As Federal Reserve Selects New Top Officials, Coalition Calls for Public Input

By Binyamin Appelbaum

Nov. 10, 2014

WASHINGTON — A coalition of community groups and labor unions wants the Federal Reserve to change the way some Fed officials are appointed, criticizing the existing process as secretive, undemocratic and dominated by banks and other large corporations.

In letters sent to Fed officials last week, the coalition called for the central bank to let the public participate in choosing new presidents for the regional reserve banks in Philadelphia and Dallas. The current heads of both banks plan to step down in the first half of 2015.

The Fed's chairwoman, Janet L. Yellen, has agreed to meet on Friday with about three dozen representatives of the groups to hear their concerns.

"The Federal Reserve has huge influence over the number of people who have jobs, over our wages, over the number of hours that we get to work, and yet we don't have discussion and engagement over what Fed policy should be," said Ady Barkan, a lawyer with the Center for Popular Democracy, a Brooklyn-based advocacy group that is orchestrating the campaigns. "More people's voices need to be heard."

A spokeswoman for Ms. Yellen confirmed the meeting but declined to comment on the issues raised by the groups.

The Philadelphia Fed said in an email that the institution "is conducting a broad search for its next president and will consider a diverse group of candidates from inside and outside the Federal Reserve System."

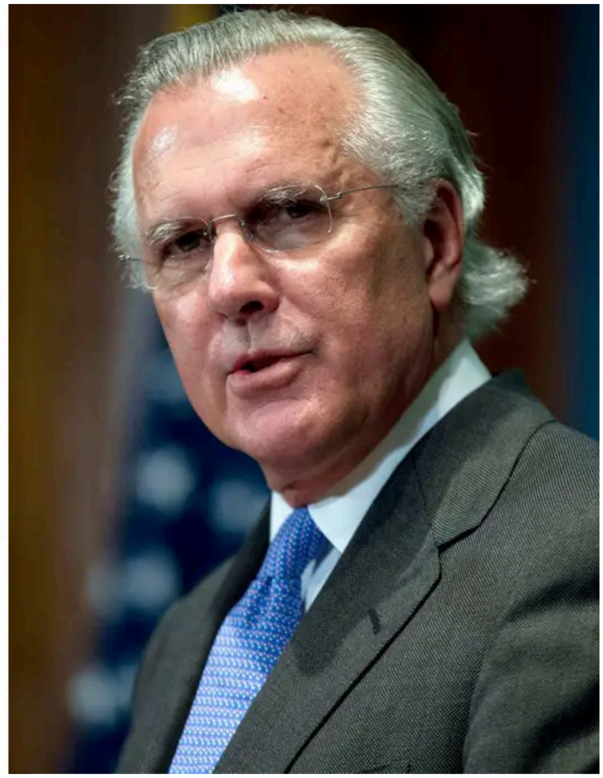
James Hoard, a spokesman for the Dallas Fed, said the bank's board would meet on Thursday to discuss the search process.

The campaign is part of a broader increase in political pressure on the Fed, which is engaged in a long-running campaign to stimulate the economy that some liberals regard as insufficient and some conservatives see as both ineffective and dangerous. Mr. Barkan led a picket line in support of the Fed's efforts in August outside the annual monetary policy conference at Jackson Hole, Wyo.

House Republicans, meanwhile, have passed legislation that seeks to reduce the Fed's flexibility in responding to economic downturns, arguing that such efforts are destabilizing.

The Fed acts like a monolith, but it has a complicated skeleton. Most power rests with a board of governors in Washington, who are nominated by the president and confirmed by the Senate. But operations are conducted through 12 regional banks, each of which selects its own president. And those presidents rotate among themselves five of the 12 seats on the Federal Open Market Committee, which sets monetary policy.

The two presidents who have said they plan to step down are, by coincidence, among the most outspoken internal critics of the Fed's campaign to stimulate the economy. Charles I. Plosser, president of the Philadelphia Fed since 2006, plans to retire on March 1. Richard W. Fisher, president of the Dallas Fed since 2005, is required to step down by the end of April, though he has not set a date.



The regional Fed presidents Charles I. Plosser, left, of Philadelphia, and Richard W. Fisher of Dallas plan to retire next year. Richard Drew/Associated Press and Jose Luis Magana/Reuters

Their replacements will be selected by the board of each reserve bank. Each board has nine members, including three bankers, but under the 2010 Dodd-Frank Act, only the nonbank members can participate in the process. The banks in each reserve district, however, still elect three of those six nonbank members. The other three, including the chairman and vice chairman, are appointed by the Fed board in Washington.

By law, the boards are supposed to represent a diverse set of viewpoints, including "labor and consumers." But the 72 nonbank board members are predominantly corporate executives. Just eight are leaders of community groups; two more are leaders of labor groups.

Corporate executives exclusively make up the boards of the St. Louis and Richmond regional banks. The Dallas Fed's board includes the presidents of the Houston Endowment — a charitable organization — and the University of Houston. The Philadelphia Fed has five executives and the president of the University of Delaware.

“I look at that list and it doesn’t strike me that most of those folks are representing the public,” Kati Sipp, director of Pennsylvania Working Families, a nonprofit advocacy group that is one of the signatories of the recent letter, said of the Philadelphia Fed’s board. “We believe it is important for the people who are making economic policy to hear from the regular folks on the ground who are being affected by those decisions.”

The two dozen signatories also include the Pennsylvania AFL-CIO, New Jersey Communities United and W. Wilson Goode Jr., a Philadelphia city councilman. The letter asks for the Fed to disclose basic information about the selection process, including the timetable, criteria and, eventually, names of candidates. It also seeks search committee seats and opportunities to question the candidates publicly.

The selection process is secretive, but control has increasingly shifted from the regional banks to the board of governors. Beginning under the leadership of Alan Greenspan, a former Fed chairman, the central bank has sought presidents who can contribute to making monetary policy. The board provides informal guidance during the winnowing process, and candidates travel to Washington to meet with the governors.

As a result of that trend, 10 of the 12 sitting presidents are former Fed staffers, economists or both. Mr. Fisher, a former investor, is one exception. The other is Dennis P. Lockhart, a former banker who leads the Atlanta Fed — and is the next president who will reach retirement age.

A correction was made on Nov. 14, 2014*: An article on Tuesday about a push by a coalition of community groups and labor unions to get the Federal Reserve to change the way some Fed officials are appointed misstated the timing of the retirement of Charles I. Plosser, the president of the Philadelphia Fed. He has announced that he will leave on March 1, not at the end of March.*
