



It Was the Republican Banker on the Fed Board Raising Concern about Housing

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If you've followed Obama's nominations to the Federal Reserve, he's been pretty consistent, displaying a strong preference for coastal academics or politicians. Not one of his nominations came from the private sector (or "flyover country"), despite the very clear [requirements](#) of the Federal Reserve Act.

Recently released Fed [transcripts](#) reveal an [interesting fact](#): it wasn't the all-knowing, impartial Ivy League academics (like Bernanke and Yellen) or the long-term bureaucrats (like Geithner) that expressed concern about the housing and mortgage markets, it was the Republican banker from Tennessee, Susan Bies. Unfortunately it appears that the academics and bureaucrats on the Board treated Governor Bies's concerns with their usual contempt for anyone who's actually had to make payroll (or didn't do their graduate work at Harvard or Yale).

In Obama's defense, we are talking about the Federal Reserve Board as it existed in 2006. Bush was almost as bad about filling important economic positions with either New Keynesian academics (Mankiw, Bernanke) or Wall Street insiders (Paulson). Bush, however, did occasionally bow to some voices outside the Cambridge-Wall Street-Washington echo chamber, with Fed appointments such as Bies and the current Fed governor Duke.

The relevance for public policy choices facing us today? First, while a Board is no panacea, it does mean alternative voices are at least heard before they are dismissed (think the Consumer Financial Protection Bureau) and second, having a bunch of arrogant (and ignorant of real markets) academics run our economy is a recipe for disaster. And I'm not suggesting we turn our government over to corporate America, I'm suggesting we return our economy to the control and choices of free individuals.