

Federal Reserve Governor Lael Brainard  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

October 12, 2018

Dear Governor Brainard,

As the Chair of the Committee on Federal Reserve Bank Affairs, we are writing to you to express ongoing concerns about the process for selecting, evaluating, and re-appointing regional Reserve Bank presidents. Since the Fed Up coalition formed in 2014, we have advocated for greater diversity and more public representation among the Reserve Banks directors, and more transparency, inclusion, and public input in the process for choosing and overseeing Reserve Bank presidents.

We appreciate your repeated engagement and commitment toward both of these ends, and we are encouraged that modest progress has been made to make Reserve Bank leadership more diverse in recent years. However, we are worried that the progress has been far too slow, as underscored especially by recent Reserve Bank presidential selections. Because the presidents and directors at the 12 Federal Reserve Banks play direct and indirect roles in assessing economic conditions and setting the course of monetary policy, we believe they are all crucial public policymakers. Ultimately, we want all Reserve Bank presidents to be made public officials chosen through a public process. The deficiencies in recent Reserve Bank presidential selections have only strengthened the case for overhauling a process that has shown itself to be opaque, insular, and pro forma.

In 2015, three consecutive individuals with strong ties to Goldman Sachs were chosen to lead the Federal Reserve Banks in Philadelphia, Dallas, and Minneapolis. Two of those individuals were involved in their own selection. After these appointments, Fed Up reiterated our demand that more scrutiny be applied to the re-appointment process in 2016. These calls were evidently ignored, since the Richmond Fed board unanimously and enthusiastically recommended Jeffrey Lacker for re-appointment as Richmond Fed president, despite being aware that federal investigators wished to speak to him about his involvement in the leak of market-sensitive information, which later led to Lacker's resignation. Our coalition hoped that the controversy surrounding Lacker would prompt the Richmond Fed to embark on an expansive and transparent search for a diverse candidate with demonstrated independence from the financial sector. Instead, the Richmond Fed stonewalled our coalition's requests for meetings and opportunities to recommend candidates, and chose a longtime financial industry consultant to replace Lacker.

To its credit, the New York Fed board conducted good-faith outreach to our coalition soon after William Dudley announced his retirement as New York Fed president. Upon meeting with board directors in January, we recommended a slate of qualified and diverse candidates who reflected three criteria, which we laid out to the board: we wanted a New York Fed president who reflected the diversity of the second Federal Reserve district, who had demonstrated a willingness to stand up to the financial sector, and who had shown a strong commitment to the Fed's full employment mandate. We were very disappointed when the New York Fed announced John Williams as their selection in April.

Although we greatly respect Williams' significant contributions to the Fed's research and have always found his interactions with our coalition to be respectful and productive, we felt that Williams fell short on each of the criteria we had made clear to the board. We were especially troubled to read press reports

from a source close to the process claiming that the search committee could not find diverse candidates who were interested in the job, even though we had provided directors with a list of interested candidates they they never contacted. Perhaps most troubling of all was the role played by David Cote, a Class B director who oversaw Williams' selection at the very same moment that he was apparently negotiating a new job with Goldman Sachs.

Williams' selection opened up a vacancy at the San Francisco Federal Reserve, and our coalition immediately sought a meeting with the search committee there. Again, we laid out our concerns with previous processes for choosing Reserve Bank presidents, and provided the search committee with a list of candidates who we hoped would be considered. Since the San Francisco Federal Reserve district encompasses several states with significant Latino populations, we stressed that it would make sense for the San Francisco Fed to appoint the first Latino FOMC participant in the Fed's history. Though the directors heard our concerns about the process and assured us that they would contact the candidates we suggested, we do not feel that any of our candidates were seriously considered.

Several academic names that we submitted were apparently ruled out because of a lack of management experience. Since this rationale could be used to exclude even the most accomplished economists in the world, it is no wonder that Reserve Bank presidential selections routinely perpetuate group think by elevating either financial sector executives or individuals from within the Federal Reserve System. We are pleased that Mary Daly, the candidate chosen in San Francisco, is a talented labor market economist with a unique profile as a lesbian woman from a working class background. However, the fact remains that Daly's name surfaced immediately in media reports as an "early contender," and no other names ever received significant mention by reporters following the process. This suggests that the San Francisco Fed board did not conduct the exhaustive and inclusive search that they had promised.

Enclosed please find materials related to the most recent search processes, including letters from members of Congress and local elected officials echoing our demands and concerns. We thank you for your attention to this, and we sincerely hope that you will work with us to ensure that future presidential vacancies meet the standards of transparency and public inclusion that we are seeking.

Please let us know at your earliest convenience when we can speak further on these matters.

Sincerely,  
The Center for Popular Democracy's Fed Up Coalition  
Action NC  
California Reinvestment Coalition  
The Greenlining Institute  
National Association for Latino Community Asset Builders  
New York Communities for Change  
PolicyLink  
Revolving Door Project