



The Fed's Ongoing Diversity Problem

Last week, Raphael Bostic broke a 103-year old trend and became the first black regional-bank president. But the debate over inclusion at the U.S. central bank isn't going away.

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Well before the Federal Reserve Bank of Atlanta named Raphael Bostic as its new president last week, pressure had been mounting for the Fed to use the vacated spot as an opportunity to diversify its ranks. And for good reason: Until then, in the Fed's 103-year history, there had never been a black or Latino president at any of its 12 regional banks. In fact, until 2009, when Narayana Kocherlakota took the helm at the Federal Reserve Bank of Minneapolis, all of the Fed's regional-bank presidents had been white.

The lack of diversity isn't just in the top offices of these regional institutions; according to Fed data, 82 percent of its senior employees are white. This hasn't gone unnoticed. Last year, Senator Elizabeth Warren brought the issue to the attention of Fed Chairwoman Janet Yellen (the first woman to ever hold that position) in a letter that asked why Fed has remained so homogenous. The Brookings Institution noted the lack of diversity in an op-ed by Aaron Klein last year, saying, "There is strong data to support the claim that the regional Federal Reserve Banks have structural problems in generating diverse leadership and that the lack of diverse leaders has negative repercussions." And at Cato Institute, Mark Calabria wrote that "the Fed has increasingly over time come to look less and less like the rest of America" in terms of background and education. Yellen herself has spoken out about the need for a more diverse Fed system, saying in testimony before the House Financial Services Committee that the issue was a "key priority."

Given that background, the appointment of Bostic marks a historic, if expected, moment: the first African American to become a regional Fed president in the history of the institution. Bostic, a professor of public policy at University of Southern California and former housing official in the Obama administration, was rumored to be the frontrunner for the job in early March. The process was closely watched by Congress as well as advocacy and labor groups, who cheered the appointment. Many have said that the appointment of Bostic to lead the Federal Reserve Bank of Atlanta, a city that's 54 percent African American, is particularly notable.

The concern for diversity at the Fed is similar to the current focus on diversity at major companies and organizations in the U.S., with the idea that different perspectives are important when it comes to decision-making. But having differing points of view and adequate representation in the Fed is important for a number of reasons. First, the Fed's regional bank presidents vote to determine America's monetary policy, which has huge implications for everyone in the economy. And besides monetary policy, Fed presidents are also responsible for other extremely important tasks such as determining important bank regulations and directing publicly-funded economic research. The lack of diversity within the Fed's system can mean that entire swaths of America aren't adequately represented when those crucial decisions are made.

For those calling for more diversity at the Fed, Bostic's appointment is a step in the right direction, but they still want to see more. The Fed Up campaign argues that the public should be part of the Fed selection process. And Joyce Beatty, a Democratic Ohio Congresswoman, proposed a bill on the issue that seeks to introduce the NFL's "Rooney Rule" into the Fed's selection process, which would require that one minority candidate is considered when filling vacancies in hopes of increasing diversity (though there's some dispute about whether the rule is working for the NFL long-term). One thing's for sure: Next time a Fed president retires, the discussion about diversity is sure to resurface.