

Why the Richmond Fed Studies Urban Issues

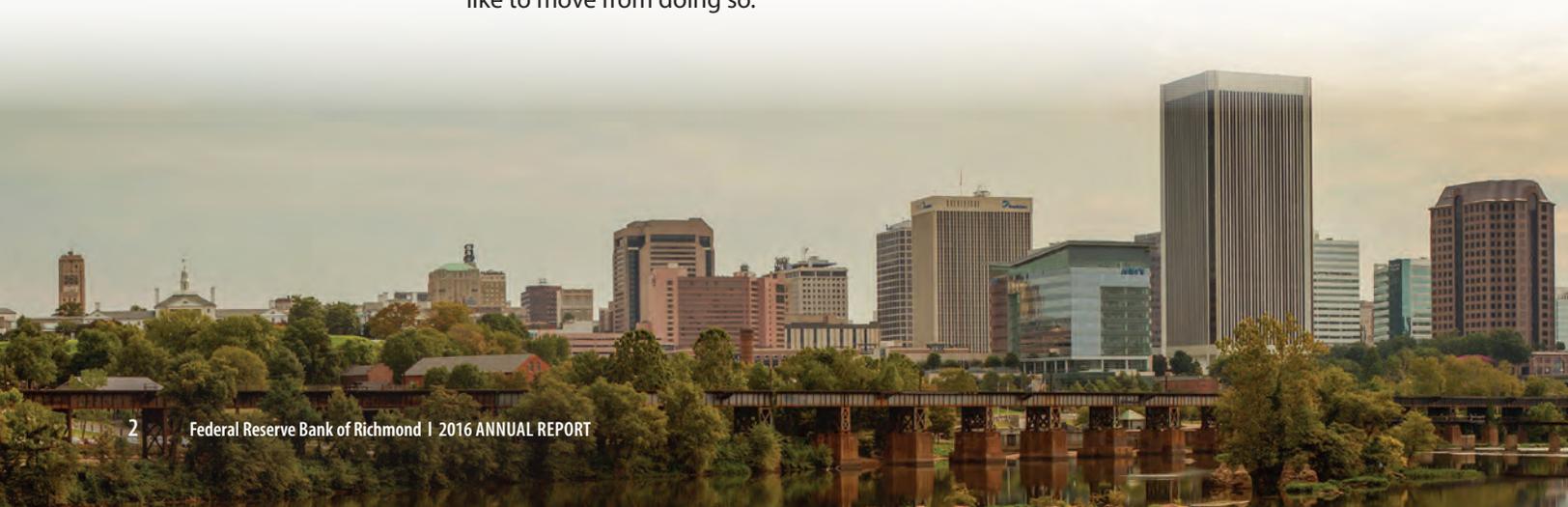


As a regional Reserve Bank, an important part of the Richmond Fed's job is studying what contributes to—or impedes—economic vitality in our region. Metropolitan areas, which are home to the majority of our population and economic activity, are an especially important part of the equation, as Santiago Pinto and Tim Sablik discuss in this year's Annual Report essay, "Understanding Urban Decline." Here in the Fifth District, we have some of the nation's most culturally and economically vibrant cities, but we also have cities suffering persistent decline. And even within areas experiencing rapid growth, there are pockets of deeply entrenched poverty.

Learning about the forces that shape urban areas has been of interest to the Richmond Fed for many years. We recently have focused those efforts, with our Research, Outreach, and Community Development functions joining together to study not just why cities grow, but also why they decline. We're working to measure the consequences of various policy responses and to identify strategies that might help ameliorate urban decline, particularly with respect to housing, income, and transportation. We also are studying the constraints and incentives faced by the low- and moderate-income residents of our District to gain insight into economic mobility and the persistence of poverty. To do so, we're convening academic and policy experts, conducting original research, and engaging with community and business leaders from throughout the region.

Of course, our job is more than studying—it's also sharing what we learn with the people who live and work in our District. That's the goal of this year's essay, in which Santiago and Tim explain the underlying economics of city formation and decline and distill the existing research on urban revitalization efforts. I'll leave the details to the authors, but I would like to highlight some key takeaways.

First, as they note, a city's decline wouldn't necessarily be a cause for concern if the people who lived there were able to easily move to another city with better amenities or employment opportunities. Some people might want to stay in a declining city, for example, to remain close to family or friends, but often there are factors preventing people who would like to move from doing so.





Second, in response to urban decline, community leaders may consider two general types of approaches: place-based policies and people-based policies. Place-based policies focus on revitalizing the city itself, for example, by providing tax credits and grants to potential employers and developers. A number of these programs have been tried in the United States, and in the Fifth District, but the evidence of how well they work—and whether they actually benefit the people they’re intended to—is mixed.

People-based policies include helping people move to areas with better economic prospects or enabling them to invest more in their education so they can put their skills to use in a new industry or city. Research has found that moving can have long-term positive effects, especially on young children, and the benefits of education are likely to extend well beyond the individual. But as with place-based policies, people-based policies can have unforeseen consequences—and there’s no guarantee that what works in one city will work in another.

The challenge is that all cities are different—just head up from Charleston, South Carolina, to Charleston, West Virginia, by way of Charlotte, North Carolina, to see what I mean. Every city in our District has its own character, its own challenges, and its own successes. Here at the Richmond Fed, we’re excited and honored to have the opportunity to learn from those challenges and successes and to provide community leaders with information and connections that will help them design the most effective programs for their unique places and people.

Just as cities undergo changes, so do institutions. The Richmond Fed is preparing for an important change right now. At the time of this writing, our Board of Directors is in the midst of its search for our next president and chief executive officer. During this period, I can confidently report that the entire Richmond Fed team remains focused and committed to delivering effectively on our policy, banking supervision, payments, and community development responsibilities.



Mark L. Mullinix

Interim President and Chief Operating Officer

