

DATA BRIEF

THE URGENT NEED FOR A MORE PUBLICLY REPRESENTATIVE FED: 2019 Diversity Analysis of Federal Reserve Bank Directors



ACKNOWLEDGMENTS

This report was written and researched by Maggie Corser. It was edited by Emily Gordon, and Jordan Haedtler, Ruben Lucio, and Shawn Sebastian.

ABOUT THE CONTRIBUTORS



Fed Up is a coalition of community organizations and labor unions across the country, calling on the Federal Reserve to reform its governance and adopt policies that build a strong economy for the American public. The Fed can keep interest rates low, give the economy a fair chance to recover, and prioritize genuine full employment and rising wages.

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The Center for Popular Democracy (CPD) works to create equity, opportunity and a dynamic democracy in partnership with high-impact base-building organizations, organizing alliances, and progressive unions. CPD strengthens our collective capacity to envision and win an innovative pro-worker, pro-immigrant, racial and economic justice agenda.

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2019 Data Brief

The Center for Popular Democracy's Fed Up Campaign conducts an annual analysis of the gender, racial, and occupational diversity of the Federal Reserve system's leadership. This is designed to gauge progress on the Federal Reserve's public commitments to diversity and highlight areas for continued growth in the coming year.

The 2019 analysis reveals a shocking lack of progress in diversity among the nation's most powerful monetary policymakers. While some Federal Reserve Banks have made modest progress in gender and racial diversity, board members from the business and banking sectors continue to dominate leadership positions. In 2019, among the 108 current Fed Board Directors: 76% come from the banking or business sectors, 74% are white, and 62% are male. These diversity issues also extend to Federal Reserve Bank Presidents who are overwhelmingly (83%) white and are most commonly recruited from within the Federal Reserve's existing leadership or the finance sector.

Without diverse perspectives, the Federal Reserve's failure to represent the interests of the American people will persist. In 2019, policymakers and advocates continue to call on the Federal Reserve to actively pursue greater diversity at all levels of its leadership.

Introduction

Despite the Federal Reserve Act's requirement that the Federal Reserve system leadership "represent the public," and draw from the interests of "agriculture, commerce, industry, services, labor, and consumers," the Federal Reserve (the Fed) has consistently failed to ensure that Reserve Bank directors reflect the rich diversity of our economy.¹ In 2016 the Fed Up campaign published "To Represent the Public: The Federal Reserve's Continued Failure to Represent the American People." The report's diversity findings sparked a public outcry and led to a coordinated campaign among community groups, and allied think tanks, calling on the Federal Reserve to diversify its leadership.²

In the face of sustained public pressure, and repeated calls from Congress and advocates to appoint a leadership reflecting the American people, the Fed leadership signaled it would take steps to improve. At the time, Fed Chair Janet Yellen publicly stated: "I am committed to improving diversity throughout our organization. Improving diversity requires effort and constant focus. We will continue

working hard to achieve this goal.”³ In 2017 the incoming Fed Chair Jerome Powell pledged to carry on Yellen’s commitment: “We make better decisions when we have diverse voices around the table, and that’s something we’re very committed to at the Federal Reserve.”⁴

The Fed’s public commitment to develop a more diverse leadership was tested in 2018 when the New York Federal Reserve Bank appointed a new president. The New York Fed plays an especially critical role given its close proximity to Wall Street and central role in formulating the Fed’s response to the financial crisis. When asked by Representative Maxine Waters what Jerome Powell would do to ensure the New York Fed considered diverse candidates in its President search process, he said “We will always have diverse candidates. They will always have a fair shot. I cannot in any individual case guarantee that we will have a diverse outcome.”⁵ Ultimately, John C. Williams, a white man who spent his career at the Fed was appointed President of the New York Federal Reserve Bank.⁶ Immediately before his appointment to the New York Fed, Williams was the San Francisco Reserve Bank President. This left a presidential vacancy at the San Francisco Fed which was ultimately filled by Mary Daly, a white woman who spent her career at the Fed.⁷

When the search committees in New York and San Francisco invited Fed Up to discuss presidential vacancies in 2018, Fed Up presented them with a diverse and qualified list of candidates. These candidates: reflected gender, racial, and occupational diversity; had demonstrated independence from the financial sector; and had a proven commitment to the Fed’s full employment mandate.⁸ In addition, each candidate put forward by Fed Up was qualified by the standards laid out by the search committee. In New York, none of Fed Up’s proposed candidates were ever contacted. In San Francisco, these candidates were not seriously considered, and the search committee ultimately chose longtime Fed insiders for both positions.

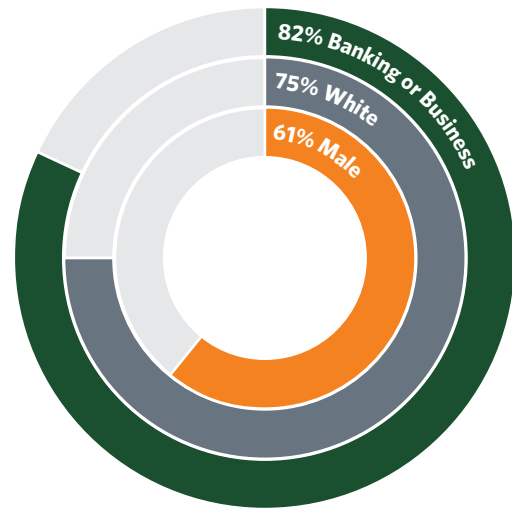
Key Findings

Data shows the Federal Reserve is backsliding on the incremental progress it made on diversity in 2018.

The Federal Reserve Banks appointed 28 new directors to the boards of the twelve Reserve Banks in 2019. Indisputably, the Federal Reserve Banks failed to appoint a diverse group of incoming directors. **This year's incoming Fed directors are:**

- 82% Banking/Business
- 75% White
- 61% Male

In contrast, the 2018 incoming directors were 50% people of color and 43% women.⁹ There is deeply inadequate gender or racial diversity among these 2019 incoming directors which indicates the Fed is backsliding on its diversity commitments. As in previous years, directors from the banking and business sectors continue to dominate.



28 Incoming Fed Directors in 2019

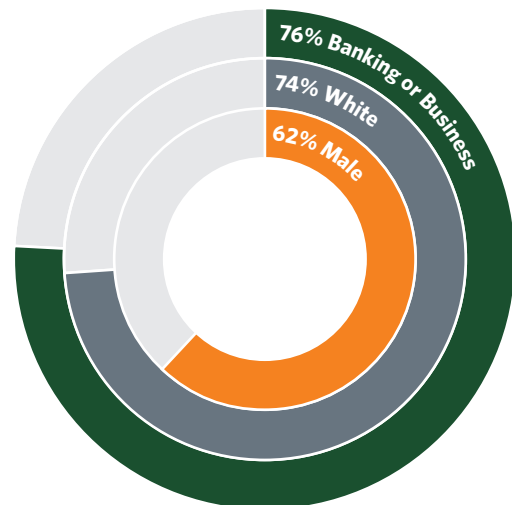
The Federal Reserve System still has a striking lack of diversity.

Overall, the composition of the 2019 board of directors of the twelve Federal Reserve Banks remains disproportionately white, male, and from banking and business backgrounds.

The 108 current board directors are:

- 76% Banking or Business
- 74% White
- 62% Male

These numbers stand in stark contrast to the American public. Far from the 76% of Fed directors in banking or business, only 18% of our economy is comprised of people with business and financial services jobs.¹⁰ Despite men making up 49% of the US population, they are overrepresented in Fed leadership as 62% of all directors.¹¹



Total 108 Fed Directors

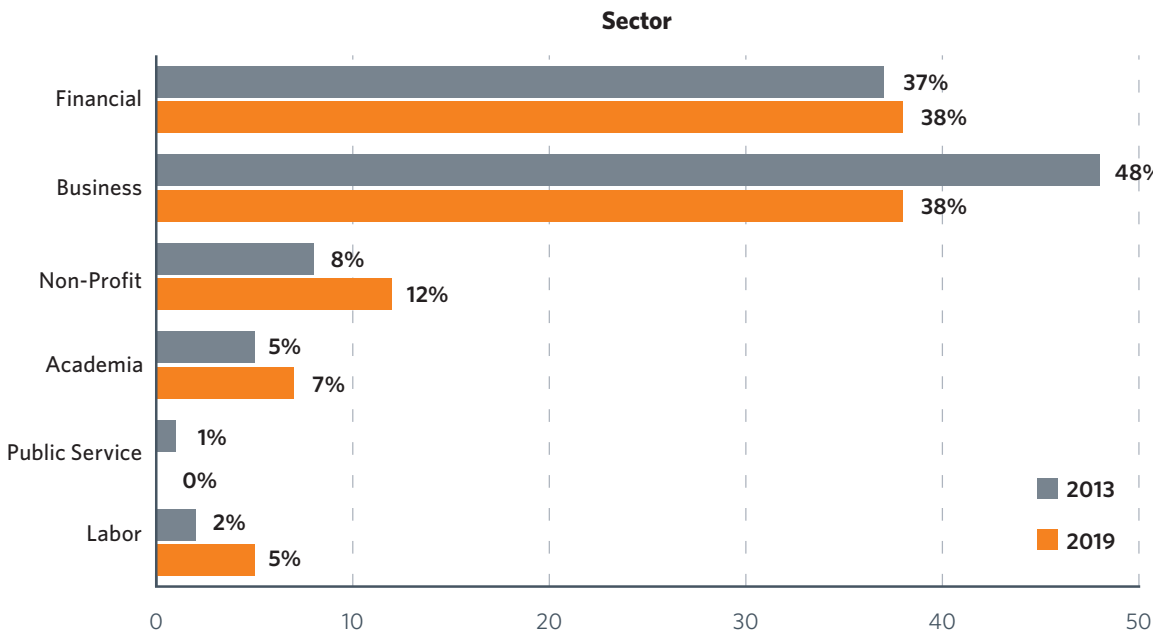
Overall, from 2018 to 2019 there was a 3% increase in Fed directors from labor, non-profit and academia.

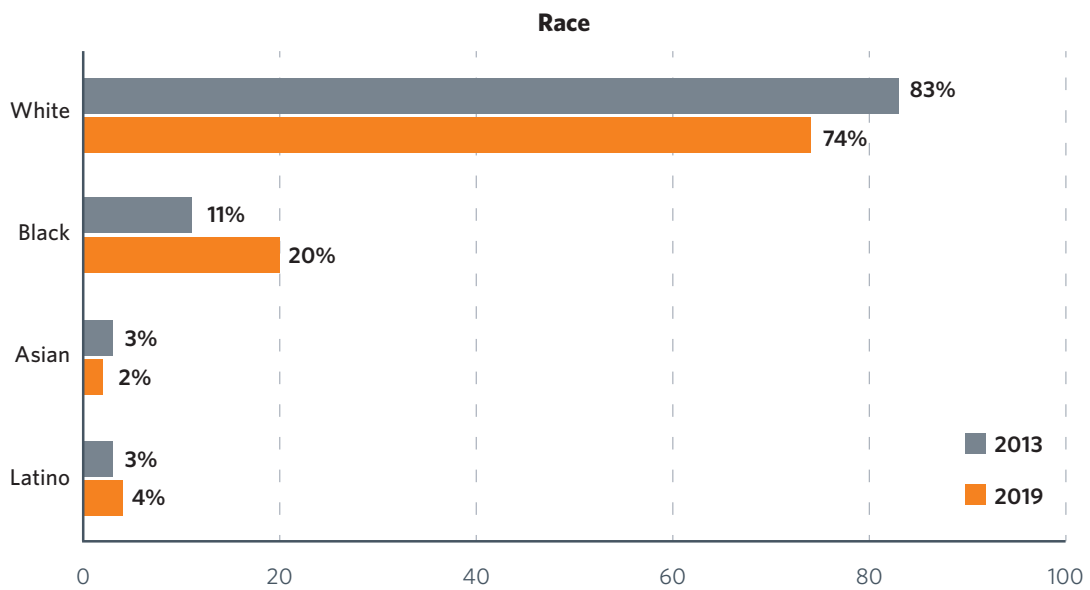
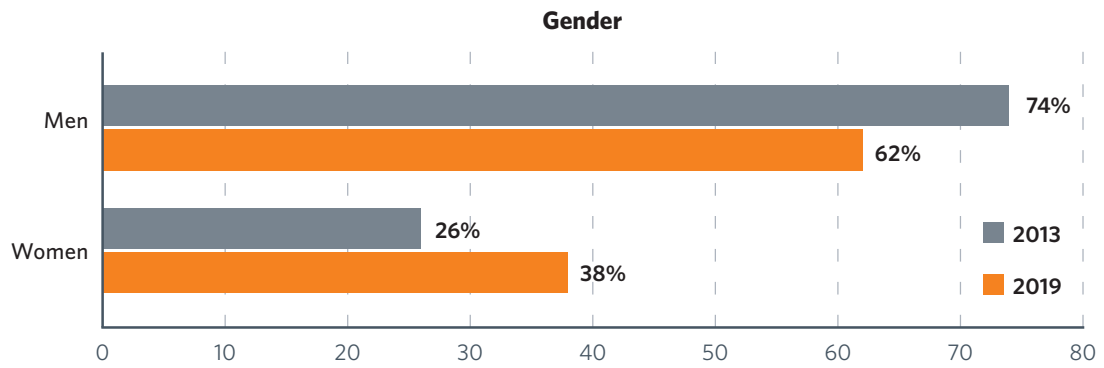
While this change is wholly inadequate, it is worth noting that public demands for a more diverse leadership have yielded some incremental progress since 2013. In 2016, Fed Up recommended that each Reserve Bank board include at least one director from a labor background, one from an academic background, and one from a non-profit/civic organization background. Although the twelve Reserve Banks are still a long way from implementing that recommendation, the number of Reserve Banks with a director from the labor sector has increased from just two in 2016 to five (or nearly half of the Reserve Banks) in 2019. The most diverse Reserve Bank board in the country, the Chicago Fed, has fulfilled Fed Up’s recommendation. The Chicago Fed currently has a director from labor (Jorge Ramirez), an academic (Susan Collins), and a director from a community organization (Helene Gayle) all serving on the board.¹²

Comparing Fed Diversity in 2013 vs. 2019 Shows Progress is Slow

When comparing diversity data from 2013 (the first year Fed Up began tracking these numbers), it’s clear that the Fed’s pace of change is entirely too slow. In 2013, 85% of Fed directors came from banking and business sectors. The last six years saw a 10% increase in directors from non-profit, academia, and labor sectors, but even with this change, financial and business sectors continue to dominate leadership positions at 76%. In 2013, only 12 of the 105 directors were African American.¹³ Today that number has increased to 22 African American directors out of 108.

“Shockingly, the Fed only added one Latino director in the last six years, bringing the total to 4 out of 108, and has decreased the number of Asian directors from 3 to 2.”





Progress in diversity across the twelve Federal Reserve Banks is uneven

The diversity data for each Reserve Bank's board of directors highlights that some Reserve Banks have farther to go than others. Progress is uneven with many Reserve Banks improving in one area of diversity but not improving in others.

- **Chicago currently has the most diverse Federal Reserve Bank board of directors:**

- 45% of directors come from labor, academic, or non-profit sectors.
- 44% of directors are African American or Latino.

Even as the most diverse Reserve Bank, Chicago still must improve its gender diversity. Women make up only 33% of directors in 2019, despite women making up more than 50% of the population in the Chicago Fed's region.¹⁴



- **Dallas is the least diverse Bank in the Federal Reserve system.**

The Dallas Fed's board of directors are:

- 89% Banking/Business
- 78% White
- 78% Male



In 2019 the Dallas Fed added another director from the business sector which further decreased its diversity.¹⁵

- **Philadelphia and Saint Louis are tied for least progress in 2019.**



Both the Philadelphia and St. Louis Federal Reserve Banks made no improvements in gender, racial, or occupational diversity this year.



Boston



2018

- 55% Banking/Business
- 67% White
- 78% Male

2019

- 66% Banking/Business
- 67% White
- 67% Male

Boston added one female director but made no improvements in racial diversity. The Reserve Bank increased its number of directors from the banking and business sectors.

New York



2018

- 66% Banking/Business
- 67% White
- 78% Male

2019

- 66% Banking/Business
- 56% White
- 67% Male

New York added one director of color but made no improvements to gender or occupational diversity.

Philadelphia



2018

- 66% Banking/Business
- 78% White
- 56% Male

2019

- 66% Banking/Business
- 78% White
- 56% Male

Philadelphia made no improvements in gender, racial, or occupational diversity.

Cleveland



2018

- 89% Banking/Business
- 67% White
- 78% Male

2019

- 89% Banking/Business
- 67% White
- 67% Male

Cleveland added one female director but made no improvements in racial or occupational diversity.

Richmond



2018

- 77% Banking/Business
- 89% White
- 56% Male

2019

- 66% Banking/Business
- 89% White
- 56% Male

Richmond added one director from the non-profit sector but made no improvements in racial or gender diversity.

Atlanta



2018

- 100% Banking/Business
- 89% White
- 78% Male

2019

- 89% Banking/Business
- 78% White
- 56% Male

Atlanta made modest improvements in racial diversity and solid progress on gender diversity.

Chicago



2018

- 66% Banking/Business
- 56% White
- 78% Male

2019

- 55% Banking/Business
- 56% White
- 67% Male

Chicago made progress on gender and occupational diversity.

St. Louis



2018

- 88% Banking/Business
- 78% White
- 44% Male

2019

- 88% Banking/Business
- 89% White
- 44% Male

St. Louis made no improvements in racial, gender, or occupational diversity.

Minneapolis



2018

- 76% Banking/Business
- 88% White
- 50% Male

2019

- 77% Banking/Business
- 89% White
- 44% Male

Minneapolis added two female directors but made no progress on racial or occupational diversity.¹⁶

Kansas City



2018

- 77% Banking/Business
- 67% White
- 67% Male

2019

- 66% Banking/Business
- 67% White
- 67% Male

Kansas City has made improvements in occupational diversity but no improvements in racial or gender diversity.

Dallas



2018

- 77% Banking/Business
- 78% White
- 78% Male

2019

- 89% Banking/Business
- 78% White
- 78% Male

Dallas added another director from the business sector and made no improvements in racial and gender diversity.

San Francisco



2018

- 100% Banking/Business
- 78% White
- 78% Male

2019

- 89% Banking/Business
- 78% White
- 78% Male

San Francisco added one director from the labor sector but made no improvements in racial or gender diversity.

The data demonstrates that progress has been slow and uneven. As with previous years, the Federal Reserve Banks also missed a key opportunity to improve diversity by renewing directors' terms. Every year, each of the twelve Regional Reserve Banks have directors whose terms are set to expire.¹⁷ In 2019, the 19 directors whose terms were renewed are 68% white, 53% male, and 52% come from the banking or business sectors. Given the current diversity challenges at the Federal Reserve, when Banks choose to renew directors' terms it often maintains the status quo at each Bank. Moving forward, the Federal Reserve must take advantage of terms ending in order to appoint new directors and ensure a more diverse leadership.

The Presidents of the twelve Federal Reserve Banks are overwhelmingly white and male.

In 2019 the twelve Fed Bank Presidents are:

- 83% White
- 75% Male

In 2017 the Federal Reserve made history when it appointed Dr. Raphael W. Bostic, a prominent African American economist and academic, to lead the Atlanta Federal Reserve. In the history of the Federal Reserve System there had been 134 Federal Reserve Bank Presidents. Previously, not one of those Presidents was African American or Latino.¹⁸

Unfortunately, in 2018 the Federal Reserve missed a critical opportunity to continue this progress

Three newly appointed Federal Reserve Presidents started their terms in 2018: John C. Williams, New York Fed President; Tom Barkin, Richmond Fed President; and Mary Daly, San Francisco Fed President. All three of these Presidents are white and two are male. Barkin comes from the business sector while Daly and Williams both had 20+ year tenures at the Fed prior to their appointments.

The Federal Reserve's continued practice of hiring from within the Fed will limit its ability to meaningfully diversify its leadership

- 54% of current Presidents are Fed insiders who spent their careers at the Federal Reserve.

In fact, these seven individuals spent a combined 158 years at the Fed before their appointments as Fed Presidents.

- 23% of Presidents come from the financial or business sectors

In fact, 3 of the 12 current Fed Presidents have strong ties to Goldman Sachs.

- 23% of Presidents come from academia

Recommendations

In light of the fact that the Federal Reserve has made minimal progress towards their diversity goals, Fed Up's recommendations from 2018 continue to apply. The Federal Reserve Chair, Board of Governors, and leadership at the twelve Reserve Banks must take proactive steps to:

- Appoint new directors who improve the gender and racial diversity of the board of directors at the twelve Federal Reserve Banks.
- End the outsized representation and influence of the banking and business sectors among the twelve Reserve Bank boards of directors.
- Improve the occupational diversity of the boards by promoting directors with non-profit, academic, and labor backgrounds.
- Ensure a transparent and publicly inclusive Federal Reserve Bank presidential selection process. This includes releasing: a public timeline, list of criteria, list of candidates, and opportunities for public input via town halls or forums.

Conclusion

When people of color, women, labor representatives, consumer advocates, non-profit professionals, community activists, and academics are underrepresented within the Fed's leadership, policymaking at the Federal Reserve skews towards the interests of bankers and businesspeople. Moving forward, the Fed must be led by a diverse leadership that includes people of color, women, and people from a range of sectors and backgrounds. This will help ensure that the Fed's policies are maximally inclusive and truly take into consideration economic conditions of all regions and communities.

Methodology: This report draws on publicly available information to determine sector and demographic backgrounds of each incoming Federal Reserve board of director and President. The Federal Reserve Board of Governors and the twelve Federal Reserve Banks are welcome to provide the Fed Up Campaign with full diversity disclosures, in the event these data require any updates or additions.

Correction: This report originally indicated that in 2018 the Kansas City Fed Reserve Board was 78% white. That has since been updated to reflect the Board was 67% white in 2018.

Notes

- 1 "The Federal Reserve Act of 1913," <https://www.federalreserve.gov/aboutthefed/fract.htm>.
- 2 Center for Popular Democracy "'To Represent the Public' The Federal Reserve's Continued Failure to Represent the American People" February 2016, <https://populardemocracy.org/sites/default/files/Fed%20Up.pdf>.
- 3 Remarks by Janet L. Yellen, Chair Board of Governors of the Federal Reserve System, at "Banking and the Economy: A Forum for Minority Bankers" Federal Reserve Bank of Kansas City, September 29, 2016, <https://www.federalreserve.gov/newsevents/speech/yellen20160929a.pdf>.
- 4 "Jerome Powell: I'm a big supporter of diversity," CNBC, November 28, 2017, <https://www.cnbc.com/video/2017/11/28/jerome-powell-im-a-big-supporter-of-diversity.html>.
- 5 Joshua Zumbrun, "Diversity at the Fed," Wall Street Journal, February 27, 2018, <https://www.wsj.com/livecoverage/fed-jerome-powell-february-2018-testimony/card/1519746054>.
- 6 Federal Reserve Bank of New York, "John C. Williams Named President and CEO of New York Fed," Press Release, April 3, 2018, <https://www.newyorkfed.org/newsevents/news/aboutthefed/2018/oa180403>.
- 7 Federal Reserve Bank of San Francisco, "Mary C. Daly Named Federal Reserve Bank of San Francisco President and Chief Executive Officer," Press Release, September 14, 2018, <https://www.frbsf.org/our-district/press/news-releases/2018/mary-c-daly-named-federal-reserve-bank-of-san-francisco-president-and-chief-executive-officer/>.
- 8 "Fed Up Coalition Advocates for Candidates from Diverse Backgrounds for San Francisco President," Center for Popular Democracy, July 18, 2018, <https://populardemocracy.org/news-and-publications/fed-coalition-advocates-candidates-diverse-backgrounds-san-francisco-president>; "New York Electeds, Fed Advisers Join Backlash Against New York Fed Presidential Selection Process," Center for Popular Democracy, March 28, 2018, <https://populardemocracy.org/news-and-publications/new-york-electeds-fed-advisers-join-backlash-against-new-york-fed-presidential>.
- 9 "Working People Still Need a Voice at the Fed: 2018 Diversity Analysis of Federal Reserve Bank Directors," Center for Popular Democracy, February 2018, http://populardemocracy.org/sites/default/files/FedUp-Diversity-Data-Brief_WEB-Output_3.pdf, 3.
- 10 U.S. Bureau of Labor Statistics, "Employment by major industry sector: Table 2.1 Employment by major industry sector, 2006, 2016, and projected 2026," October 24, 2017, <https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm>.
- 11 U.S. Census Bureau, "QuickFacts: United States," July 1, 2017, <https://www.census.gov/quickfacts/fact/table/US/PST045217>.
- 12 Center for Popular Democracy, "The Federal Reserve: Real and Perceived Conflicts of Interest and a Path Forward," June 20, 2016, <https://populardemocracy.org/news/publications/federal-reserve-real-and-perceived-conflicts-interest-and-path-forward>.
- 13 In 2013 there were three vacant Fed director positions bringing the total number to 105.
- 14 U.S. Census Bureau, "QuickFacts: Illinois," July 1, 2018, <https://www.census.gov/quickfacts/il>. Note: the Chicago Fed's 7th District covers Iowa and most of Illinois, Indiana, Michigan and Wisconsin. For the purpose of this report, Illinois (which is the location of the Chicago Fed's headquarters) was used to determine the overall percent of women in the region.
- 15 While San Francisco, like Dallas, is 89% banking/business, 78% white, and 78% male, in 2019 the San Francisco Fed added one Director with a labor background which slightly improved its diversity numbers. Dallas, on the other hand, became less diverse after its 2019 appointments.
- 16 Note: Minneapolis had one vacant director position in 2018 which accounts for the 1 percentage point difference between 2018 and 2019.
- 17 Federal Reserve Bank directors serve three-year terms, renewable once for a maximum of six years of service.
- 18 Aaron Klein "The Fed's striking lack of diversity and why it matters" Brookings Institute, August 1, 2016, <https://www.brookings.edu/opinions/the-feds-striking-lack-of-diversity-and-why-it-matters/>.

