
DATA BRIEF

WORKING PEOPLE STILL NEED A VOICE AT THE FED:

2018 Diversity Analysis of Federal Reserve Bank Directors



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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.

www.ThePeoplesFed.org



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Working People Still Need a Voice at the Fed: 2018 Diversity Analysis of Federal Reserve Bank Directors

Data Brief

This brief analyzes the gender, racial, and occupational diversity of the 2018 appointees to the twelve Federal Reserve Regional Bank Boards of Directors. The analysis finds that while the Federal Reserve has made modest progress in gender and racial diversity, Fed directors from business and banking continue to dominate leadership positions and fail to represent the interests of labor and consumers.

Introduction

In 2016 the Center for Popular Democracy's Fed Up campaign published "To Represent the Public: The Federal Reserve's Continued Failure to Represent the American People."¹ The report uncovered a shocking lack of gender, racial, and occupational diversity among the Presidents and Boards of Directors at the twelve Federal Reserve Regional Banks. Despite the Federal Reserve Act's requirement that Fed leadership "represent the public," and draw from the interests of "agriculture, commerce, industry, services, labor, and consumers," the Fed has consistently failed to ensure that Reserve Bank directors reflect the rich diversity of our economy.² 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 ends up skewed towards the interests of bankers and businesspeople. To ensure that its policy is maximally inclusive and truly takes into consideration economic conditions for all regions and demographics, the Federal Reserve must hear from people of color and women, workers and not just employers, debtors and not just creditors.

Fed Up's 2016 diversity findings sparked a public outcry and led to a coordinated campaign to improve the diversity of the Federal Reserve's leadership. In the face of mounting public pressure, and calls from Congress and advocates to appoint a leadership that reflects the American people, the Federal Reserve took some steps in the right direction. 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 the history of the Federal Reserve System, there had been 134 Federal Reserve Regional Bank Presidents. None of these Presidents were African American or Latino.⁴ That changed in 2017 with the historic appointment of Atlanta Fed President Raphael W. Bostic, a prominent African American economist and academic.

In 2018, policymakers and advocates are calling on the Fed’s new chair, Jay Powell, to build on this progress and continue ensuring greater diversity at all levels of the Federal Reserve’s leadership. At Powell’s confirmation hearing, he pledged: “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.”⁵ He indicated there is “always a diverse pool” of candidates in the search process for Reserve Bank presidents. However, recent actions gave advocates reason to question whether he would fulfill this public commitment. In December, the Richmond Fed completed a search process for their new president with little to no public input. This process resulted in Thomas Barkin, a white man with ties to the financial sector, to being appointed President of the Richmond Federal Reserve Bank. This was especially disappointing in light of the circumstances under which the vacancy had come up; Richmond’s previous Federal Reserve president had resigned after admitting to leaking market-sensitive information to a hedge fund analyst.⁶ Nevertheless, there has been modest progress in recent years, and Powell’s public commitment to continuing that progress will be tested when the New York Federal Reserve Bank appoints a new president in early 2018. The New York Fed plays a critical role given its close proximity to Wall Street and central role in formulating the Fed’s response to the financial crisis. This underscores the importance of selecting a New York Fed President and directors who are diverse, independent from the financial sector, and bring an array of experiences—especially experiences in the underrepresented fields of labor and consumer advocacy—to Fed decision-making.

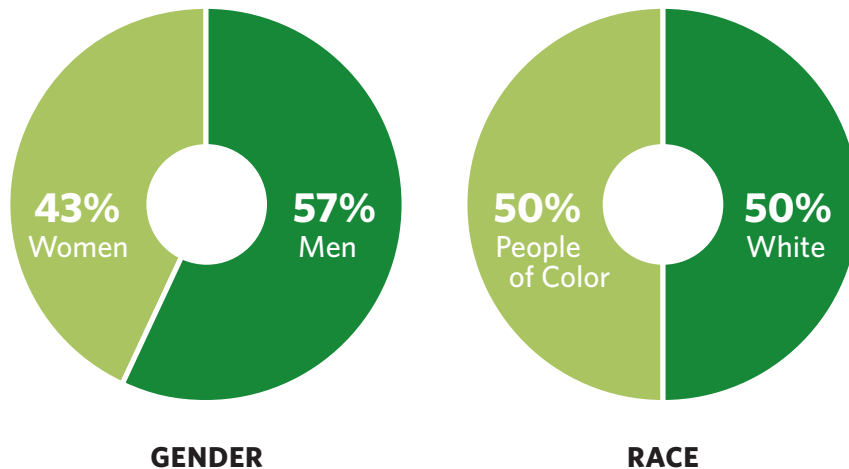
In order to gauge progress on these commitments to diversity, and highlight areas for continued growth in the coming year, the Fed Up campaign conducted original analysis of all current twelve Fed Regional Board of Directors. The key findings and recommendations to the Federal Reserve are outlined below.

Key Findings

The incoming class of 2018 directors shows the Fed is making incremental progress on gender and racial diversity

The 14 new Federal Reserve Regional Bank directors appointed to the boards of the twelve regional Banks in 2018 were diverse in both race and gender:

- 57% men
- 43% women
- 50% people of color



Unfortunately, there was minimal occupational diversity among these incoming directors

Directors from the banking and business sectors continue to dominate.

- 79% of incoming directors are from the business or banking sectors.
- The number of directors with backgrounds in community banking largely remained static.



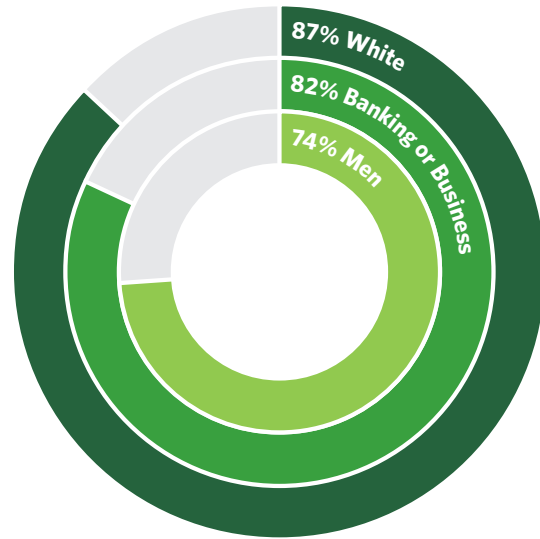
Federal Reserve Banks Miss a Key Opportunity to Improve Diversity When They Renew Directors' Terms

Federal Reserve Bank directors serve three-year terms, renewable once for a maximum of six years of service. Every year, each of the twelve Regional Reserve Banks have three directors whose terms are set to expire.⁷ Given the current diversity challenges at the Federal Reserve, when Banks choose to renew directors' terms it maintains the status quo at each Bank.

In 2018, the 23 directors whose terms were renewed are:

- 82% Banking or Business
- 87% White
- 74% Men

This stands in stark contrast to the diversity stats of the incoming 2018 directors. Moving forward in 2019, the Federal Reserve must take advantage of terms ending in order to ensure a more diverse cohort of directors.

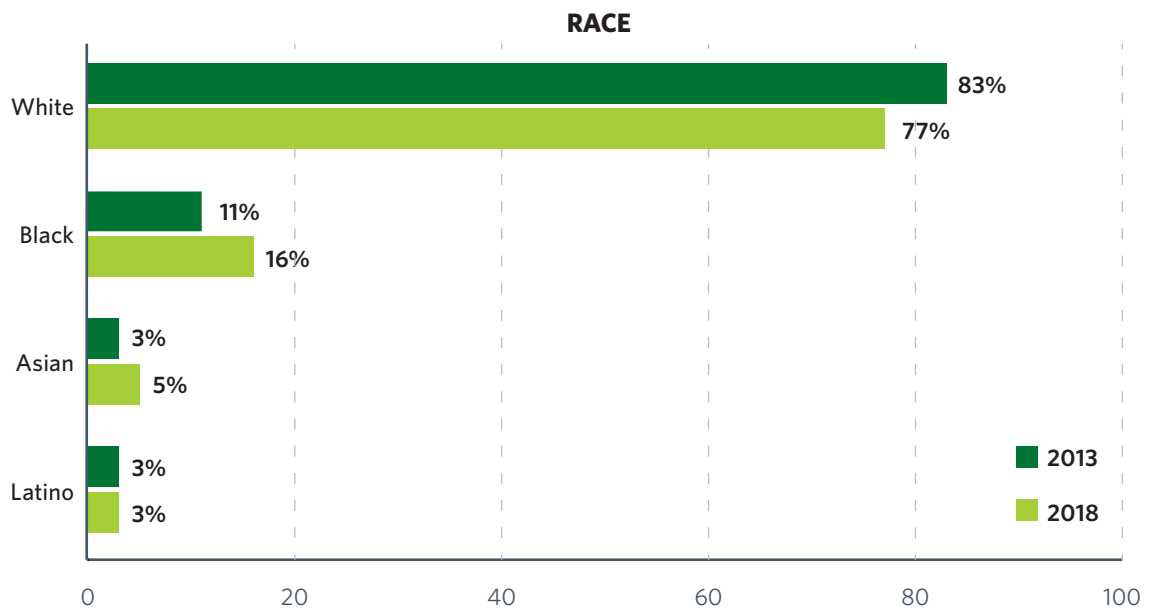
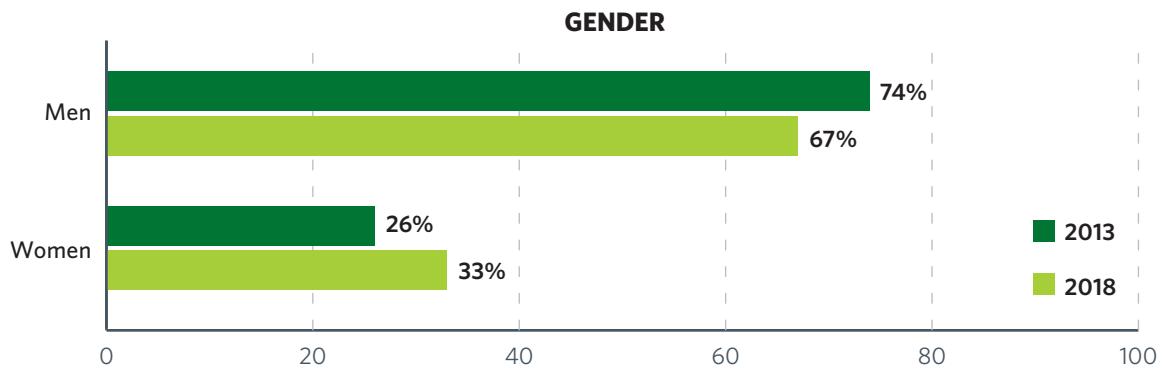
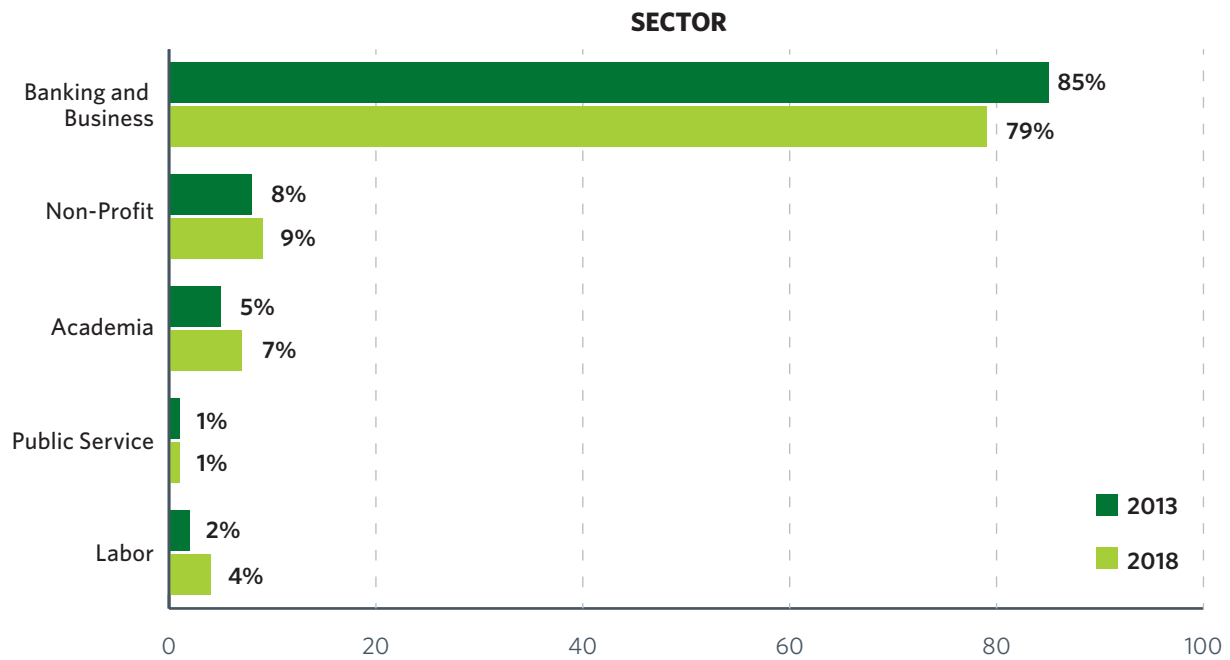


The Federal Reserve System Still Has a Striking Lack of Diversity

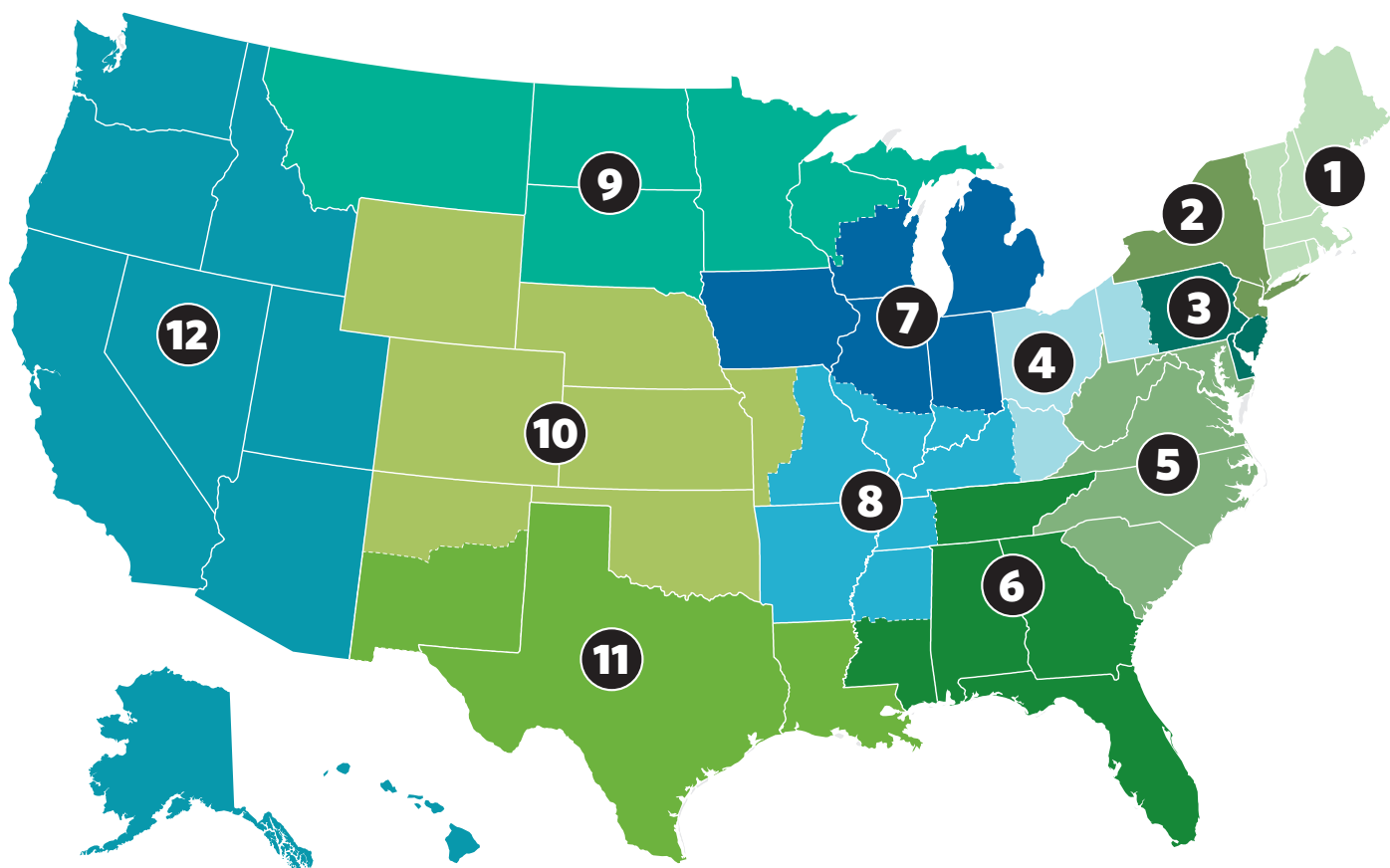
The composition of the 2018 Board of Directors of the twelve Federal Reserve Regional Banks remains disproportionately white, male, and from corporate and financial backgrounds. The 107 current Board Directors are:

- 78% Banking or Business
- 77% White
- 67% Male

Diversity Statistics in 2013 vs. 2018: 5 Year Comparison Data⁸



Diversity at the 12 Federal Reserve Banks



1. Boston

55% Banking/Business
67% White
78% Male

2. New York

66% Banking/Business
67% White
67% Male

3. Philadelphia

66% Banking/Business
78% White
56% Male

4. Cleveland

89% Banking/Business
67% White
78% Male

5. Richmond

77% Banking/Business
89% White
56% Men

6. Atlanta

100% Banking/Business
89% White
78% Male

7. Chicago

66% Banking/Business
56% White
78% Male

8. St. Louis

88% Banking/Business
89% White
44% Male

9. Minneapolis

76% Banking/Business
88% White
50% Male

10. Kansas City

77% Banking/Business
78% White
67% Male

11. Dallas

77% Banking/Business
78% White
78% Male

12. San Francisco

100% Banking/Business
78% White
78% Male

There is Wide Variation and Uneven Progress in Diversity Across the Federal Reserve Banks

When looking at the diversity within each Reserve Bank's Board of Directors, it's clear some Reserve Banks have farther to go than others. Progress is uneven, and many Banks that are improving in one area of diversity are not improving in others.

For instance, many Banks are improving on gender diversity, but white people and people with banking and business backgrounds are still over-represented:

- **St Louis:** Over half of the directors are women, but 89% of all directors are white and 88% come from banking or business
- **Minneapolis:** Half of the directors are women, but 88% of all directors are white and 76% come from banking or business
- **Richmond:** Nearly half of the directors are women, but 89% of all directors are white and 77% come from banking or business
- **Philadelphia:** Nearly half of the directors are women, but 78% of all directors are white and 66% come from banking or business

Similarly, some Banks demonstrated progress on occupational or racial diversity, but showed minimal progress on other types of diversity:

- **Boston:** 44% of the directors come from non-profits or academia, but 78% of all directors are male and 67% are white.
- **Chicago:** Nearly half of the directors are people of color, but 78% of all directors are male and 66% come from banking or business.

Despite some promising new appointments in 2018, there is still a long way to go:

- **Cleveland:** In 2018, the Cleveland Fed appointed Doris Carson Williams, President and CEO of the African American Chamber of Commerce of Western Pennsylvania. Despite the appointment of its only woman of color director, Cleveland is still 89% banking or business, 78% male, and 67% white.
- **Dallas:** In 2018, the Dallas Fed appointed Gerald B. Smith, its only African American director. However, the Board is still 77% banking or business, 78% white, and 78% male.

Room for Improvement

If the Federal Reserve Bank Boards of Directors were proportionally representative of the American public, half of the Directors at each Bank would be women and nearly half would be people of color,⁹ labor and consumer advocates would be better represented, and the sectoral diversity would more closely mirror the American economy.¹⁰ While no Federal Reserve Bank Board currently comes close, New York and Kansas have showed some modest improvement.

- **New York:** The New York Fed covers some of the most demographically diverse counties in the U.S. and is tasked with supervising the biggest and most complex Wall Street institutions.¹¹ Although the Bank appointed a man of color and woman of color as new directors in 2018, it still has far to go: 66% of current directors come from banking or business backgrounds. Nearly two-thirds (67%) of directors are male and 67% are white.
- **Kansas City:** In 2013, the Kansas City Reserve Bank was one of the least diverse in the system: 100% banking or business, 100% white, and 71% male. It's clear modest progress has been made in the last five years. 77% of current directors come from banking or business, 78% of directors are white, and 67% are male.

The least diverse Banks in the Federal Reserve System:

- **San Francisco:** Despite covering some of the most demographically diverse counties in the United States, 100% of the San Francisco Fed's Board of Directors come from the banking and business sectors. The directors are 78% white and 78% male.¹²
- **Atlanta:** While the Atlanta Federal Reserve appointed the first African American Fed President in 2017, the Bank has a long way to go in the diversity of its directors. 100% of Atlanta's directors are from the banking and business sectors. The directors are 89% white and 78% male.

Recommendations

In light of these findings, the Federal Reserve Chair, Board of Governors, and leadership at the twelve Regional Reserve Banks must take proactive steps to:

- Build on recent progress and continue to appoint new directors who improve the gender and racial diversity of the Board of Directors at the twelve regional Reserve Banks.
- End the outsized representation and influence of the banking and business sectors among the Regional Bank Boards of Directors.
- Improve the sectoral diversity of the Boards by promoting directors with non-profit, academic, and labor backgrounds.
- Ensure a transparent and publicly inclusive New York Reserve Bank presidential selection process in 2018. This includes: a public timeline, list of criteria, list of candidates, and opportunities for public input via town halls or forums.

Notes

- 1 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>
- 2 “The Federal Reserve Act of 1913,” <https://www.federalreserve.gov/aboutthefed/fract.htm>
- 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 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/>
- 5 “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>
- 6 Jason Lange, Howard Schneider, “Fed’s Lacker leaves central bank over leak of market-sensitive news” Reuters, April 4, 2017, <https://www.reuters.com/article/us-usa-fed-lacker/feds-lacker-leaves-central-bank-over-leak-of-market-sensitive-news-idUSKBN1762C0>
- 7 There are generally 36 open Directorships every year. There were 37 renewals or new appointments in 2018, due to a vacancy.
- 8 There is currently one Class A Director vacancy at the Minneapolis Federal Reserve so the 2018 total reflects 107 directors.
- 9 U.S. Census Bureau, American Community Survey “Demographic and Housing Estimates: 2011-2015 American Community Survey 5-Year Estimates” <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>
- 10 U.S. Census Bureau, “Selected Economic Characteristics” <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>
- 11 U.S. Census Bureau, QuickFacts “Queens County (Queens Borough), New York; New York” 2016, <https://www.census.gov/quickfacts/fact/table/queenscountyqueensboroughnewyork,NY/PST045217>; Svati Kirsten Narula “The 5 U.S. Counties Where Racial Diversity Is Highest—and Lowest” The Atlantic, April 29, 2014, <https://www.theatlantic.com/national/archive/2014/04/mapping-racial-diversity-by-county/361388/>
- 12 U.S. Census Bureau, QuickFacts “Los Angeles County, California; Santa Clara County, California; Alameda County, California; San Francisco County, California” 2016, <https://www.census.gov/quickfacts/fact/table/losangelescountycalifornia,santaclaracountycalifornia,alamedacountycalifornia,sanfranciscocountycalifornia/INC110216>; Jane Wells, “American diversity: Cities where it works,” CNBC, March 18, 2016, <https://www.cnbc.com/2015/05/21/american-diversity-cities-where-it-works.html>

