says the efforts here illustrate how shared leadership and collaboration between sectors can help spark economic progress and resilience through waves of change and challenge.

Good morning. *Es un gran placer estar con ustedes para esta maravillosa celebracion. ¡Felicidades!*

I want to congratulate the Lawrence Partnership on its 10th year and all of today's award recipients for their many contributions to the Lawrence community. Congratulations to all!

And my thanks to the Lawrence Partnership's Executive Committee and the dedicated team who organized today's events, notably George Ramirez, Karina Calderon, and Genesis Duran.

Since becoming president of the Federal Reserve Bank of Boston<sup>1</sup> nearly two years ago, I have made it a priority to get out and around New England to hear about local economic experience from communities like Lawrence. I am delighted by the opportunity to learn more about its history, its many strengths, and some of its challenges. Lawrence – and places like it – are critical to New England's economy, and all of you are critical to helping Lawrence continue to thrive.

Many of you may not know that the Boston Fed, and several of our key partners, are part of Lawrence's recent history. In 2014, Lawrence was one of the first communities in Massachusetts to take part in the Boston Fed's new grant-funded, collaborative leadership competition, the "Working Cities Challenge," which aimed to address local economic development challenges. Lawrence's plan, and the people invested in bringing it to life, really stood out as a strong example of what a community can do when local leaders come together around a shared, urgent purpose.

At the Boston Fed, we engage residents and leaders across the six New England states to learn about their economic experiences, challenges, and opportunities. We also seek to provide insight into what the Federal Reserve does, and why. These conversations are truly valuable, and they complement the statistical data and analysis that I, as a monetary policymaker, consider as I develop my views on the economy. That's why today, in addition to taking part in this celebration, I am meeting with

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<sup>1</sup> See [Home - Federal Reserve Bank of Boston \(bostonfed.org\)](https://www.bostonfed.org)

business and community leaders to hear about their on-the-ground experiences and to gain insight into the local economy here in the Merrimack Valley.

## **The Boston's Fed's Broad Portfolio and Mission**

I'll start by saying a bit more about the Fed, and specifically about the broader portfolio of work at the Boston Fed, which people often find surprising.

We are one of 12 regional Reserve Banks that, along with the Federal Reserve Board of Governors in Washington, make up the U.S. central bank. I often say our mission is to create a vibrant, inclusive economy that works for everyone, not just for some people. We carry out this mission in support of the two primary objectives – or mandates – that Congress has given the Fed: to keep inflation low and stable and to ensure anyone who wants to work has opportunities to do so.

In pursuit of its so-called dual mandate, the Fed sets a target interest rate – the federal funds rate – that influences overall financial conditions. The Fed also undertakes a range of other activities critical to helping achieve its mission and mandate. They are:

- Conducting impactful research and analysis on a wide range of economic, financial, and behavioral topics and policies.
- Encouraging economic opportunity in communities of all sizes through on-the-ground initiatives. These bring together the public, private, nonprofit, and philanthropic sectors to develop solutions to economic challenges that impact underserved populations.
- Ensuring that the country's payments infrastructure meets the public's current and future needs. Our work contributes to a secure, reliable, and accessible U.S. payments system – from making sure financial institutions have the cash they need, to modernizing how Americans send and receive funds.<sup>2</sup>

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<sup>2</sup> The Federal Reserve launched a new instant payments infrastructure, called the FedNow® Service in July 2023. Over the coming years, customers of banks and credit unions that sign up for the service

- Last and not least, we maintain the safety and soundness of the nation's financial system by supervising certain financial institutions across New England. With the support of other federal and state regulators, we make sure these institutions operate effectively and provide fair and equitable access to credit, capital, and financial services.

### **Some Broader Economic Context**

Having covered some basics about the Federal Reserve, I'd like to shift to a brief discussion of U.S. economic conditions and monetary policy – because it is important to consider this broader economic context as we take stock of the progress at the community level. First, a disclaimer: these comments reflect my own views and not necessarily those of other Federal Reserve policymakers.

As our economy emerged from the COVID-19 pandemic's deep recession, output and labor markets recovered rapidly – but inflation surged, sparked by massive global supply chain disruptions and compounded by strong demand and shifts in consumption patterns. This configuration of economic forces led to demand outstripping supply, putting significant upward pressure on prices and wages.

We also saw the very harsh impact of high inflation, which is like a tax that affects all of us. The toll was especially severe for lower-income households struggling to make ends meet. The surge in inflation also affected firms, complicating their investment, hiring, and planning decisions – all in all, not an environment that fosters a healthy economy or maximum employment that is sustainable. This is a key reason for my commitment to restoring price stability.

The Federal Open Market Committee, or FOMC, is the Fed's monetary policy-making body. It has focused on bringing inflation back down to its 2 percent target by

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should be able to use their financial institution's interfaces to send instant payments quickly and securely. Learn more at <https://explore.fednow.org/about>.

raising the federal funds rate, its primary monetary policy tool. This has pushed up borrowing costs, helping to cool the overheated economy and realign demand with supply. The FOMC began raising the funds rate in March 2022 and has kept the target rate at its current level of 5¼ to 5½ percent since July 2023.

We have made significant progress, and inflation has fallen substantially, though it remains stubbornly above the FOMC’s target. And despite higher borrowing costs, economic activity has been remarkably resilient overall. In the labor market, strong economic activity has translated into an aggregate unemployment rate that has remained near historic lows, while wages have continued to grow solidly. However, it is important to recognize that aggregate data mask a wide range of experiences.<sup>3</sup> In particular, unemployment rates are notably higher in some communities, and higher interest rates are quite challenging for some households and businesses.

So, the FOMC carefully assesses appropriate monetary policy – balancing the risk of not getting inflation sustainably under control because policy was eased prematurely against the risk of a larger-than-needed slowdown associated with holding the funds rate high for too long.

Just last week, the FOMC issued a statement explaining its recent decision to hold the funds rate steady.<sup>4</sup> Importantly, it also noted that the inflation data received recently showed some modest further progress towards our goals.

I see recent information as encouraging, after the string of higher-than expected inflation readings during the first quarter of 2024. In my view, the data suggest an economy with demand and supply coming into better balance, as required to restore price stability. However, this process may just take more time than previously thought.

It is too soon to determine whether inflation is durably on a path back to the 2 percent target. Uncertainty remains high – and the volatility of monthly data remains

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<sup>3</sup> See [Full Employment: A Broad-Based, Inclusive Goal - Federal Reserve Bank of Boston \(bostonfed.org\)](https://www.bostonfed.org/economic/employment/2024/06/18/full-employment-a-broad-based-inclusive-goal/)

<sup>4</sup> See [Federal Reserve Board - Federal Reserve issues FOMC statement](https://www.federalreserve.gov/newswriting/2024/0618fomc.htm)

elevated, including for inflation.<sup>5</sup> We should not overreact to a month or two of promising news, just as it was not appropriate to take too much signal from the disappointing data at the beginning of this year.

And so, as I have often said, I remain a realistic optimist – optimistic that we can restore price stability in a reasonable amount of time amid a labor market that remains healthy, while realistic about the risks and uncertainties to that outlook. The appropriate approach to monetary policy continues to require patience, providing time for a methodical and holistic assessment of the evolving constellation of available data.

### **A Focus on Smaller Cities, As Key to the Bigger Economic Picture**

As I have mentioned, one of the Fed’s mandates focuses on what economists call “full employment.” To achieve this goal, cities like Lawrence must thrive, and together we must address barriers to opportunity and participation in the larger economy. For decades, Lawrence and other smaller cities have had unemployment rates two to three times higher than the overall rate in Massachusetts. We’ve been pleased to see that gap decline recently, but there is still much work to do.

Lawrence and other so-called Gateway Cities (where nearly 25 percent of the Massachusetts population resides) are central to the economic health and vibrancy of New England. Like Lawrence, many of these communities are home to a young and growing immigrant population, which is important in a state that has a low birth rate, significant out-migration, and is located in a region with the nation’s oldest populations.<sup>6</sup> At the same time, Lawrence has faced major economic challenges, including the loss of manufacturing jobs and disinvestment. Coming back from this is a long process that requires a shared vision for progress.

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<sup>5</sup> See [Reflections on Phasing Policy Amidst \(Pandemic\) Uncertainty - Federal Reserve Bank of Boston \(bostonfed.org\)](https://www.bostonfed.org)

<sup>6</sup> Source: U.S. Census Bureau. "Age and Sex." American Community Survey, ACS 1-Year Estimates Subject Tables, Table S0101, 2022.

Fifteen years ago, the Boston Fed set out to understand if and how smaller cities can turn their economies around after losing their manufacturing base. Researchers studied 25 similar cities nationwide and found that 10 of those cities did a lot better than their peers, even if they didn't make it all the way back to their prior economic strength.<sup>7</sup> What made these cities special? A key factor was having strong leaders who collaborate across organizations and sectors on shared priorities over a long period. But why does this matter?

Well, turning around an economy is complex and takes a long time. No single institution or leader can do all that's needed on their own. Our smaller cities need their talented leaders working together, sharing time and resources to achieve a common goal. As I have already seen today during my visit, Lawrence is good at this – it is one of the drivers of the progress you are making here.

We hope the Boston Fed has been a valuable partner on this journey, which we have taken with numerous other cities and towns since Lawrence became a so-called Working City a decade ago. The Working Places initiative now includes 30 smaller cities and rural communities in five states.<sup>8</sup>

Like Lawrence, these places were once centers of the manufacturing and natural resource economies in New England. As jobs disappeared in those industries, many of the communities struggled to reimagine and rebuild their economies. For example, participating communities such as East Hartford, Connecticut, or Lamoille County, Vermont, face challenges like aging housing stock and infrastructure, a dwindling tax base, and often high rates of poverty.<sup>9</sup>

Working Places distributes relatively limited monetary awards – which are, importantly, made possible by philanthropy, business, and state government. For instance, at its inception, the team in Lawrence received a three-year, \$700,000 grant to

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<sup>7</sup> See [Reinvigorating Springfield's Economy: Lessons from Resurgent Cities - Federal Reserve Bank of Boston \(bostonfed.org\)](#)

<sup>8</sup> See [Working Places - Federal Reserve Bank of Boston \(bostonfed.org\)](#)

<sup>9</sup> See [The National and Regional Economy: Navigating Near-term Changes and Long-term Challenges - Federal Reserve Bank of Boston \(bostonfed.org\)](#)



focus on efforts to transform local workforce supports. Since the Boston Fed created Working Places, it's been wonderful to see many of these grants followed by substantial private and public investment that has capitalized on new partnerships and created new hubs of economic activity.

Indeed, there are important lessons from Working Places. One is that complex issues cannot be solved by one sector, one organization, or one person. Successful collaboration requires attention to process and new voices at the table to expand insight. It requires the flexibility to seize opportunities and change along the way – including admitting when efforts need to be rethought. A neutral, trusted intermediary like the Boston Fed can help. The most successful Working Places teams have robust community engagement, local government supporters, and an urgent shared purpose. Lawrence is an excellent example of this work.

### **The 'Working City' of Lawrence – Looking Back and Looking Ahead**

In 2014, the Lawrence community responded decisively to the Fed's invitation to join its newly launched competition. Leaders from all over – city government, nonprofits, the school public department, the community college, and local firms – set out to build on important work already underway in their city. They decided to focus on workforce support, specifically helping parents with children in the public schools find jobs with greater income potential. Lawrence became a Working City because an independent set of experts saw that it had exceptional vision, talented leadership, and a strong team that was committed to work in new ways to improve the community.

Over three years, that team provided job training and support services for more than 600 parents. It assisted 200 families with job placements – with an average wage increase of 25 percent. It created new training pipelines with employers and the local community college, and it integrated some long-term interventions into the school system, aimed at improving family well-being.

Those leaders also became a strong team that continued to thrive and collaborate with the Boston Fed after the three-year grant period ended. They worked with community residents and strengthened networks of trust and collaboration that have been important in the city's responses to challenges such as the natural gas explosions and pandemic.

Today, 10 years later, the Lawrence Partnership is composed of local leaders spanning the business, banking, nonprofit, government, education, and healthcare sectors. It is united by an even broader commitment to build a dynamic local economy that works for everyone in the community by helping businesses grow. Lawrence should be very proud of its energetic and growing immigrant population, its vibrant small business community, and the signs of continued growth – including the new business and housing construction I have seen on many corners.

I applaud the continued collaboration and creativity of Lawrence civic and community leaders as you address persistent challenges – and some new ones. The unemployment rate has been falling, but it's not nearly as low as the state rate. The high cost of housing is a newer challenge for Lawrence, as it is many cities and towns across the country. In my travels around the region, one of the most common issues I hear about is a lack of affordable housing. Indeed, there will always be new challenges and setbacks along the way.

But your determination, resilience, and creativity are inspiring. Your progress in the face of significant odds is a promising indicator of what is to come. Thank you to all the leaders and community members that work hard each day. We look forward to continuing to support and promote your efforts.

### **Concluding Observations**

I'd like to thank you again for inviting me to participate in today's celebration. It is a pleasure to share a little bit about the work of the Federal Reserve – and why it matters to important regional centers, like Lawrence. And I hope it's clear that the work

taking place in Lawrence, and other communities like it, are absolutely part of our Bank's mission to foster a vibrant, inclusive economy.

New England's economy is healthiest when it is providing opportunities for all to participate, contribute, and prosper, and not leaving some people and places behind. To achieve this, we need the contributions and capabilities of all communities and places across the region.

The Lawrence Partnership continues to lead by example. You demonstrate the power of cross-sector collaboration and a shared vision. You should be proud of what you have already accomplished. And the energy here today highlights your strong commitment to continue the hard work ahead.

Thank you, and I look forward to the rest of the program. *¡Felicidades!*