Congress of the United States
Washington, DC 20510

May 12, 2016

The Honorable Janet Yellen
Chair
Federal Reserve Board of Governors
20th Street and Constitution Ave. N.W.
Washington, D.C. 20551

Dear Chair Yellen,

We write to thank you for your strong leadership at the Federal Reserve throughout your historic tenure. Beginning with your first public speech in Chicago, you have placed crucial renewed emphasis on the importance of building a full employment economy, which will raise Americans' wages and combat inequality. And you have displayed an appreciation for the fact that, as you have said, "there are real people behind the statistics, struggling to get by and eager for the opportunity to build better lives."[1] Over the past two years, thanks in no small part to your leadership and that of President Obama, our economy has added more than 5.5 million new private-sector jobs.

However, despite these gains, we remain deeply concerned that the Federal Reserve has not yet fulfilled its statutory and moral obligation to ensure that its leadership reflects the composition of our diverse nation in terms of gender, race and ethnicity, economic background, and occupation, and we call on you to take steps to promptly begin to remedy this issue.

In 1977, Congress responded to concerns that monetary policy was being set by a body that fell short of reflecting the diverse makeup of the United States by passing a law that requires the Federal Reserve to "represent the public, 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."[2] Nearly 40 years later, the leadership across the Federal Reserve System remains overwhelmingly and disproportionately white and male, while major financial institutions and corporations are overrepresented in senior roles.

According to a study by the Center for Popular Democracy released in February 2016, 83 percent of Federal Reserve head office board members are white, and men occupy nearly three-fourths of

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[1] "What the Federal Reserve Is Doing to Promote a Stronger Job Market," *2014 National Interagency Community Reinvestment Conference,* 3.31.2014
https://www.federalreserve.gov/newsevents/speech/yellen20140331a.htm
[2] Federal Reserve Act §4.11; https://www.federalreserve.gov/aboutthefed/section4.htm

all regional bank directorships.[3] The lack of public representation on regional Banks' boards is even more distressing in light of the lack of diversity among regional Bank presidents and the resulting lack of diversity on the Federal Open Market Committee (FOMC). Currently, 92 percent of regional Bank presidents are white, and not a single president is either African-American or Latino. Moreover, at present 100 percent of voting FOMC participants are white, while 83 percent of regional Bank presidents and 60 percent of voting FOMC members are men.

In addition to racial and gender disparities, we are also concerned with the persistent lack of occupational diversity. Despite the important role they serve in reflecting the interests of working families, only 11 percent of the Federal Reserve's regional Bank directors come from community, labor, or academic organizations. By contrast, 39 percent of all regional directors represent financial institutions, and 47 percent represent firms in commerce, industry, and services.[4]

Given the critical linkage between monetary policy and the experiences of hardworking Americans, the importance of ensuring that such positions are filled by persons that reflect and represent the interests of our diverse country, cannot be understated. When the voices of women, African-Americans, Latinos, Asian Pacific Americans, and representatives of consumers and labor are excluded from key discussions, their interests are too often neglected.
For example, it is widely accepted that employment discrimination against women and minorities decreases as our economy approaches full employment. The data is unambiguous: even when comparing workers with the same levels of education, African-American workers face higher unemployment rates and are paid less than their white counterparts, women make less than their male counterparts, and women of color are particularly disadvantaged. A recent study by the Economic Policy Institute confirmed the importance of full employment for African-Americans, demonstrating that for every .91 percent reduction in unemployment for whites, black unemployment drops 1.7 percent.[5] This reality is particularly relevant today, as the unemployment rate for African-Americans (8.8 percent) is currently more than double the unemployment rate for Whites (4.3 percent), with Hispanics also suffering worse unemployment rates (6.1 percent). According to a report from the Department of Labor, unemployed Asian-Americans are more far more likely to be long-term unemployed (41.7 percent) compared to unemployed white Americans (35.8 percent).

By fostering genuine full employment, the Federal Reserve can help combat discrimination and dramatically reduce the disproportionate unemployment faced by minority populations. Unfortunately, it seems that this perspective is missing from FOMC deliberations. Reflecting on his experience on the FOMC in a recent blog post, former Minneapolis Federal Reserve President Narayana Kocherlakota wrote: "There is one key source of economic difference in American life that is likely underemphasized in FOMC deliberations: race."[6] He reviewed the

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[3] "To Represent the Public: The Federal Reserve's Continued Failure to Represent the Public," *Center for Popular Democracy,* February 2016, http://populardemocracy.org/sites/default/files/Fed%20Up.pdf
[4] Ibid.
[5] "The Impact of Full Employment on African American Employment and Wages," *Economic Policy Institute,* 03.30.2015, http://www.epi.org/publication/the-impact-of-full-employment-on-african-american-employment-and-wages/
[6] Narayana Kocherlakota, "MLK Day Reflections on the FOMC," (blog post) Narayna Kocherlakota's Website, January 18, 2016, https://sites.google.com/site/kocherlakota009/home/policy/thoughts-on-policy/1-18-16

most recent full year of FOMC meeting transcripts available (2010), and found that "there was no reference in the meetings to labor market conditions among African-Americans," although the unemployment rate for African-Americans never dropped below 15.5 percent during that year.[7] It is unacceptable that discussion of the job market for these populations would be an afterthought, or worse, ignored entirely, and we are concerned that the lack of balanced representation may be a significant cause of this oversight.

We are grateful that you pledged to consider African-Americans for future positions as regional Bank presidents during your recent Humphrey-Hawkins testimony before Congress, and appreciate your concern that no African-American has led a regional Bank to date. While some recent progress has been made, the Federal Reserve still has considerable work to do in order to comply with both the letter and spirit of the requirements of the Federal Reserve Act that seek to ensure fairness in the representation within the leadership of the Federal Reserve.

On February 19, 2016, the Federal Reserve announced that 10 regional presidents (eight men and two women, all white) had been re-appointed to new five-year terms.[8] Despite the importance of this decision, there appears to have been no public consultation, and limited transparency regarding the metrics and criteria used to evaluate the presidents' performance, or in the decision to reappoint them. As the Board of Governors embarks on its search for regional Bank directors to serve beginning in 2017, and as you consider future regional president vacancies, we urge you to engage in an inclusive process to consider candidates from a diverse set of backgrounds, including a greater number of African-Americans, Latinos, Asian Pacific Americans, women, and individuals from labor, consumer, and community organizations.

Moreover, as you make crucial monetary policy decisions in 2016, we urge you to give due consideration to the interests and priorities of the millions of people around the country who still have not benefited from this recovery. We share the vision that you laid out in Chicago two years ago: an economy in which all working families "get the chance they deserve to build better lives."

Thank you for your continued pursuit of these vital goals.

Sincerely,

John Conyers, Jr.
Member of Congress

Elizabeth Warren
United States Senator

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[7] Ibid.

[8] "Reappointment of all regional presidents," *Federal Reserve, http://www.federalreserve.gov/newsevents/press/other/20160219a.htm*

Marcy Kaptur
Member of Congress

Jeffrey A. Merkley
United States Senator

Frederica S. Wilson
Member of Congress

Robert Menendez
United States Senator

Maxine Waters
Member of Congress

Mazie Hirono
United States Senator

Gwen Moore
Member of Congress

Patrick Leahy
United States Senator

Raúl M. Grijalva
Member of Congress

Bernard Sanders
United States Senator

Keith Ellison
Member of Congress

Kirsten Gillibrand
United States Senator

David Scott
Member of Congress

Cory Booker
United States Senator

Juan Vargas
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Edward Markey
United States Senator

Louise McIntosh Slaughter
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Richard Durbin
United States Senator

Eddie Bernice Johnson
Member of Congress

Al Franken
United States Senator

Bennie G. Thompson
Member of Congress

Jackie Speier
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Paul Tonko
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Mike Quigley
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André Carson
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Ben Ray Luján
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Donna F. Edwards
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John Garamendi
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Judy Chu
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Rosa L. DeLauro
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Luis V. Gutiérrez
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Sanford D. Bishop, Jr.
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Steve Cohen
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Janice D. Schakowsky
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Alcee L. Hastings
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Yvette D. Clarke
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Al Green
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Marcia L. Fudge
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Albio Sires
Member of Congress

Emanuel Cleaver
Member of Congress

Lucille Roybal-Allard
Member of Congress

Linda T. Sánchez
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Lloyd Doggett
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G.K. Butterfield
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Peter Welch
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Nydia M. Velázquez
Member of Congress

Donald S. Beyer, Jr.
Member of Congress

Ted Lieu
Member of Congress

Marc A. Veasey
Member of Congress

Karen Bass
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Janice Hahn
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John A. Yarmuth
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John Lewis
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Mark DeSaulnier
Member of Congress

William R. Keating
Member of Congress

Mark Pocan
Member of Congress

Joseph P. Kennedy III
Member of Congress

Alan Grayson
Member of Congress

James E. Clyburn
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Anna G. Eshoo
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Cedric L. Richmond
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Frank Pallone Jr.
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Jerrold Nadler
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Katherine M. Clark
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Hakeem S. Jeffries
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Derek Kilmer
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Joseph Crowley
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Matt Cartwright
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Zoe Lofgren
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Barbara Lee
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Betty McCollum
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Sheila Jackson Lee
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David N. Cicilline
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Brad Sherman
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Henry C. "Hank" Johnson, Jr.
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Gregory W. Meeks
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José E. Serrano
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Chellie Pingree
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Eleanor Holmes Norton
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Corrine Brown
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Robin L. Kelly
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Brenda L. Lawrence
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Sander M. Levin
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Xavier Becerra
Member of Congress

Ruben Gallego
Member of Congress

Susan A. Davis
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Loretta Sanchez
Member of Congress

Robert C. "Bobby" Scott
Member of Congress

Terri A. Sewell
Member of Congress

Sam Farr
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Jim McDermott
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Julia Brownley
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Cheri Bustos
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Norma J. Torres
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Stacey E. Plaskett
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James P. McGovern
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Daniel T. Kildee
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Alma S. Adams
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Michelle Lujan Grisham
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Joaquin Castro
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Seth Moulton
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Joyce Beatty
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Bonnie Watson Coleman
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Debbie Dingell
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