POLICY WATCH – April 2022

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This month we celebrate Earth Day. And there is less to celebrate than many of us wish. We are seeing the urgency to address climate change growing day by day. Our younger generation is pushing for the leaders to act but not seeing the action needed. We even had an activist immolate themselves on the steps of the Supreme Court to seek more attention to this crisis. In this issue, we share that there is still hope and we can't succumb to "climate fatalism." We hope you agree that the fight is necessary and winning is possible. As the authors say, a win-win-win is possible!

We also look at inflation and how the measures being taken by the Federal Reserve will impact us, especially in the housing market. The correlation between the tight job market, housing market and inflation is causing many to be hurt economically and will have a ripple effect for years to come. There is no shortage of stressors on our plates this year.

We hope you will join us at our inspiring Leaders of the North Bay Awards event on May 13th. This is a hybrid event so get your ticket today to attend!

Best,

Cynthia Murray

Cynthia

Now Is Not the Time to Give in to Climate Fatalism

With April being this month, we celebrate Earth Day and the reports on the acceleration of climate change, we are sharing an article that urges we don't give into climate fatalism and continue to do all we can to stop global warming. Susan Joy Hassol and Michael E. Mann say in Now Is Not the Time To Give in to Climate Fatalism, (Link), "We are at an agonizing moment in world history. The combined stresses of the war in Ukraine, the climate crisis, and economic troubles stemming from spiking oil and gas prices, inflation, and growing global inequality have pushed us to our limits— geopolitically, environmentally, and psychologically. After centuries of colonialism, intensive resource extraction, and narrow, short-term thinking, the chickens have come home to roost. But what if we could feed three birds with one scone?" The authors note, "Following the release of climate reports, such as the recent IPCC assessments, we often observe a surge of doomism. When headlines proclaim it's 'now or never' to limit warming, some assume we won't do what's needed in time. And if you think there's nothing we can do, why bother trying? Some well-meaning people can be weaponized by those who stand to benefit if we throw up our hands in surrender rather than challenging the fossil fuel industry's social license. We must stress the *urgency*.

There is clearly no time to waste. But there is *agency* too. The problem with ‘now or never’ is that it implies a hard threshold at 1.5°C that if we fail to achieve, it’s game over. But this game will never be over. There is no point beyond which we shouldn’t keep trying to limit warming. Every fraction of a degree matters to the level of suffering climate disruption will rain down on us.”

“With so many crises competing for our attention and concern, how can we prioritize the greatest threats when the more immediate ones so often displace the most important?” the authors ask. “Someone needs to be thinking about the future, and fittingly, those who will inherit it, are. More than 80 percent of young people are worried about climate change. And they are angry, as well they should be. Greta Thunberg, Alexandria Villaseñor, Vanessa Nakate, and other leaders of the youth climate movement are fueled with righteous anger against those who have stood by and watched as the world burned.”

And Hassol and Mann reveal new insight: “Interesting thing about anger; turns out it’s a more useful emotion than anxiety or depression when it comes to climate action. It engages and empowers. There is good cause for righteous anger. There is a villain in this story. The fossil fuel industry, the richest in human history, has known for decades the climate damage its products would do. Its own scientists told them decades ago. But instead of releasing the scientific findings and charting a different course, it bankrolled a massive disinformation campaign designed to thwart action on climate change. The industry, and the politicians it supports to do its bidding, have been largely successful in blocking effective measures to rein in climate change.”

And reining in climate change is doable. According to the IPCC’s latest report, on climate change mitigation, “reducing future climate change by cutting heat-trapping gas emissions or increasing their uptake from the air, tells us that this is entirely possible, using current technologies. Many such actions are on the so-called ‘demand side,’ because they reduce energy demand rather than increasing its supply. The IPCC found that demand-side strategies could reduce 40 to 70 percent of heat-trapping gas emissions across all sectors by 2050. A pretty astounding finding, and as investigative journalist Amy Westervelt bemoans, why wasn’t this a headline in every paper?”

“Let’s return to our three birds: war in Ukraine, climate change, and the economy,” they say. “A broader and more integrated approach sees these not as three separate crises but as one with a single win-win-win solution. Now is the time to tackle these related crises and seize the opportunity to move with determination into the clean energy future. The U.S. is in a good position to do so; we’re not starting from scratch. The U.S. is second (to China) in both wind and solar. Fossil fuel companies can use their expertise, work force, and other resources to become broader energy companies. Their experience in geology can be turned to geothermal energy, which has tremendous untapped promise. Their experience in offshore oil can be turned to offshore wind, a resource with enormous potential, and in which the U.S. lags far behind a dozen other nations. Peabody coal owns extensive lands that can be used for solar farms and other renewable energy development.”

“The only path to lasting security is to get off fossil fuels, once and for all. Let this be the moment that the U.S. takes the lead in solving the related challenges before us, helping propel the world toward a climate safe, politically secure, and economically prosperous future.” Hassol and Mann issue a call to action: “It is in *our* hands.” Let’s hope we can achieve this win-win-win!

Tight Job Market and Inflation are a Bad Mix

Christopher Ansley says in U.S. Labor Market Is Tightest of Postwar Era, Goldman Gauge Shows, **(**Link**)** that "The U.S. jobs market has never been tighter than it is today, increasing the risks to the economy as Federal Reserve policy makers move to rein in inflation, according to Goldman Sachs Group Inc. The Wall Street bank's economists have compiled a gauge of U.S. labor that they say better tracks wage gains -- which are key to inflationary pressures -- than other measures. They add the total number of employees and the number of job openings to estimate labor demand. For supply, they count the labor force, or people in work and those looking for positions."

Ansley reports, "The latest reading of the gap shows an excess of 5.3 million in labor demand versus supply of workers – 'the most overheated level of the postwar period both in absolute terms and relative to the population'" Jan Hatzius, Goldman's chief economist." The hope is that people currently not working, especially women, will return to the workforce and help close the gap. But that huge gap will be hard to close enough to reassure the Federal Reserve that inflation will be coming down to acceptable levels. To hit the desired 2% inflation rate, the gap would need to be cut in half.

"Given the magnitude of tightness, Hatzius warned of three potential consequences:

- It may take economic growth slowing to the 1% to 1.5% range to bring down inflation
- "This will probably require a significant tightening in financial conditions," he said, referring to a measure that includes equities and corporate debt
- "It could well mean a higher terminal funds rate than our baseline forecast of 3%-3.25%," he said, referring to where the Fed's policy rate -- currently a 0.25%-0.5% range -- peaks after interest-rate increases"

Ansley says, "Hatzius also noted that, historically, there has never been a loosening in the job market on the order of 0.6% of the labor force -- "a share that would correspond to about 1 million at present" -- that wasn't connected with a recession. Similarly worrying, the U.S. unemployment rate -- at 3.6% currently, practically its pre-pandemic level -- has never risen more than 0.35 percentage point over three months without a recession."

Despite some encouraging signs such as a lack of financial imbalances in American households and companies and many economies having labor-market deterioration without an economic slump, Hatzius concluded, "the broader point is that once the labor market has overshot full employment, the path to a soft landing becomes narrow."

And adding to the inflation discussion, we have Interest-Rate Surge Ripples Through Economy, From Homes to Car Loans by Orla McCaffrey , Sam Goldfarb and AnnaMaria Andriotis (Link), who say, "For the better part of the past 15 years, households and businesses paid very little to borrow. Americans could get cars and homes and the appliances to fill them at interest rates in the low single digits. Companies, especially profitable ones, could practically name their price in the credit markets."

But those days are over. They say, "The Federal Reserve, facing inflation that has climbed to its highest level in 40 years, has been signaling for months that these days of unfettered credit are numbered. Over the past few weeks, the market has responded in force.

As recently as December, the authors say, "investors were betting that prices would moderate largely on their own and the Fed would raise its benchmark federal-funds rate by about 0.75 percentage point this year, composed of three quarter-point moves. Now, investors are pricing in a rate that tops out at 2.5% by the end of this year and 3% next, its highest since before the 2008 financial crisis."

The authors say, “That has sent the yield on government bonds soaring in recent weeks. Treasury yields largely reflect investors’ expectations for short-term interest rates set by the Fed. When the Fed raises rates or signals it is about to, investors tend to sell government bonds, sending their yield higher. That is what is happening now, in dramatic fashion.”

“Rising Treasury yields, in turn, are cascading throughout the economy in the form of higher borrowing costs, squeezing households and businesses alike,” lament the authors. “Car loans, credit cards and corporate debt all stand to get more expensive as rates rise.

The authors say, “No one is feeling the effects of higher borrowing costs quite like the American home buyer. To a large extent, this is all by design. The Fed is raising rates to clamp down on borrowing and thus slow the economy to fight inflation. The Fed’s chief tool against inflation is interest rates. The central bank creates a floor for borrowing costs in the economy by setting a target for the federal-funds rate, which is what banks pay one another to borrow for a single night.”

“The Fed also holds bonds and mortgage-backed securities, and the speed at which it buys or sells those can affect rates in the wider economy, too,” say the authors. “When the Fed is trying to cool an overheated economy, as now, it increases the fed-funds rate, reduces its bondholdings and signals that it will do more of the same in the future. Those moves have an especially pronounced effect on mortgage rates.”

The authors say, “Higher rates will make monthly mortgage payments—already at the least affordable level since November 2008—even less so. A median American household needed 34.2% of its gross income to cover mortgage payments on a median-priced home in January, according to the Federal Reserve Bank of Atlanta. That is up from 29% a year earlier. Then, it was largely a function of double-digit increases in home prices. Now, higher rates are weighing on affordability, too.”

“Salaries and wages simply are not keeping pace with the double whammy of higher prices and rising mortgage rates,” said George Ratiu, senior economist and manager of economic research at Realtor.com. News Corp, parent of The Wall Street Journal, operates Realtor.com.”

This is especially bad news for the North Bay where home prices and rental rates are soaring. Increases in the interest rates are pushing housing out of the reach of more and more people. The authors say, "Rates and consumer prices are likely to rise in tandem, at least for a little while, said Brian Riley, director of credit advisory services at Mercator Advisory Group, a payments research and advisory firm. Consumers, in turn, could start putting more on their credit cards to cover a shortfall between what they're bringing in and what they're paying out, compounding the effect of rising rates."

That could prompt lenders to tighten credit, Mr. Riley said. "Lenders have to be much more conservative," he said. "They're not going to lend blindly into a storm."

One thing is clear, inflation is hitting people hard here and nationally and doesn't look likely to be ending before the midterm elections in November. An angry, disgruntled electorate does not bode well for the re-election of the incumbents. Let's hope the center will hold as it just did in France!

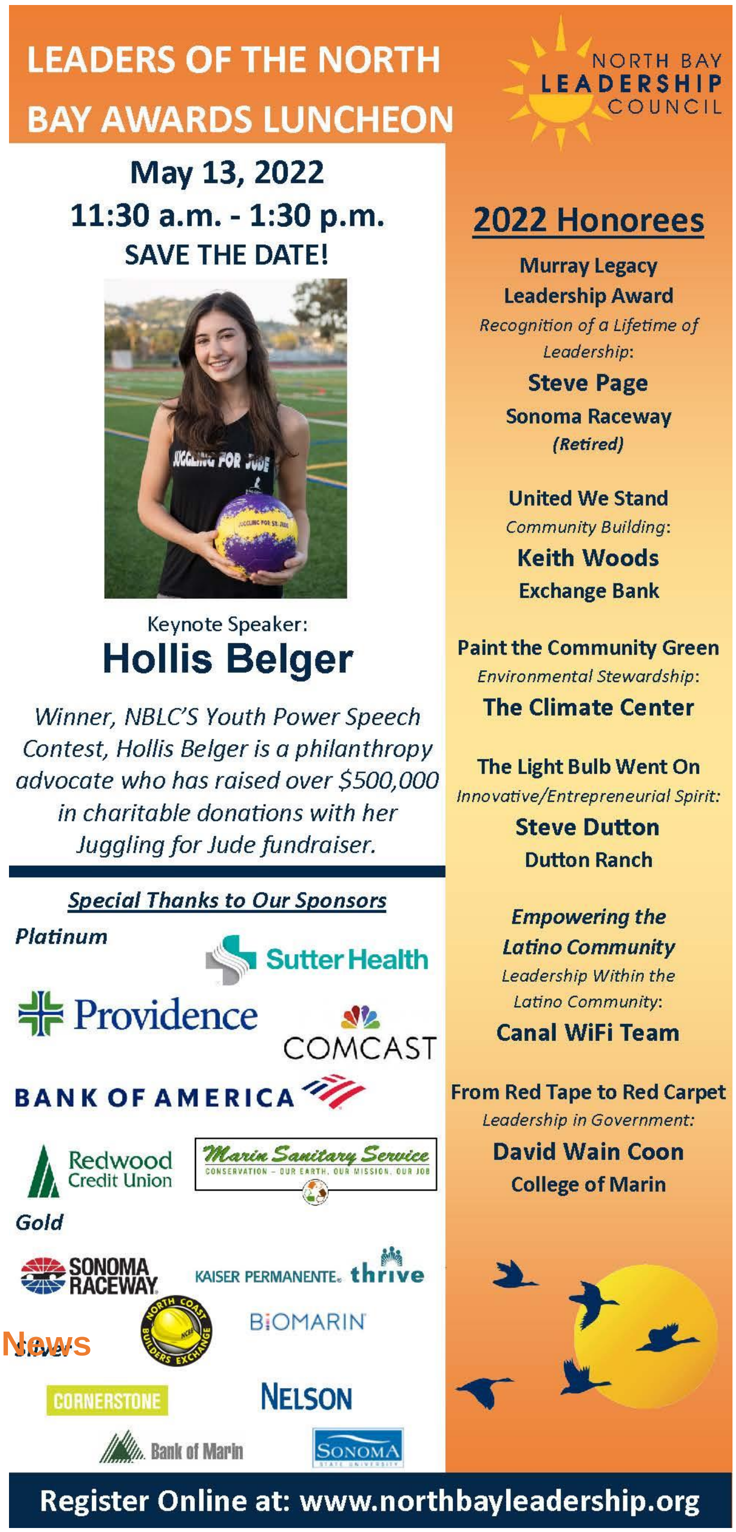
Get Your Tickets for the Leaders of the North Bay Awards Hybrid Event – May 13th!

Tickets on sale now for our

2022 Leaders of the North Bay Award's Live Stream

This is a hybrid event. Tickets to attend in person are sold out, but you may still attend virtually. Tickets to attend online are $30.

BUY TICKETS HERE



Members in the News

PG&E Expands Enhanced Powerline Safety Settings Following Significant Wildfire Prevention Success During 2021 Pilot
With California's growing wildfire risk, PG&E will expand its use of an advanced technology that quickly and automatically shuts off power within one-tenth of a second if a potential threat to the electric system, such as a tree branch falling into a powerline, is detected.

SOMO Village: A Model for Mindful Living
After years on the drawing board, construction is set to begin for a sustainable community at SOMO Village in Rohnert Park.

Congratulations to the NBLC Members Chosen as Bohemian's Best of the North Bay 2022
Congratulations to all of the winners, but a special congratulations goes out to all NBLC members!

Basin Street Properties Added 60 New EV Charging Stations to Petaluma Properties
Basin Street Properties, a prominent real estate investment, development, and management firm, is pleased to announce the installation of 60 new Webasto TurboDX Level 2 electric vehicle charging stations across six of its Petaluma offices properties.

Sutter Santa Rosa Regional Hospital Unveils $150M-Plus Expansion, Set to Open in May
Sutter Santa Rosa Regional Hospital's new three-story tower should open May 3 and may come in under its $158 million budget, hospital officials said Tuesday during a walk-through of the new facility.

BioMarin Continues to do Important Work in the North Bay
From celebrating rare disease day to a top 100 score for the Huma Rights Campaign Foundation's Corporate Equality Index (CEI).

Bank of Marin Voted by Marin Independent Journal Readers' Choice Poll 2021, Best Bank and One of the Most Community-Minded
Bank of Marin was voted the Best Bank (5 years running) and one of the Most Community-Minded (4 years running) by readers of the Marin Independent Journal.

Canine Companions for Independence Team Up with Jean Schulz, Petaluma Animation Studio, for 'Andy: A Dog's Tale'
The new short animated film "Andy: A Dog's Tale" began with an idea in the mind of Jean Schulz, whose late husband Charles Schulz once had a successful dog-themed idea of his own in the form of the beloved Peanuts character Snoopy.