The Federal Reserve System: Diversity and Governance

Kaleb Nygaard
University of Pennsylvania

Peter Conti-Brown
Wharton Initiative on Financial Policy and Regulation, Wharton School of the University of Pennsylvania

Follow this and additional works at: https://elischolar.library.yale.edu/journal-of-financial-crises

Part of the Economic History Commons, and the Public Administration Commons

Recommended Citation
Available at: https://elischolar.library.yale.edu/journal-of-financial-crises/vol4/iss4/1

This Article is brought to you for free and open access by the Journal of Financial Crises and EliScholar – A Digital Platform for Scholarly Publishing at Yale. For more information, please contact journalfinancialcrises@yale.edu.
The Federal Reserve System: Diversity and Governance

Cover Page Footnote
We are grateful to Aaron Klein for comments on an early draft. We are also grateful for the tremendous work of the following research assistants: Heather Nygaard, Matt Joachim, Heather No, Vishesh Patel, Richard Pletan, Jonathan Roth, and Lola Thrower. An earlier, shorter version of this paper appeared under the title “Diversity within the Federal Reserve System,” published by the Brookings Institution on April 13, 2021.

This article is available in Journal of Financial Crises: https://elischolar.library.yale.edu/journal-of-financial-crisis/vol4/iss4/1
The Federal Reserve System: Diversity and Governance

Kaleb Nygaard and Peter Conti-Brown

Abstract

A growing chorus has called on the Federal Reserve System to diversify its ranks at all levels to reflect better the heterogeneity of the United States. So far, most of these efforts speak to the diversity of the Fed’s principals, namely, the members of the Fed’s Board of Governors and the presidents of the 12 Federal Reserve Banks, who together form the Federal Open Market Committee. In this study, we look instead at a vital part of Federal Reserve governance that has so far not received the same sustained attention: the directors of the Federal Reserve Banks, those private citizens responsible for choosing the presidents of the Federal Reserve Banks in the first instance and otherwise providing corporate oversight over the Federal Reserve Banks. We find a staggering homogeneity among them, with only recent signs of diversification and only then in some parts of those boards. The boards are overwhelmingly white, overwhelmingly male, and overwhelmingly drawn from the business communities within their districts, with little participation from minorities, women, or certain areas of the economy—labor, nonprofits, the academy. We conclude by recommending that the Federal Reserve System—the Board of Governors, the Federal Reserve Banks, and the member banks that belong to the system and vote for some of these directors—make its selection processes more transparent for outside evaluation such that progress (or lack thereof) can be better measured and attributed.

Keywords: diversity, Federal Reserve, governance

JEL Classifications: G30, M14

---

1 We are grateful to Aaron Klein for comments on an early draft. We are also grateful for the tremendous work of the following research assistants: Heather Nygaard, Matt Joachim, Heather No, Vishesh Patel, Richard Pletan, Jonathan Roth, and Lola Thrower. An earlier, shorter version of this paper appeared under the title “Diversity within the Federal Reserve System,” published by the Brookings Institution on April 13, 2021.

2 Kaleb Nygaard, graduate student, University of Pennsylvania, kalebnygaard@gmail.com.

3 Peter Conti-Brown, Class of 1965 Associate Professor of Financial Regulation and co-director of the Wharton Initiative on Financial Policy and Regulation, Wharton School of the University of Pennsylvania, petercb@wharton.upenn.edu.
I. Introduction

The Federal Reserve System has a diversity problem (Corser 2021; GAO 2021). This has long been obvious at the top of the organization, among the members of the Fed’s Board of Governors and the presidents of the Federal Reserve Banks, who together constitute the Federal Open Market Committee (FOMC), the group that decides the nation’s monetary policy⁴ (Klein 2016; Saraiva, Matthews, and Merrill 2020). These key economic policymakers, among the most important in the nation, are overwhelmingly white and male. There have been only three Black members of the Fed’s Board of Governors, only one Black Federal Reserve Bank president, and only three nonwhite Federal Reserve Bank presidents in the entire system’s history. There is also a sense that these principals are overwhelmingly promoted from within, creating a risk for groupthink and intellectual homogeneity (Conti-Brown, Listokin, and Parrillo 2021; Klein and Weiss 2015). This homogeneity runs deep within the Federal Reserve System, including at the staff level (Wessel, Sheiner, and Ng 2019).

Less attention, however, has been paid to another extraordinarily important part of the Federal Reserve System: the directors of the 12 Federal Reserve Banks. Since the Fed’s inception in 1913, the directors were designed to be private sector gatekeepers for the Fed’s extraordinary power, as a compromise between public and private influence over the regulation of the nation’s money (Lowenstein 2015). Congress gave these actors the authority to oversee the Federal Reserve Banks in ways similar to other corporate boards of directors, with the power to appoint (and remove) the Reserve Bank president and officers, define the duties of the Bank leadership, and write bylaws by which the Reserve Bank conducts business. And, as amended, the Federal Reserve Act of 1913 (FRA) makes clear that with that power comes the need for great diversity: these directors are to “represent the public . . . elected without discrimination on the basis of race, creed, color, sex, or national origin, and with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers.”⁵

This provision, added in large part in 1977, is intended to rectify historical exclusions on a grand scale. This article provides something of a report card on that effort. Using the 106 publicly available annual reports of the Board of Governors from 1914 through 2019, we compiled a database of all individuals who have served as Federal Reserve Bank directors. Beyond the basic information found in the annual reports, we expanded the biographical database to include race, gender, profession, education, age, time spent in position, and whether or not the director later held a position on the FOMC.

---

⁴ All seven members of the Board of Governors, the president of the Federal Reserve Board of New York, and a rotation of four additional Reserve Bank presidents form the FOMC voting membership, though all Reserve Bank presidents attend FOMC meetings and participate.

⁵ 12 USC 302.
This biographical database significantly expands, in time horizon and scope of diversity measures, three important studies completed in the past decade. First, the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd–Frank), the financial regulation reform legislation passed in response to the Global Financial Crisis (GFC) of 2007–2009, included a provision requiring the Government Accountability Office (GAO) to conduct a review of the governance of the Federal Reserve Banks. Its report, published in October 2011, covers race, gender, education, and industry of directors between 2006 and 2011. Based on the report’s review, the GAO issued several recommendations aimed at “enhancing the diversity of the Reserve Bank boards, strengthening policies for managing conflicts of interest, and enhancing transparency related to board governance” (GAO 2011). The second study, conducted jointly by Fed Up and the Center for Popular Democracy (CPD), covers race, gender, and industry between 2013 and 2019, concluding that “the Fed’s pace of change is entirely too slow” (Corser 2019). Finally, a follow-up study by Fed Up and CPD published in June 2021 notes that “commendable gains” in diversity have been made for the directors appointed by the Board of Governors but that the directors elected by local banks to represent the public “persistently fail on sectoral and racial diversity (Corser 2021). Each of these studies have made significant contributions to the public dialogue around diversity at the Fed and include recommendations that the Fed broaden recruitment of directors and increase transparency of the selection process and governing documents of the directors.

This article, an expansion of our report published by the Brookings Institution in April 2021, expands the timeline of the above-mentioned databases by (1) filling in data back to the founding of the Federal Reserve System in 1913 and (2) expanding the scope of diversity measures. This allows us to explore the full breadth and history of diversity in this critical leadership role at the Fed.

The results do not show that the Federal Reserve Bank directors reflect anything close to the American people along virtually any dimension. On race, we see that the first nonwhite directors were not appointed by the Board of Governors until the 1970s. Even as late as the 2010s, nonwhite directors represented less than 10% of the total directors in any given year, as compared to nearly 40% of the total US population (Census 2020). Representation of female directors tracks a similar pattern, with the first female directors also appointed in the 1970s, reaching 10% by the late 1990s, and increasing more quickly in the 2010s to 37% in 2019. During that period, women represented 50% to 51% of the total US population and 38% to 47% of the workforce (BLS n.d.; World Bank n.d.).

Sectoral representation also suggests important trends that have not been fully understood or analyzed. First, directors from manufacturing backgrounds decreased as a share of directors overall from approximately 20% in the 1940s to approximately 5% in the 2010s. Second, there is a substantial increase in the portion of directors from the nonbank financial sector from approximately 5% in the 1980s to approximately 10% in the 2010s. These are directors who are explicitly meant to represent sectors besides finance.

Third, and perhaps most surprising, only 5% of directors have had a PhD in economics—inarguably an important credential for their main task of evaluating the competence of central bankers. In general, economists are arguably overrepresented at the Fed’s senior
ranks, but at the level of Federal Reserve Bank directors, they are substantially underrepresented, potentially so much so that their central governance purpose becomes much harder.

Given these failures of diversity, some have argued that, among other reasons, the quasi-private corporate structure of the Federal Reserve Banks should be jettisoned in favor of the international standard of a fully public central bank (Haedtler, Levin, and Wilson 2016). We do not reach that conclusion. Instead, we argue that the system that currently exists, created by Congress in 1913, can be significantly improved by radically increasing the transparency around the selection process for Federal Reserve Bank officers and directors (Conti-Brown 2020; Corser 2019; GAO 2011; Nygaard 2020b). More specifically, we urge the Fed—and, where necessary, Congress—to develop and disclose a more detailed framework through which Federal Reserve Bank directors are selected. This proposal is not simply an argument in favor of transparency for transparency’s sake but a recognition that diversification of candidate pools and appointments requires substantial effort and strategic thinking. This transparency will allow outsiders to participate in those efforts and evaluate the results—to credit the Fed’s successes and exercise accountability for the failures.

The article is organized as follows. Section II provides background on the Fed’s governance and the changes that Congress and the Fed itself have made over the years to increase director diversity. Section III, the bulk of the article, presents and describes the data we have collected to describe the path of diversity at the Federal Reserve. In particular, we focus on four elements of that diversity from our database: race, gender, occupation, and education. The first two have received most of the attention in recent discussions; the last two much less so. Section IV offers a more fully developed program for reform. Section V concludes by emphasizing the importance of having an understanding of who the directors are. Two appendixes present more data on race and gender, disaggregated by Federal Reserve Bank.

II. The Governance of the Federal Reserve

The Federal Reserve System is a governance curiosity. The “federal” in its name is something of a misnomer. There is no state-national balance in the system, no shared system of sovereignty, but instead a balance among Fed regions—12 Federal Reserve Districts that were designed at inception largely by Democratic politicians in a somewhat partisan exercise that often bisected specific states—and the Washington, DC-based Federal Reserve Board of Governors (Binder and Spindel 2016; Binder and Spindel 2017). The Board was initially chaired by the secretary of the Treasury and included other presidential appointments that required Senate confirmation, for political accountability purposes. The Reserve Banks, one for each Federal Reserve District, would have a president (earlier styled a “governor”), appointed by its directors (Conti-Brown 2016). Congress divided those directors into three classes: Class A directors would be “chosen by and be representative of the stock-holding banks,” those banks that joined the Federal Reserve System. Class B directors would be “actively engaged in their district in commerce, agriculture, or some other industrial pursuit,” and would be elected by stock-holding banks in the same manner as Class
A directors. And, finally, Class C directors would be “designated by the Federal Reserve Board,” at least two of whom would be individuals of “tested banking experience” but could not be an employee of a stockholder bank (US Congress 1913).

The purpose of this intricate arrangement was in the spirit of checks and balances: some in the original enacting coalition wanted a Federal Reserve Board for political accountability, others wanted to ensure private Federal Reserve Banks to ensure that that accountability did not turn the enterprise into a purely partisan one (Kolko 1965; Lowenstein 2015; Wiebe 1967). In 1935, the Federal Reserve System was reorganized into the modern version with a Board of Governors in Washington, DC, and a Federal Open Market Committee that consists of both Fed governors and Reserve Bank presidents. The structure of the Reserve Bank directors remained the same (Conti-Brown 2016).

Congress has updated this somewhat byzantine governance framework with respect to Fed directors at various important points during the Fed’s century. Two changes are especially important. First, in 1977, Congress updated FRA Section 4 to include an antidiscrimination provision for each class of directors. These directors were thenceforth to be selected “without discrimination on the basis of race, creed, color, sex, or national origin.”6 The Class B and C directors were to “represent the public” and were also to be selected “with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers.”7 As in 1913, the banks still elect both Class A and Class B directors and the Board of Governors appoints the Class C directors.

The other major change, one of director responsibility rather than director selection, came in 2010 as part of Dodd–Frank. After 2010, the president and first vice president of the Federal Reserve Banks were no longer to be selected by vote of the full board of directors, but “shall be appointed by the Class B and Class C directors of the bank [the nonbanker directors], with the approval of the Board of Governors.” The role of the Class A directors, the bankers, in participating in the presidential search remains uncertain but not legally forbidden (Fed Board n.d.2).8

Beyond these statutory parameters, the other formal law governing the appointments process for Federal Reserve directors is about the voting process. There is little formal law governing who can be appointed, although the Fed does publish a document outlining the “roles and responsibilities of Federal Reserve Directors” that adds some gloss to the statute (see Fed Board n.d.1 for the latest version).

Most importantly, there is no mechanism to ensure diversity along any parameter beyond a prohibition against discrimination (with no enforcement or information-gathering mechanism) and the relatively weak endorsement of “due but not exclusive consideration” for various constituencies beyond banking.

---

6 12 USC § 302.
7 12 USC § 302.
8 12 USC 341, 124 Stat. 2126.
III. Evaluating the Fed’s Diversity

In June 2020, during a regular FOMC press conference that coincided with rising protests in response to the murder of George Floyd (among other events), Fed Chair Jerome Powell confronted the problems of racism and the opportunities for diversity directly. “I speak for my colleagues throughout the Federal Reserve System when I say that there is no place at the Federal Reserve for racism.” He added: “These principles [of nondiscrimination] guide us in all we do, from monetary policy to our focus on diversity and inclusion in our workplace, and to our work to ensure fair access to credit across the country” (Powell 2020a).

Powell and his colleagues have continued to emphasize these issues, including within the Federal Reserve System itself. Shortly before the following FOMC press conference, a former Board staff economist published a blistering public letter that demonstrated poor diversity performance in the economics field broadly and at the Fed specifically (Sahm 2020). When asked about the letter, Powell further acknowledged, “there’s been a lot of pain and injustice and unfair treatment that women have experienced in the workplace—not just among economists, but among economists at the Fed . . . the Fed could have done more and should have done more” (Powell 2020b).

Powell isn’t the lone voice from within the Fed calling for the institution to do better. Federal Reserve Bank of San Francisco President Mary Daly has spoken movingly and personally about the gender discrimination she has faced as a junior employee of the Federal Reserve System (see Daly 2018). Raphael Bostic, president of the Federal Reserve Bank of Atlanta, the first—and until 2022, only—Black Fed president, has recently given three speeches focusing on the importance of diversity at the Fed and in the broader economy (see Bostic 2020a; Bostic 2020b; Bostic 2021). Scholars have also started focusing more on failures of diversity within the financial regulatory community, including important studies published by Brookings by Aaron Klein, Chris Brummer, and David Wessel (Brummer 2020; Klein 2016; Wessel, Sheiner, and Ng 2019).

As important as these conversations are, key mechanisms for improving diversity within the system remain in the hands of these Reserve Bank directors. To understand better the problem that Powell, Daly, Bostic, and many others have identified, we must take a long view to outline just how grave the problem is that the Fed is confronting.

A. Methodology

Using the 106 publicly available annual reports of the Board of Governors from 1914 through 2019, we compiled a database of all 2,607 individuals who have served in unique positions as Federal Reserve Bank directors. The information on the annual reports includes only

---

9 Annual reports are available on FRASER (n.d.). Our database includes 1,957 unique people. For our analysis, we used the 2,607 count, which includes each time an individual served in multiple positions on the board of directors. For example, if an individual was first elected a Class B director and was later appointed the board chair (a Class C position) by the Board of Governors, we count this person twice. We believe this is a more appropriate count because it includes every time a new position on the board of directors was filled. Note too
district, city/state, employer, and board leadership position. From board position, we were able to garner two pieces of information.

Beyond the information available on the annual reports, we expanded the biographical database to include: race, gender, profession, education, age, time spent in position, and whether or not the director later held a position on the FOMC. With help from exceptional research assistants, we reviewed historical materials to catalogue this additional biographical information. Our primary sources include: newspaper archives, census records, genealogical databases, and corporate profiles.

We were able to find information on the diversity measures listed above for the following proportions of directors in the database: a white/nonwhite race indicator for 97.5% of the directors, a male/female gender indicator for 100% of the directors, the sector of 100% of the directors, and the terminal degree for 72% of the directors.10

Categorizing people based on perceived race is a more fraught exercise, as a binary white/nonwhite determination oversimplifies reality, particularly within the Latino/Hispanic community.11 To overcome these limitations, we prioritized information and sources as follows: (1) self-identification in a primary source, (2) identification in a secondary source, (3) national origin/heritage in primary or secondary sources, where, for example, all Latino/Hispanic countries from the Western hemisphere counted as nonwhite, and (4) subjective determinations based on director photographs. The last and admittedly least objective category constituted less than 10% of the nonwhite directors we recorded.

We do not include political affiliation, another important measure of diversity, in our analysis. However, Caitlin Ainsley, a political scientist from the University of Washington, has conducted a review of political campaign donations from the Reserve Bank directors between 1980 and 2015, cataloguing donations from 71% of the directors. Ainsley’s study suggests that along this important dimension, there is substantial heterogeneity among the directors, a heterogeneity that is less apparent than in the areas we assess (Ainsley 2020). Research by Gabrielle Elul finds that, “relative to the population of campaign contributors, Reserve Bank directors make more donations, are more likely to donate to Republicans, and are more politically conservative” (Elul 2018). These results suggest that the challenges to diversify the directors, while very real, are not insurmountable: whatever process is currently in place yields variety at least along this one dimension, suggesting a path ahead along others, too.

---

10 Defined as the final degree they received, unless they received both a JD and PhD, in which case both are catalogued.

11 For a history of the terms “Latino” and “Hispanic” and their use in the US, see Martinez and Gonzalez (2020).
B. Race

Figure 1 represents the history of the Federal Reserve System and records the number of nonwhite directors from its founding in 1913 through 2019.12

**Figure 1: Portion of Directors That Are Nonwhite (by Class)**

We do not observe a trend of inclusion of nonwhite directors until into the 1980s, and even then, the inclusion of racially diverse directors is mostly a function of the Class C directors, the nonbankers appointed by the Board of Governors. The Class B directors, nonbankers appointed by member banks, began to see greater racial diversification in the 1990s. Most worrisome is the lack of diversity among Class A directors, bankers appointed by bankers. Not only has this number of nonwhite directors never been large, but it has also actually decreased recently.

There is an obvious explanation for this failure of Class A racial diversity. The racial homogenization is consistent with the known lack of gender and racial diversity in the US banking industry more broadly. In February 2020, the US House Financial Services Committee published a review of diversity based on a survey of the 44 largest banks in the country (House 2020). The report indicates that while diversity in the industry has increased at the entry and middle levels, executives and other senior leaders remain overwhelmingly white. It is thus credible that the Fed’s diversity problem for Class A directors remains closely tethered to the diversity problems for banking in general.

We can observe more differences when we break out racial diversity by Federal Reserve Bank. Figure 2 represents the first year that each Federal Reserve Bank appointed its first

---

12 Nygaard first discussed preliminary analysis of racial disparities among the directors of the Federal Reserve Banks via Twitter based on an early version of the biographical database (Nygaard 2020a).
nonwhite director, beginning in 1972 (Philadelphia and San Francisco) and ending in 1992 (Kansas City).

**Figure 2: First Year with Nonwhite Director**

Appendix A goes further to break down the inclusion of nonwhite directors by each of the Federal Reserve Banks. The numbers are not promising: there are significant periods for each of the Federal Reserve Banks when there are not more than one or two nonwhite directors at a time. Only Chicago, Dallas, and San Francisco have had three or more nonwhite directors on any sustained basis. It appears suggestive at least that the 1977 law prohibiting discrimination had little effect in changing the racial composition of these boards.

**C. Gender**

The (lack of) gender diversity within the Fed’s boards of directors reflects a similar homogenization as we see in racial diversity, as the first female directors are (1) nonbankers and (2) appointed in the 1970s, followed in the 1980s by the election of the first few female bankers. However, efforts to increase female representation have been far more successful than has been the case for improving racial diversity. Female directors represented 37% of all directors in 2019, across all classes (though the numbers are still better for nonbankers). Figure 3 represents the Fed’s history with female directors across all districts.
To put this in context, the increase in the full US female labor force participation rate can be seen in Figure 4.

**Figure 4: Female Labor Force Participation**

Source: BLS n.d.

Figure 5 represents the first year that female directors were appointed, from 1977 (Dallas, San Francisco, St. Louis, Atlanta, and Philadelphia) to 1988 (Cleveland).
Appendix B provides district-by-district analysis of female director participation. The Reserve Bank boards are, in general, not close to gender parity, with the important exceptions of the Federal Reserve Banks of St. Louis and Minneapolis, each of which had five female directors in 2019. Some districts remain far from parity; only two of the nine directors on each of the Chicago, Dallas, and San Francisco boards are female. Here, differently from the experience of racial diversity at the boards, our evidence is at least consistent with the view that the 1977 law had an impact—perhaps even a major impact—on the increase in gender diversity.

Similar to racial diversity, it is the case that finance in general has a problem, especially at the senior level, for gender parity. The Fed is not alone in this regard. At the largest 44 financial institutions, according to the February 2020 US House Financial Services Committee report, only 29% of senior executives are female. What is remarkable here is that the Class B and C directors are explicitly not expected to be drawn from finance. Even so, for the most part, the Fed struggles in this regard and has done so for most of its history.

**D. Sectoral Representation**

We turn now to sectoral representativeness among the directors. Figure 6 illustrates the trends over time for the top 10 sectors.
Given that Class A directors are explicitly bankers elected by bankers, it is perhaps unsurprising to see their predominance. But a trend since roughly 1980 includes a substantial and growing number of nonbanking finance representatives as the third-most represented single group, after banking and manufacturing. The influence of finance on the Reserve Banks’ governance remains very strong, even among the classes of directors meant to represent other interests.

This overrepresentation of finance might arise from the rise of financialization of the US economy during the same period by multiple factors. But it also represents a challenge to the idea that the Reserve Bank boards should represent a variety of sectors in the economy. The growth of nonbank finance represents a challenge to that conception.

Missing almost entirely from this equation, despite its inclusion in the list of statutory considerations, is labor. Figure 7 illustrates the absence of labor participation in Fed governance.

13 Financialization has many definitions, and scholars have used different methods for measuring it over time. For a summary and review, see the introduction to Epstein (2005).
Figure 7: Portion of Directors with Labor Background

Source: Authors’ analysis.

Figure 8 puts this data differently, outlining labor participation by each Federal Reserve Bank.
It is of course the case that organized labor is not the exclusive representative of working women and men, so this lack of union representation may not apprehend the nature of labor participation. Indeed, there is a long-term, well-documented secular decline in labor representation, especially in the private sector. The Bureau of Labor Statistics has tracked union membership in the US since 1980, and the percent of public sector union membership has only dipped from slightly above 35% to slightly below it. The decline in private sector union membership, on the other hand, has decreased steadily from nearly 17% in the 1980s to 6% in 2020 (see USA Facts 2020). But even taking the general private sector decline in union membership into consideration, it is remarkable how minimal labor participation is in Federal Reserve governance, with few exceptions.14

E. Education

Given the importance of personnel selection—for the president of the Federal Reserve Banks in particular but other Reserve Bank employees too—we analyzed educational attainment for the directors. Although such attainment is not a prerequisite for evaluating personnel quality that requires advanced education, it is relevant to that assessment. Figure 9 tracks terminal degrees over time.

---

14 Nygaard has advocated for the US president and Senate to pay much more attention to labor representation at the Board of Governors (Nygaard 2020b). We both endorse this conclusion.
Figure 9: Terminal Degree (All Districts, Count)

Source: Authors’ analysis.

Note important gaps in our data—the further back we go, the less concrete the information. (Also, note that we use the JD degree as a substitute for the LLB, which did not become standard until the late 1960s.)

Notable here is the relative lack of participation on the boards of directors from academic economists, a reversal of a trend for the heads of the Reserve Banks themselves, where a majority of newly appointed Reserve Bank presidents since the 1980s have had a PhD, 80% in economics. The Reserve Bank boards of directors therefore may be the one place where economists are underrepresented relative to their importance to Fed governance.

This lack of representation for economists poses something of a governance quandary for the Reserve Banks and their directors. If the directors’ primary responsibility is to select the presidents of their banks, and the trend for central bankers is increasingly toward sophistication in graduate level economics, is it plausible for these directors—the overwhelming majority of whom do not have this training—to assess the merits of these candidates? We posit the question but cannot answer it in this report. Suffice it to say that this mismatch raises more questions than this one about the suitability of the present governance arrangements.

---

15 Based on another biographical created by Nygaard based off FOMC participant biographies on the Fed’s history website (Nygaard 2021).
Figure 10 describes the area of academic focus for the directors.

**Figure 10: Terminal Degree Major/Field (All Districts, Count)**

These trends are consistent with the professionalization of private and public bureaucracy generally over the 20th century. Also, given the deep pockets of uncertainty, not much can be drawn about these differences on the basis of this data alone. They do invite further research, however, especially given, again, the relative dearth of economics as a field of study for these directors.

**IV. Implications and Reform**

Janet Yellen, current Treasury secretary and former Fed chair, explained why the lack of diversity in economics generally matters at a September 2019 Brookings conference. She highlights the basic fairness of increasing diversity, the better performance of diverse teams, and the “wasted talent” if institutions don’t increase diversity (Yellen 2019). Research by a Richmond Fed economist published in 2017 suggests that it would take more than 30 years to reach gender parity for Reserve Bank directors at the current pace (Jarque and Davis 2019). Given the relative homogeneity across history of the Reserve Bank directors, we suggest four conclusions that are important to consider as the Fed seeks to solve this problem at a faster pace than it has done to date.

*First*, the road ahead for diversifying along race and gender for the Reserve Bank directors will be challenging if history is a guide. To be fair, this is not a problem for the Federal Reserve alone, and nothing in this report supports that conclusion. We do not know how well or poorly other central banks, other government bureaucracies, or other private institutions
have done on these same parameters. But if the goal is even representation—meaning that the corps of Fed directors maps even passingly the population that these directors are meant to represent—then there is a long way to go. That said, recent progress for Class C directors suggests that this is a problem well within the Fed’s expertise to resolve. As of 2021, minorities represented 56% of Class C directors, up from 22% in 2015.

Second, it is very difficult to believe that “due . . . consideration” has been given to labor in the selection of Class B and C directors, despite that statutory instruction. The participation of individuals with backgrounds in labor is a very small proportion of the entire corps of directors, and even then, it is a recent phenomenon focused in some districts but not others. This failure is even more striking given the Fed’s 2020 prioritization of its full employment mandate over its inflation mandate.

Third, given the nature of the task for Reserve Bank directors—that is, the selection of central bankers who will make monetary policy—it is stark how little educational background in economics we observe, even in recent years where our data is more complete. Although economists are potentially overrepresented in the highest reaches of the Fed (and in other central banks), they appear significantly underrepresented as participants in Fed governance.

Fourth, director diversity is important for its own sake but also for the ways that that diversity will influence the roles that these directors play in shaping the agendas of the Reserve Banks, the Federal Open Market Committee, the general discourse around central banking in the United States and beyond, and even supervisory priorities. Research by Feinstein, Conti-Brown, and Nygaard finds that higher levels of diversity on Reserve Bank boards correlate with higher Community Reinvestment Act scores, a measure of lending to minority communities (2022). There are curiosities in the data, to be sure: The Federal Reserve Bank of Cleveland is the first Reserve Bank with a female president, the last with a female director. Diversity at the level of the directors will not solve, without more initiatives, diversity issues elsewhere in the system. But it will be an important start, providing lessons learned that will inform the processes throughout the system.

The Fed has already made public commitments to improving its challenges with diversity. We applaud those efforts. But to rectify a history as homogenous as this requires something more, especially given the byzantine governance structure and the limits that that structure imposes on centralized decision-making.

---

16 Though not within the scope of this paper, two resources worth mentioning here are: (1) a report by the Official Monetary and Financial Institutions Forum’s Sustainable Policy Institute on gender diversity that includes analysis of gender in senior leadership at 156 central banks around the world, including the 12 Federal Reserve Banks reviewed separately (SPI 2021); and (2) a Brookings report by Chris Brummer on the lack of diversity among US financial regulators (Brummer 2020).

17 See Brookings’ Stephanie Aaronson for this broadly accepted interpretation of the Fed’s new flexible average inflation target (Aaronson 2020).
We therefore make the following 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 the 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.

V. Conclusion

The Federal Reserve System has never been the model of clear governance. But even short of a dramatic overhaul, it can become better. Indeed, just one year after he became the first Black governor of the Federal Reserve in 1966, Andrew Brimmer commissioned an internal report on the Reserve Bank directors, concluding that the Fed “should have a better understanding of the characteristics of this group of public servants” (Brimmer 1972). This is as true today as it was 55 years ago. Our report’s biographical database and the analysis we have conducted herein serves as an answer, a half-century later, to Brimmer’s charge.

If past is prologue, the future for Fed diversity at this important level is bleak. Fortunately, there is great hope that the past will in this case remain in the past. Directors in each class essentially all serve for a limit of six years. In relatively short order, then, each of the 12 Reserve Bank boards of directors can be remade. This means progress can be made quickly, if prioritized. It is our hope that the data and recommendations in this report will facilitate that transformation.
VI. References


———. n.d. “Directors—Appointment of Reserve Bank Presidents and First Vice Presidents.”


https://bipartisanpolicy.org/blog/reform-the-fed-get-rid-of-groupthink/


Nygaard, Kaleb. 2020a. “‘The Feds could have done more and probably should have done more.’—Chair Powell.” Twitter, November 15, 2020, 5:57am. https://twitter.com/KalebNygaard/status/1327928717008572417?s=20


VII. Appendixes

Appendix A: Nonwhite Directors by Federal Reserve Bank

Figure 11: Nonwhite Directors from the Federal Reserve District of Boston

Source: Authors’ analysis.
Figure 12: Nonwhite Directors from the Federal Reserve District of New York

Source: Authors’ analysis.

Figure 13: Nonwhite Directors from the Federal Reserve District of Philadelphia

Source: Authors’ analysis.
Figure 14: Nonwhite Directors from the Federal Reserve District of Cleveland

Source: Authors’ analysis.
Figure 15: Nonwhite Directors from the Federal Reserve District of Richmond

Source: Authors’ analysis.
Figure 16: Nonwhite Directors from the Federal Reserve District of Atlanta

Source: Authors’ analysis.
Figure 17: Nonwhite Directors from the Federal Reserve District of Chicago

Source: Authors’ analysis.
Figure 18: Nonwhite Directors from the Federal Reserve District of St. Louis

Source: Authors' analysis.
Figure 19: Nonwhite Directors from the Federal Reserve District of Minneapolis

Source: Authors' analysis.
Figure 20: Nonwhite Directors from the Federal Reserve District of Kansas City

Source: Authors' analysis.
Figure 21: Nonwhite Directors from the Federal Reserve District of Dallas

Source: Authors’ analysis.
Figure 22: Nonwhite Directors from the Federal Reserve District of San Francisco

Source: Authors’ analysis.
Appendix B: Gender and Federal Reserve Bank Directors

Figure 23: Female Directors from the Federal Reserve District of Boston

Source: Authors’ analysis.
Figure 24: Female Directors from the Federal Reserve District of New York

Source: Authors’ analysis.
Figure 25: Female Directors from the Federal Reserve District of Philadelphia

Source: Authors' analysis.
Figure 26: Female Directors from the Federal Reserve District of Cleveland

Source: Authors’ analysis.
Figure 27: Female Directors from the Federal Reserve District of Richmond

Source: Authors’ analysis.
Figure 28: Female Directors from the Federal Reserve District of Atlanta

Source: Authors’ analysis.
Figure 29: Female Directors from the Federal Reserve District of Chicago

Source: Authors' analysis.
Figure 30: Female Directors from the Federal Reserve District of St. Louis

Source: Authors' analysis.
Figure 3: Female Directors from the Federal Reserve District of Minneapolis

Source: Authors’ analysis.
Figure 32: Female Directors from the Federal Reserve District of Kansas City

Source: Authors' analysis.
Figure 33: Female Directors from the Federal Reserve District of Dallas

Source: Authors' analysis.
Figure 34: Female Directors from the Federal Reserve District of San Francisco

Source: Authors' analysis.