

# THE WALL STREET JOURNAL.

## Change the Fed's Center of Gravity

**The Federal Reserve's current governance structure doesn't accurately represent America's diverse economy.**

**By Mark Calabria**

**March 24, 2015**

John Dearie points to an important flaw in the Federal Reserve's current governance structure: That structure doesn't accurately represent America's diverse economy ("The U.S. Needs Two More Federal Reserve Banks," op-ed March 16). This flaw would matter much less were economic conditions uniform across America, but that is far from the case. The present overrepresentation of the Northeast inclines the Fed to favor monetary policies and emergency lending that cater to Wall Street. A governance system more representative of other regions would lead to policies more suitable to overall U.S. conditions.

Though Mr. Dearie doesn't mention it, the Fed's founders tried to provide for such a governance system by calling for regional diversity in Fed board appointments and by allowing only one board member from each Federal Reserve district. President Obama isn't the first to ignore these requirements, which have for some time been effectively read out of the Federal Reserve Act. Congress should restore them by defining representation to mean at least 10 years residency in a reserve district, thereby ruling out attempts to claim that a nominee represents a district other than the (already represented) one he or she resides in, merely by virtue of having lectured there—as happened in Peter Diamond's case. The Senate not only has a right, but a duty, to reject nominees who don't meet the letter and spirit of Section 10 of the Federal Reserve Act.

**Mark Calabria**

**Cato Institute**

**Washington**