

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 26, 2018

The Honorable Jerome H. Powell, Chairman
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

The Honorable Sara Horowitz, Co-Chair
Search Committee
The Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

The Honorable Glenn H. Hutchins, Co-Chair
Search Committee
The Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Dear Chairman Powell and Co-Chairs Horowitz and Hutchins:

We write to thank you for the public commitment the Federal Reserve Bank of New York's Class B and Class C directors have made to identify a "broad, diverse, and highly qualified candidate pool," in the search to identify candidates to serve as the next President of the Federal Reserve Bank of New York. We also appreciate Chairman Powell's recognition of the importance of diversity. As Chair of the Federal Reserve Board's Committee on Federal Reserve Bank Affairs, Chair Powell encouraged greater racial, ethnic, gender and occupational diversity among Reserve Bank boards, and during his confirmation hearing in November, he affirmed his belief that, "...we make better decisions when we have diverse voices around the table."

While we commend you for these public affirmations, the fact that the search process to identify and select the next president takes place largely behind closed doors makes it difficult for the public to effectively voice support or opposition to the top candidates at the appropriate points throughout the selection process. We therefore write to underscore the importance of a robust, transparent and inclusive search process, unlike those that too frequently have failed to result in the final selection of presidents who reflect our nation's rich diversity. The Federal Reserve Bank of New York is a vital public policymaking institution, and it is important for the public to have the opportunity to weigh in on who leads it and have confidence that the Bank's activities and policies contemplate the impact on the diverse residents living in the second district.

As all of you well know, each Federal Reserve Bank president plays a crucial role in relaying the economic problems facing the residents in their districts. Through these insights, they help shape monetary policy in a manner that meets those needs, consistent with the Federal Open Market Committee's (FOMC) dual price stability and full employment mandate. In their supervisory role, Reserve Bank presidents also maintain significant responsibilities for holding financial institutions accountable and promoting the safety and soundness of our financial system.

With respect to both monetary policy and bank supervision, the Federal Reserve Bank of New York occupies a special role within the Federal Reserve System. Because of its permanent voting

membership on the FOMC and the high concentration of some of the nation's largest and most complex financial institutions within its district, the president of the Federal Reserve Bank of New York has historically been regarded as one of the most important economic policymaking positions in the country, with a crucial role in safeguarding our financial system. And although it is geographically smaller than most other districts, its boundaries notably reach far beyond the Northeast, encompassing both Puerto Rico and the U.S. Virgin Islands. Especially in light of the ongoing debt crisis in Puerto Rico, it is important that the next president of the Federal Reserve Bank of New York is someone with an understanding of labor market and economic conditions throughout the whole geographic region of its district.

Despite their important role in ensuring the economic interests of their districts are reflected in key economic policy decisions and in holding Wall Street accountable, too often individuals with Wall Street ties have been selected to lead the Reserve Banks. Just last year, the Federal Reserve Bank of Richmond's board conducted an opaque process to choose their new Reserve Bank president, ultimately selecting a former financial industry consultant. This selection occurred less than a year after the previous Federal Reserve Bank of Richmond President confirmed his involvement in the leak of market-sensitive data. This incident, which led to his resignation, also underscores the importance of selecting officials with a demonstrated record of independence from the financial sector.

The level of racial, ethnic, gender, and occupational diversity among Reserve Bank presidents and directors has also historically been low throughout the Federal Reserve System. Nonetheless, there have been commendable strides toward better public representation among the Federal Reserve's leadership in recent years, most notably with the selection of Atlanta Federal Reserve Bank President Raphael Bostic, the first African-American Reserve Bank president in the Federal Reserve's history. It is also worth noting that according to an analysis by the Center for Popular Democracy, the number of women directors at Reserve Banks increased from 31 to 33 percent and African-American directors at Reserve Banks increased from 12 to 16 percent since 2017.¹ Still, presidents and directors at the Reserve Banks remain disproportionately male, white, and from corporate and financial backgrounds. Significant progress still needs to be made to ensure that Federal Reserve officials are hearing from individuals with different personal and professional backgrounds and perspectives. This includes hearing from workers and consumers, not just employers and lenders. For example, though the Federal Reserve Act explicitly calls for labor representation on the board of each Reserve Bank, Co-Chair Horowitz is one of just four labor representatives who serves on such a board.

We are concerned that the lack of participation from individuals from a broad range of personal and professional backgrounds increases the problem of "group-think" and threatens to undermine the quality of monetary and prudential policy decisions. We believe that the unique responsibilities and attributes of the Federal Reserve Bank of New York further underscore the importance of a robust search process that draws on the rich talents and diversity of the second district.

President Dudley has unquestionably served the Federal Reserve System and the nation with distinction. However, his retirement has also created an opportunity to strengthen the search process and broaden the perspectives among Reserve Bank presidents. We urge you to seize it.

¹ The Center for Popular Democracy, "Working People Still Need a Voice at the Fed: 2018 Diversity Analysis of Federal Reserve Bank Directors" (February 14, 2018), available at <http://populardemocracy.org/FedDiversityBrief2018>


Sincerely,


The Honorable Maxine Waters



The Honorable Joyce Beatty



The Honorable Michael E. Capuano


The Honorable Wm. Lacy Clay


The Honorable Emanuel Cleaver


The Honorable Charlie Crist


The Honorable Joseph Crowley


The Honorable John K. Delaney


The Honorable Keith Ellison


The Honorable Adriano Espaillat

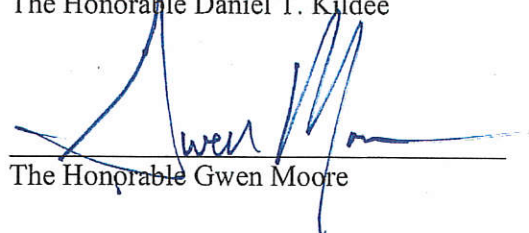

The Honorable Vicente Gonzalez


The Honorable Al Green


The Honorable Ruben Kihuen


The Honorable Daniel T. Kildee


The Honorable Carolyn B. Maloney


The Honorable Gwen Moore



The Honorable Jerrold Nadler

The Honorable Ed Perlmutter


The Honorable David Scott

The Honorable Louise McIntosh Claughter

The Honorable Nydia M. Velázquez

The Honorable Donald M. Payne, Jr.

The Honorable Stacey E. Plaskett

The Honorable Brad Sherman

The Honorable Juan Vargas

The Honorable Bonnie Watson Coleman