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The Federal Reserve's Ongoing Crises of Diversity, Transparency and Accountability

THE CENTER FOR POPULAR DEMOCRACY

THE NATIONAL CAMPAIGN FOR A STRONG ECONOMY
FED UP

Uneven Progress, Inadequate Representation

The Federal Reserve's Ongoing Crises of Diversity, Transparency and Accountability

2022 Analysis of Diversity in Federal Reserve Leadership

Acknowledgements

This report was researched and written by Marc Rodrigues and Maggie Corser at the Center for Popular Democracy and was edited by Benjamin Dulchin, Marlon Calliste, and Yadira Sanchez at the Fed Up Campaign & Center for Popular Democracy.

About the Contributors

Fed Up is a coalition of community organizations across the country fighting for a full-employment economy, rising wages, and a Federal Reserve that works for working people. Organized by the Center for Popular Democracy, the Fed Up Campaign works to hold the Federal Reserve accountable to the economic interests of the country as a whole—especially for working class, Black and Brown communities—and to push back against the unreasonable level of influence that the finance industry and Wall Street have on our country's principal economic policy-setting institution. fedupcampaign.org

The Center for Popular Democracy (CPD) is a national network of grassroots organizations that 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. populardemocracy.org

Executive Summary

The Fed Up Campaign conducts an annual diversity analysis of the Federal Reserve System's[1] leadership to gauge progress on the Federal Reserve's public commitment to diversifying its senior leadership. In particular, this report evaluates the degree to which the regional Federal Reserve Bank presidents and board directors as well as the Board of Governors of the Federal Reserve System represent the public they are intended to serve. It also highlights areas that need improvement and recommends procedural changes that the Fed can immediately institute to remedy these problems, as well as legislative fixes that Congress can pursue.

Our 2022 review of the numbers reveals an ongoing urgent need to diversify the nation's most powerful monetary policymakers at every level of leadership. While some Federal Reserve Banks have made progress in gender and racial diversity, their boards of directors—who have the crucial role of appointing each of the Federal Reserve Bank presidents—continue to be overrepresented by the banking and financial and business sectors:

In 2022, among the 105 current Fed regional Reserve Bank directors, 77% come from the banking and financial or business sectors, 60% are white, and 56% are male.[2]

Fed Up's 2022 sectoral analysis reveals bankers, finance executives, and large corporations continue to have an outsized representation on regional bank boards because the Fed's structure and selection process **prioritizes the interests and votes of the banking and financial sector. The Fed's 2022 Class A directors—who are chosen by local private banks to represent those banks—are 100% banking and financial sector, 86% white, and 69% male.**

In recent years, the Federal Reserve has made some commendable gains in diversifying Class C directors, who represent the interests of the public and are appointed by the Washington, DC-based Board of Governors. The same progress has not been apparent, however, with Class B directors.

In 2022, among the 34 Class B directors (who are required to represent the public interest but are appointed by private bankers) across the 12 regional banks, 74% came from the banking and financial and business sectors, a slight uptick from 2021. This is an inevitable result of a Class B selection process controlled by those from the banking and financial sector, despite the statutory requirement that these directors represent the public. This lack of Class B representation was reported in the Fed Up Campaign's 2021 Diversity Analysis and similar conclusions were found by well-known Federal Reserve experts Peter Conte-Brown and Kaleb Nygaard in their 2021 Brookings Institute study.[3]

This results in the overall composition of the Fed bank boards being skewed in the direction of white and male representatives of not only the banking and financial sector but also of large corporations. **Among the Fed directors from business backgrounds, ¾ work at big businesses. In fact, nearly one in 10 Reserve Bank directors are CEOs of Fortune 500 companies**—despite Fortune 500 CEOs making up only 0.0003% of the US labor force.

On the other hand, the Class C directors, who are appointed by the Board of Governors, have seen meaningful improvements in diversity in recent years, which underscores the Board of Governors' commitment to appointing diverse candidates. The bankers tasked with selecting Class B and Class C directors, despite both existing to represent the public interest, highlights a similar commitment.

In fact, Class B directors are not only 74% from the banking/financial and business sectors, but are also 59% white—a marked contrast to Class C, which is 57% banking/financial and business and 34% white. These notable differences The notable differences between the makeup of Class B and Class C directors, despite both existing to represent the public, highlights the problems inherent with the current appointment process and raises questions about the ability of banking and financial sector representatives to appoint Fed leadership that fully understands and represents the interests of the broad public.

The lack of sectoral and demographic diversity among regional bank directors exacerbates the monolithic makeup of much of the Fed's other senior leadership. Despite the historic appointment of Dr. Susan M. Collins as president of the Federal Reserve Bank of Boston (the first ever Black woman to preside over a Federal Reserve Bank) and the recent appointment of Lorie Logan as the first female president ever of the Dallas bank, regional presidents remain mostly white and majority male.[4] **This reality combined with the impending vacancies at Chicago and Kansas City provide the Fed with urgency and a historic opportunity to continue real progress in diversity and representation** to continue to diversify the ranks of the boards of directors of these regional banks, who in turn will appoint these new presidents. The Board of Governors of the of the Federal Reserve System, which guides the operation of the Fed and plays a central role in setting policy, had only had three Black Governors in its 109-year history as of early May 2022. An important update on the composition of the Board is given below.

Today, policymakers and advocates[5] continue to call on the Federal Reserve to actively pursue greater diversity at all levels of its leadership. Specifically, the Fed must take proactive steps to end the influence of the banking and financial and business sectors over the Federal Reserve Bank boards of directors; appoint new directors for these Banks who improve gender and racial diversity; appoint more diverse Reserve Bank presidents; and improve the occupational/sectoral diversity of the boards by promoting directors with academic, labor, nonprofit, and public service backgrounds. As the country grapples with an ongoing wealth and income inequality crisis exacerbated by the global coronavirus pandemic, a housing affordability crisis, and an acute rise in the cost of living caused at least in part by choices made in corporate boardrooms[6]—all against the backdrop of record corporate profits—it is more critical than ever to have Federal Reserve policymakers who understand and prioritize the needs of working families.

Structure of the Fed's Regional Boards of Directors: Class A, B, and C Directors

Each regional Federal Reserve Bank is composed of local private bank shareholders, also referred to as "member banks." Each of the 12 Reserve Banks have a nine-member board of directors with three classes of directors:[7]

Class A Directors	Class B Directors	Class C Directors
Elected by private member banks in the Federal Reserve District **to represent those banks.**	Elected by private member banks in the Federal Reserve District **to represent the public.**	Appointed by the Fed's Board of Governors in Washington, DC, **to represent the public.**

Introduction

The Federal Reserve is the most powerful economic policy institution in the country. When 12 senior Fed leaders meet every six weeks to debate their core policy choices for managing economic growth, they are deciding how to balance their *dual mandate* of stable prices and maximum employment[8]—shaping who wins and who loses in our economy, specifically impacting how high the unemployment rate will be, whether wages for low-income workers will grow, and whether unemployment in Black communities will remain far above that in white communities.

The *Federal Reserve Act* requires Federal Reserve leadership to represent the public interest and be drawn from a representative selection of economic interests, including "agriculture, commerce, industry, services, labor, and consumers."[9] Yet the Fed's senior leadership is not truly representative of the country's demographic and economic diversity. This matters because the Fed's policy choices and who benefits from them (or does not) are influenced by the interests represented by the Fed's leadership. In the face of mounting calls from Congress and advocates to appoint a leadership that reflects the people of this country—and that orients towards the economic interests of the broad public—the Federal Reserve has signaled an increased focus on improving diversity in recent years.[10]

Since 2016, the Center for Popular Democracy's Fed Up Campaign has published comprehensive data on diversity among the Federal Reserve's leadership. Despite public commitments to diversity and some areas of progress by the Fed, the Fed Up annual diversity reports reveal a Federal Reserve system reveal a federal reserve system that is, overall, still shockingly white and finance/corporate-interest dominated, with slow and uneven progress in achieving diversity across the system and a consistent failure to reflect the rich diversity of our economy and local communities.

This year's report draws on diversity disclosures from the Federal Reserve outlining the number of women and people of color serving as board directors at the 12 regional Federal Reserve Banks.[11] Fed Up also conducted an original analysis of the sectoral diversity of these directors and of the presidents who oversee each of the Reserve banks to more comprehensively understand the gender and racial diversity of—and influence of the banking and financial and business sectors on—these powerful regional leadership bodies. The report also discusses trends in the composition of the Washington, DC-based Board of Governors and the potential for significant diversity progress with nominees whose Senate approval is pending as of this writing. The report ends with a discussion of key recommendations for the Federal Reserve to better improve gender, racial, and sectoral diversity across the Federal Reserve system.

What's at stake

The Federal Reserve's core policy committee—the Federal Open Market Committee (FOMC)—regularly meets to make decisions that have profound and long-lasting consequences for the country, the economy, and, in particular, for communities of color who have been historically excluded from the systems that create employment and build wealth.[12] When the Fed decides how to implement its "dual mandate" and where the balance lies between the interests of price stability and maximum employment, the Fed is deciding who benefits and who gets left behind.[13] It is widely understood that in recent decades the Fed had clung to overly rigid formulations including, for example, a model of the *Non-Inflation Accelerating Rate of Unemployment* that was biased to emphasize price stability over maximum employment. As a result, the Fed implemented policies that slowed the economy while it still had the potential to absorb more workers. This choice unnecessarily relegated millions of people to unemployment and underemployment, kept the Black-white unemployment gap high, and stripped bargaining power from low-income workers while allowing wages to stagnate.[14]

As of this writing, the Federal Reserve is responding to a world economy recovering from the pandemic. Recent patterns of price stability and employment remain in flux. **Given the highly interpretive nature of the Fed's decisions, it is more important than ever that its leadership truly represents the country to ensure that the FOMC makes decisions that are in the long-term interests of working families and not unduly influenced by those who already have the most economic and political power.**

The Fed's senior leadership are divided into two categories:

- The seven Federal Reserve Governors are nominated by the President of the United States and confirmed by the US Senate.
- The presidents of the 12 regional Reserve Banks are selected by the boards of directors of these Banks.[15] Five of these regional presidents, in turn, serve at any one time as voting members on the FOMC alongside the Governors, making key decisions on employment and inflation that affect the lives and livelihoods of millions of Americans.

This system was designed to ensure that the power of the Federal Reserve was not geographically centralized and that it represented the interests of the general public in each of the 12 geographic regions.

"The Fed's system has roots in a fundamental American debate over the value of a centralized monetary policy versus regional suspicion of vesting too much power in Washington.

The more than century-old compromise—powersharing between a presidentially appointed board in Washington and 12 regional banks—still serves a purpose in promoting "more diversity of views" about the economy..."[16]

For these reasons, policymakers and advocates have continued to call on the Fed to ensure greater diversity at all levels. The private member banks of each regional Fed Reserve Bank are statutorily and structurally guaranteed to have a voice: Class A directors, representing 1/3 of all directors, are, per the Federal Reserve Act, "chosen by and representative of the member banks." But until communities of color, women, consumer advocates, representatives of labor and the nonprofit sector, community leaders, and academics are fully represented among those 2/3 of directors (the Class B and C directors) who exist explicitly to represent the interests of the public, the Fed's policymaking will have structural and implicit bias towards the interests of the private shareholder banks and reflective of influential banking, finance and corporate interests..

Finally, the Fed plays a crucial, often leading role in guiding the country through economic emergencies. The 2008-09 Great Recession and the recent economic crisis wrought by the global coronavirus pandemic are key examples. The challenges of the current political and economic moment underscore the importance of selecting Fed presidents, board directors, and Governors with diverse identity, life experience, economic sector, and professional backgrounds and independence from the financial sector.

Even absent explicit ill intent, a lack of such representation creates blinders, channeling Fed policy away from addressing the particular needs of working families and communities of color—and away from addressing existing inequities that are often radically exacerbated by periods of economic downturn or crisis.[17] At this inflection point in the economic recovery from the pandemic, this lack of perspective is detrimental not only to these communities, but to the economy as a whole. As Board of Governors Vice Chair Lael Brainard observed: **"[t]o the extent that disparities in income and wealth across race, ethnicity, gender, or geography reflect such disparities in opportunity, families and small businesses from the disadvantaged groups will then underinvest in education or business endeavors, and potential growth will fall short of the levels it might otherwise attain."**[18]

"The lack of diversity at the Federal Reserve is not only harmful to these underrepresented groups, it has a negative impact on the Fed's ability to promote maximum employment and price stability, the safety and stability of the financial system, and consumer protection and community development"[19]

Key Findings

To track diversity at the Federal Reserve System, the Fed Up Campaign produces an annual diversity analysis of the Fed's senior leadership, including the 12 regional bank presidents, the 108 regional bank directors, and the seven members of the Board of Governors.[20] After sustained calls for greater transparency, the Federal Reserve recently began disclosing its own gender and racial/ethnic diversity data for regional board directors.[21] To provide a deeper understanding of who holds power at the Fed, the Fed Up Campaign adds to this data by conducting an original analysis of the *sectoral* diversity of each board director, a diversity/sectoral analysis of the Reserve Bank presidents, and an analysis of the composition of the Board of Governors. Taken together, these analyses illustrate the representation and influence of the banking and finance and corporate sectors at the Fed.

Below, we present a comprehensive overview of the Fed's own diversity disclosures along with the Fed Up Campaign's 2022 sectoral analysis.

1) Despite progress, the Presidents of the Federal Reserve Banks are overwhelmingly white and majority male.

In 2022, the 12 Fed bank presidents are 75% white; 7 of them are male:[22]

The Federal Reserve made history in 2017 when it appointed Dr. Raphael Bostic to lead the Atlanta Federal Reserve. At the time there had been 134 Federal Reserve Bank presidents in the system's history; not one of those presidents was Black prior to Bostic's appointment. Earlier this year, history was made again with the appointment of Dr. Susan M. Collins as President of the Federal Reserve Bank of Boston—the first ever Black woman named regional bank president. Bostic, Collins, and Neel Kashkari of the Minneapolis Fed (appointed in 2016) still represent the only 3 people of color among the 12 current regional presidents.

Although commendable progress has been made toward gender diversity with the more recent appointment of Lorie Logan as the first female ever to lead the Dallas fed, the lack of presidents of color is stark. Members of Congress and advocates had called on the Dallas bank to appoint a Latino leader as there is **still yet to be a Latino Reserve Bank President in the history of the Fed**.[23] All other regional presidents came up for reappointment in 2021 and all were reappointed for new terms.[24]

In 2022, the Fed has an important opportunity to correct the ongoing lack of diversity among reserve bank presidents through two upcoming mandatory retirements:

- Chicago Fed President Charles Evans: Mandatory retirement date: **January 2023**[25]
- Kansas City Fed President Esther George: Mandatory retirement date: **January 2023**

In the next two years, two additional regional Reserve Banks will begin presidential selection processes, also due to mandatory retirements:

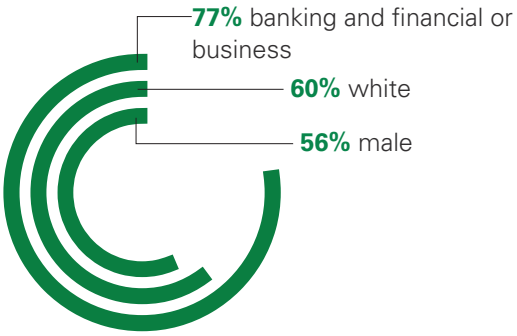
- Cleveland Fed President Loretta Mester: Mandatory retirement date: **May 2024**
- Philadelphia Fed President Patrick Harker: Mandatory retirement date: **June 2025.**[26]

Each of these openings will be an important opportunity for the Federal Reserve to live up to its diversity goals. But as this report discusses, the ability of regional banks to select diverse presidents has been hamstrung due, in part, to the lack of meaningful transparency and public engagement in the selection process. This process must be reformed to ensure that the candidates selected are better representatives of the general public.

2) The overall composition and diversity of the directors of the regional banks is grossly inadequate to fulfill their statutory mandate to represent the public interest.

2022 data show that the Fed missed a critical opportunity to improve its diversity. 82% of new directors appointed in 2022 represent the banking and financial and business sectors. Of those who saw their terms renewed in 2022, 61% are white and 74% come from the banking and financial and business sectors.

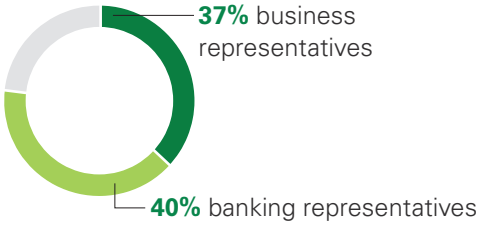
Overall, the 105 directors of the 12 Federal Reserve Bank boards are:



3) The voices of small businesses are marginalized because banks, big business, and Fortune 500 executives have an outsized role on Reserve Bank boards.

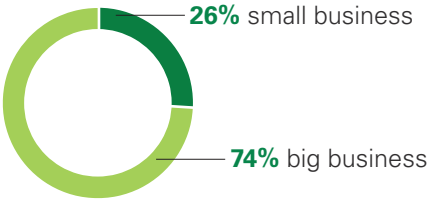
As noted, 77% of Fed directors come from the banking and financial or business sector.

Specifically that breaks down to:



Fed Up analysis shows that, among the business representatives on Reserve Bank boards, small businesses—as defined by the US Small Business Administration—are grossly outnumbered by big businesses.[27] 2022 Fed directors from the business sector are overwhelmingly running large firms.

The Fed's directors from the business sector are:



Further, a staggering nearly 1 in 10 Fed Board Directors are currently CEOs of Fortune 500 companies. This is despite Fortune 500 CEOs making up only 0.0003% of the US labor force.[28]

Overall, more than 16% of Fed directors are either CEO's or high-level executives at Fortune 500 companies.[29] Despite calls for more diversity and representation, the Fed actually added three more Fortune 500 executives to its ranks of directors than there were in 2021.

There is wide variation in diversity across the Fed's 12 Regional Reserve Banks.

While some Federal Reserve Banks have notably improved in gender, racial, and sectoral diversity in recent years, other banks have taken inadequate steps to improve board diversity. This year, the banking and financial and business sectors continued to have a disproportionate representation and influence in Fed leadership positions across the 12 banks.

Notable regional bank highlights:

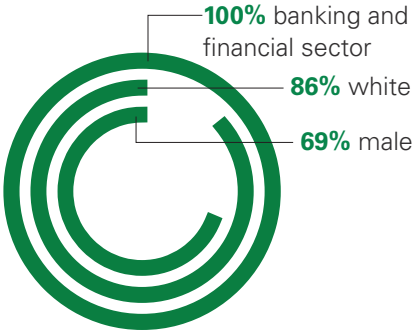
- Nearly 90% of directors in Dallas, Kansas City, and St. Louis come from the banking and business sectors.
- Of the nine members of the Richmond board, six represent the banking and financial and business sectors; all the directors from the business sector lead big businesses and the Richmond board has three executives from Fortune 500 companies.
- Of the nine Boston board members, seven represent the banking and financial and business sectors; all the directors from the business sector lead big businesses and there are two CEOs of Fortune 500 companies.
- The Philadelphia Fed's board is 67% white and 13% Black; the population of Philadelphia is around 40% white and 41% Black.[31] A full ¾ of Chicago board members are white; there is zero Latino representation on Chicago's board, even while the city's population is over 28% Latino.[32]
- There are four regional banks where women make up only 1/3 of directors and one where women are less than 40% of directors. There are four Fed bank boards where women compose half or more of board directors.

These regional variations highlight the need for diverse leadership at the top of each of the 12 regional Fed banks–in particular presidents who will prioritize board diversity and development.

4) The Fed's current structure and selection process privileges the banking and financial and business sectors in multiple director classes while undermining demographic and economic interest group diversity.

While overall, regional bank directors are 77% from banking and financial or business backgrounds, are 60% white, and 56% male, there are important differences in diversity between the different classes of directors that point to structural problems in how regional bank directors are chosen.

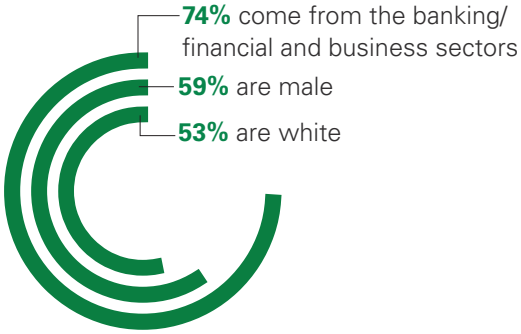
The Fed's 2022 Class A directors, who are chosen by banks, are:



It's important to note that while all of the current Class A directors are in the banking and financial sector, the Fed does not have a formal requirement for this to be so. According to the Fed, "in practice, Class A directors often are affiliated with supervised institutions, *but there is no requirement* [emphasis added] that Class A directors must be bankers."[30]

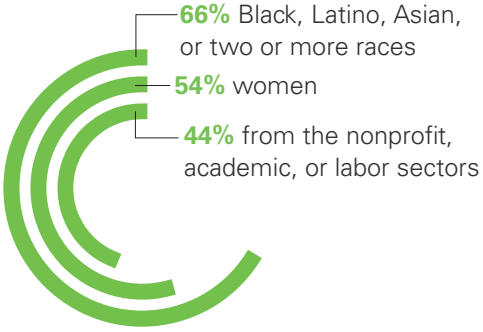
According to the *Federal Reserve Act*, **both Class B and Class C directors** exist to represent the interests of the public.

However, **among the 34 Class B directors (appointed by bankers across the 12 regional banks):**



Although Class B does have more demographic diversity than Class A, it remains unrepresentative of the public at large. This *demographic* lack of representation in Class B reflects *sectoral* lack of representation and vice versa; in fact, the Fed chose slightly more banking/finance and business representation in Class B in 2022 than it had in 2021.

On the other hand, the Class C directors, who are appointed by the Board of Governors, have seen meaningful improvements in diversity in recent years, which underscores the Board of Governors' commitment to appointing diverse candidates. In 2022, the Class C directors appointed by the Fed's Board of Governors are:



The bankers tasked with selecting Class B directors have not demonstrated a similar commitment. The notable differences between the makeup of Class B and Class C directors, despite both ostensibly existing to represent the public, highlight the problems inherent with the current appointment process and raise questions about the ability of banking and financial sector representatives to appoint Fed leadership that fully understands and represents the interests of the broad public.

The difference between Class B and Class C directors—the inevitable outcome of a Class B selection process controlled by bankers and financiers—effectively skews the overall composition of the Federal Reserve Bank boards in the direction of representatives of the banking and financial sector and also of large corporations (and, therefore, skewed toward white and male). As stated, Class B directors are 74% from the banking/financial and business sectors and are also 59% white—a marked contrast to Class C, which is 57% banking/financial and business and 34% white. Rather than being composed 2/3 of directors who truly represent the public, the ratio is flipped on its head, or worse, because the Class B directors are chosen by the same banking and finance interests as Class A.

5) The Board of Governors may see some important progress in 2022, but still has a long way to go due to a consistently poor record on diversity.

As of this writing, including the recent historic confirmation of economist Lisa Cook as the first Black woman ever to serve on the Board of Governors, and assuming that other nominations made by President Biden are also confirmed by the Senate, **the Board of Governors would be 71% white and 57% male.**

T he Board of Governors, based in Washington, DC, guides the operation of the Fed and plays a central role in setting policy. Nominated by the President and confirmed by the Senate for 14-year terms, each governor is tasked, alongside the Fed Chair, with overseeing the operations of the 12 Federal Reserve Banks.[33]

To date, this, the Fed's most powerful decision-making body, has also been its least diverse. As recently as 2021, the Board of Governors was 100% white and 67% male.

Prior to May 2022, the Fed had only three Black Governors in its 109-year history. Cook is the fourth. Economist Philip Jefferson, if confirmed by the Senate, would be only the fifth. (He would also be the first Black man to serve in the role in 15 years.)

President Biden has re-nominated Jerome Powell as Chair and Board of Governors member Lael Brainard was recently confirmed as Vice Chair. To replace his original choice for Vice Chair of Supervision on the Board, Sarah Bloom Raskin, who withdrew her nomination due to a partisan, ideologically-driven opposition campaign, Biden has nominated Michael Barr.

6) Progress in the diversity of Fed leadership over the last several years has been meaningful in some areas, slow and incremental in many others.

When comparing 2013[34] to 2022:

Sectoral Diversity: Despite the Fed's mandate to represent the broad public, the combined number of directors from nonprofit, academic, public service, and labor backgrounds continues to be dwarfed by the number from banking and financial and business backgrounds. The combined number of these directors increased just eight percent over 2013-2022.

- Labor, public service and academia representation in 2022 lingers at or near 2013 levels.
- Only four percent of current directors come from a labor background.

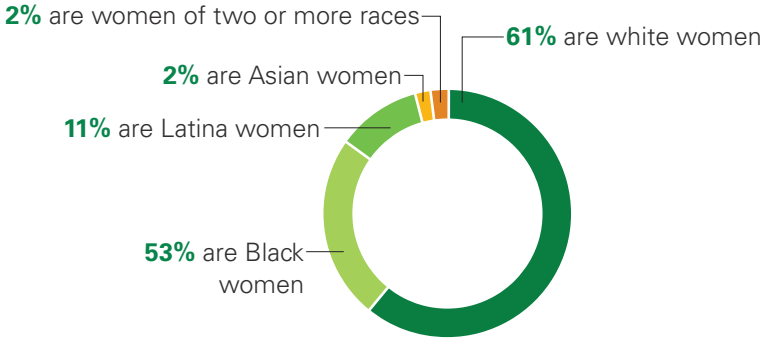
Racial Diversity: While public pressure has successfully prompted the Fed to increase overall directors of color by 23% over the past nine years, overall this body is still majority white at 60% in 2022, and only two percent of 2022 directors are Asian.

In looking at trends by director class, however, a shocking unevenness reflecting the realities and institutional deficiencies discussed earlier comes into focus, as the race/ethnicity diversity totals and percentages for Class A directors—representing the bankers—show very little change at all since 2013 while the totals for Class B directors—appointed by bankers—show modest but entirely insufficient change, and the totals for Class C directors—appointed by the Board of Governors—show more robust change. (See tables on the following page.)

7) Women are still underrepresented among Fed director positions.

While the Fed has made some commendable progress on gender diversity—increasing from a shockingly low 26% of directors who were women in 2013 to 44% in 2022—women are still, clearly, less than half of all directors. More progress is needed for greater representation of women of color, who are overrepresented in pandemic-related job loss and who will continue to make up a larger percentage of the population—and the workforce—in the decades to come

Among Fed directors who are women, nearly two-thirds are white women:



12 Federal Reserve Bank Board of Director Diversity Stats—By Class of Director

2013 vs 2022

Class A Directors	2013		2022		% Change
	Number	Percentage	Number	Percentage	
White	32	91%	31	86%	↓ 5%
Black	1	3%	2	6%	↑ 3%
Asian	1	3%	1	3%	no change
Latino	1	3%	2	6%	↑ 3%
Other	0	0%	0	0%	no change
Total	**35**	**100%**	**36**	**100%**	

Class B Directors[35]	2013		2022		% Change
	Number	Percentage	Number	Percentage	
White	25	69%	20	59%	↓ 11%
Black	9	25%	12	35%	↑ 10%
Asian	0	0%	0	0%	no change
Latino	2	6%	1	3%	↓ 3%
Other	0	0%	0	0%	no change
Total	**35**	**100%**	**33**	**97%**	

Class C Directors	2013		2022		% Change
	Number	Percentage	Number	Percentage	
White	30	88%	12	34%	↓ 54%
Black	2	6%	12	34%	↑ 28%
Asian	2	6%	1	3%	↓ 3%
Latino	0	0%	8	23%	↑ 23%
Other	0	0%	2	6%	↑ 6%
Total	**34**	**100%**	**33**	**100%**	

12 Federal Reserve Regional Bank Board of Director Diversity Stats—Overall

2013 vs 2022

Sector	2013		2022		% Change
	Number	Percetage	Number	Percentage	
Financial	39	37%	42	40%	↑ 3%
Business	49	47%	39	37%	↓ 10%
Non-Profit	9	9%	14	13%	↑ 5%
Academia	5	5%	6	6%	↑ 1%
Public Service	1	1%	0	0%	↓ 1%
Labor	2	2%	4	4%	↑ 2%
Total	**105**	**100%**	**105**	**100%**	

Demographics	2013		2022		% Change
	Number	Percentage	Number	Percentage	
Men	78	74%	59	56%	↓ 18%
Women	27	26%	46	44%	↑ 18%
Total	**105**	**100%**	**105**	**100%**	
White	87	83%	63	60%	↓ 23%
Black	12	11%	26	25%	↑ 13%
Asian	3	3%	2	2%	↓ 1%
Latino	3	3%	11	10%	↑ 8%
Native American	0	0%	1	1%	↑ 1%
Other	0	0%	2	2%	↑ 2%
Total	**105**	**100%**	**105**	**100%**	

Recommendations

In their in-depth 2021 report focusing on the problem of diversity and governance at the Fed, authors Peter Conti-Brown and Kaleb Nygaard made three recommendations "in order of ease of implementation:"

(1) "The Fed's Board of Governors should make public the processes used to select Class C directors, including opening up that process for application and the publication of statistics regarding various aspects of such applications.

(2) The Federal Reserve Banks should, together, implement 'best practices' for the selection of Class A and B directors such that the member banks that elect those directors can be guided by better processes.

(3) Congress should consider discarding as archaic the classified boards entirely and permit a more accountable mechanism for Fed governance that puts governance more squarely in the hands of political actors who can explain, defend, and answer for the successes and failures of those mechanisms."[36]

Andrew Levin, professor of Economics at Dartmouth College and former Federal Reserve board senior advisor, has made similar recommendations. Levin argues that the Fed must ensure that presidents and directors are better representatives of the public and that meaningful progress towards this goal can be achieved by making immediate changes to the presidential appointment process.[37]

Building on these important recommendations, the Fed Up Campaign believes that our elected representatives must take action, and that the Federal Reserve must take concrete steps to ensure that the presidents appointed to the 12 Reserve Banks are more demographically diverse and aligned with the economic interests of working people. Because the Reserve Bank boards of directors appoint the presidents, this can be achieved by ensuring that the boards of directors are significantly more racially diverse, and by ending the outsized representation and influence of the banking and financial and business sectors on those boards.

The Fed Up Campaign recommends the following set of actions:

Given the Federal Reserve System's failure to achieve real diversity, it is necessary for the appointment process to be made more transparent, engaged, and visible to the public of that region so that the regional bank directors are more accountable to make appointments that are representative of the region's demographic and economic interest group diversity.

In response to criticism, the Federal Reserve Governors who oversee the entire system sometimes point out that the Federal Reserve Act does not allow them to control the appointment of the Class A and B directors, or the regional bank presidents, so therefore they are not responsible for the lack of diversity in any area other than the Class C directors. But the Governors do set some of the important parts of the process by which the Class A and B directors, and the presidents are chosen. Specifically, the Governors create the policies under which regional appointments must inform and

engage the public. As this report has noted, that appointment process allows only the most symbolic level of transparency and public engagement. It is that lack of transparency and public engagement that allows the Class A directors to appoint their own members and the members of the B directors with almost no sense of oversight or accountability to the public. This system enables the consistent lack of progress to achieve diversity among the regional Fed leadership. It is this process that must be changed to bring more meaningful public engagement into the picture.

Congress should amend the *Federal Reserve Act* to codify, standardize, and strengthen transparency and public involvement in the search processes for Board and President appointments.

Congress should amend *the Federal Reserve Act* to eliminate the power of the member-bank representing Class A directors to appoint the public-representing Class B directors.

Congress should support legislative efforts such as Representative Ro Khanna's Coretta Scott King Full Employment Federal Reserve Act of 2018.[38]

Congress should confirm the nominations of Lisa Cook and Philip Jefferson to the Fed Board.

President Biden should commit to using the full power and influence of the Executive Branch to ensure that Lisa Cook and Philip Jefferson are confirmed, and continue through his presidency to nominate other candidates for vacant Federal Reserve Board seats who increase the racial and gender diversity of that powerful body and who are aligned with the economic interests of working people.

The Federal Reserve should take immediate steps that are within the scope of its current authority to increase transparency and accountability in the selection process for both regional bank presidents and board members. These steps include:

- Implementing a nomination process that solicits and accepts a greater level of public input;
- Publishing the selection criteria and timeline;
- Holding public forums at which members of the public can meet with the search committee;
- Publishing the names of all candidates under consideration; and
- Creating opportunities for members of the public to submit questions to the candidates, either electronically or at a public forum.

Conclusion

True, broad representation in the makeup of the Federal Reserve's regional boards of directors, regional presidents, and Board of Governors is not a superfluous, symbolic desire to satisfy shifting political and social trends. It is a necessity baked in the Fed's mandate and purpose. The Federal Reserve makes decisions that have enormous consequences for the economic lives of millions of people. This fact was recognized when the *Federal Reserve Act* explicitly required the regional leadership of the Fed to represent the interests of the public in that region.

This report underscores the importance of having boards of directors and regional Fed bank presidents who are diverse along lines of race, gender, sector, and experience. Diversity in leadership at the Fed will not only ensure that the Fed fully meets its mandate to represent the public, but it will enable Federal Reserve policymakers to make decisions and develop policies that are truly responsive to working families across the Fed's 12 regional districts.

While the Fed has been responsive to pressure from advocates and lawmakers and there has been incremental (and, in some instances, historic and commendable) progress at individual regional Reserve Banks and among Class C directors appointed by the Board of Governors, the Fed is overall falling short of the *Federal Reserve Act's* mandate to represent the public. This is especially true among Class A and B directors. To ensure that its monetary policymaking is maximally inclusive, and truly takes into consideration economic conditions for all regions and demographics, the Federal Reserve, Congress, and President Biden must enact the concrete recommendations laid out in this report.

Over-representation of the financial and corporate sectors among the Directors along with lagging racial and gender diversity—and the resulting lack of accountability to the interests of the public—undermines the legitimacy of and public trust in the Fed. Just as the new rules governing the trading activities of senior leadership demonstrate that the Board of Governors agrees that the public must know that personal and corporate interests are not having an undue influence on the setting of economic policy, so too must this commitment to transparency and impartiality extend to who composes Fed leadership and how they are chosen.

For too long the Fed has been too insulated from the needs and voices of working families and communities of color. For very practical and far-reaching reasons, the people setting policy for the American economy should look like America. The coronavirus pandemic has not impacted all Americans equally.[39] Working people—disproportionately Black, Brown, and women—suffered the brunt of the pandemic's toll while shepherding our economy and society through a historic crisis. They should now benefit from the recovery and growth that their work has made and continues to make possible. Fed leadership that looks like, thinks like, and understands the world through the eyes of working Americans might pay more attention to how far communities of color are from full employment when deliberating over interest rates, might value the urgency of holding large corporations and banks accountable in a moment of skyrocketing consumer prices, housing costs, and historic corporate profits, and might just prioritize equity as part of the recovery so that communities become more resilient to the next economic downturn.

Methodology

The gender and race diversity data featured in this report comes from the Federal Reserve Board of Governor's voluntary disclosures on the gender, racial, and ethnic diversity of Class A, B, and C directors dated January 5, 2022.[40] The report also draws on publicly available information to determine sector backgrounds of each Federal Reserve board of director and president. For sectoral breakdowns, any director who is at a commercial or consumer bank or financial institution is captured in the banking and financial total; any director who works at a for-profit entity that is not part of the financial or banking sector is captured in the business total; any director at a 501(c)3 designated organization is captured in the nonprofit total; any director working at a university, college, or think tank associated with a university or college, is captured in the academia total; and any director working at a labor union is captured in the labor total.

To differentiate between directors who work at big vs. small businesses, we used the U.S. Small Business Administration's "Table of Small Business Size Standards Matched to North American Industry Classification System Codes."[41] These size standards determine thresholds for the largest size that a business can be while still qualifying as a small business in federal government programs. This is generally based on either the average annual revenues or the average number of employees at a firm. For each of the Fed directors working at businesses, we identified the NAICS code (using SIC Code Lookup[42]) for their specific businesses and then compared it with the Small Business Administration threshold for that type of business to classify whether they were big or small businesses. For the analysis of Fortune 500 CEOs, we counted any company that appears on the Fortune 500 list released for 2021.[43]

The Federal Reserve Board of Governors and the 12 Federal Reserve Banks are welcome to provide the Fed Up Campaign with additional disclosures in the event these data require any updates or additions.

Endnotes

1 The Federal Reserve System of the United States is the country's central bank. It "functions to promote the effective operation of the U.S. economy and, more generally, the public interest." (Board of Governors of the Federal Reserve System, "About the Fed," https://www.federalreserve.gov/aboutthefed.htm). In this report, terms such as "the Federal Reserve" and "the Fed" are used interchangeably to refer to the institution as a whole. Terms such as "regional banks" and "Reserve Banks" are used interchangeably to describe the 12 Federal Reserve Banks operating in different geographic districts across the country.

2 See methodology note for additional details. There are currently three vacancies within the Federal Reserve system. As such, the report reflects diversity data for the 105 announced directors as of April 2022.

3 Peter Conti-Brown and Kaleb Nygaard, "Diversity within the Federal Reserve System," Brookings Institute, April 13, 2021, https://www.brookings.edu/research/diversity-within-the-federal-reserve-system/; Maggie Corser, "Unrepresentative and Unaccountable: 2021 Analysis of Diversity in Federal Reserve Leadership," Center for Popular Democracy, June 2021, https://www.populardemocracy.org/news/publications/unrepresentative-and-unaccountable-2021-analysis-diversity-federal-reserve

4 In late 2021, the Boston and Dallas bank presidents announced their resignations following mounting scrutiny over their trading activity. See "Fed Unveils Stricter Trading Rules Amid Fallout From Ethics Scandal," *New York Times*, October 21, 2021, https://www.nytimes.com/2021/10/21/business/federal-reserve-trading-ethics.html

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12 This refers to the concept of "racial capitalism," which recognizes that capitalism developed through and remains inextricably shaped by and dependent upon white supremacist and racist ideologies, systems, and practices. Throughout the history of the US, for example, government, banks, and other institutions systematically aided many white families in employment and home and land ownership—key avenues for (intergenerational) wealth creation and asset-building—while systematically excluding Black families from the same. For more information see: "Investing In Equity & Repairing Historic Wealth Stripping: Federal Policy Platform," 2019, Center for Popular Democracy, https://populardemocracy.org/sites/default/files/Investing%20in%20Equity_Wealth%20Stripping_Policy%20Brief%20DRAFT%20v2_FIN.pdf

13 "The Federal Reserve's Dual Mandate," Federal Reserve Bank of Chicago, October 20, 2020, https://www.chicagofed.org/research/dual-mandate/dual-mandate#:~:text=What%20is%20the%20dual%20mandate,longer-run%20goals%20and%20strategies.

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20 Note that there are currently 3 director vacancies for a total of 105 directors.

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