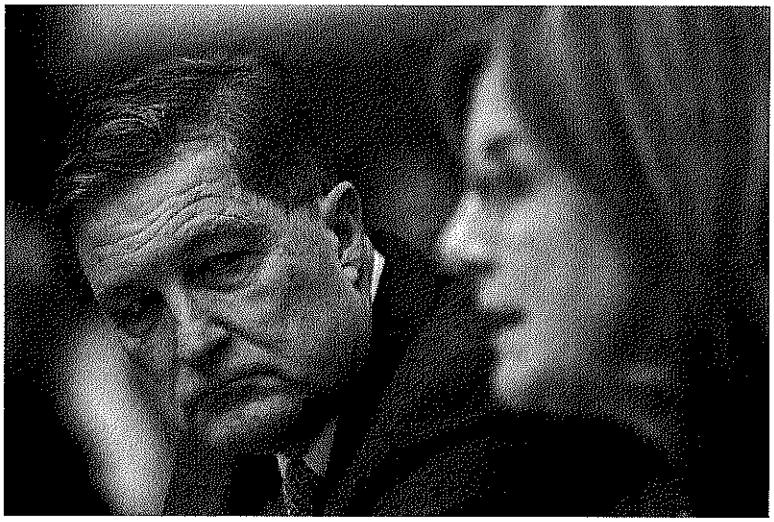
Fed Officials Defend Central Bank's Structure Before House Panel

Kansas City Fed's Esther George says the central bank 'isn't handicapped by the current district lines'



Richmond Fed President Jeffrey Lacker listens as Kansas City Fed leader Esther George speaks during a House Financial Services subcommittee hearing Wednesday. *PHOTO: ANDREW HARRER/BLOOMBERG NEWS*

By KATE DAVIDSON
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Federal Reserve officials Wednesday pushed back against suggestions the central bank needs to redraw its regional district map or alter the structure of its governance to ensure diversity within the Fed system.

Federal Reserve Bank of Richmond President Jeffrey Lacker and Federal Reserve Bank of Kansas City President Esther George told lawmakers the Fed has been working for decades to ensure its regional banks hear from a wide range of people across their districts.

"I don't think we are handicapped by the current district lines," Ms. George said at a hearing before a House Financial Services subcommittee. She said the structure of the Fed system—which includes the board of governors in Washington, 12 regional Fed banks and branch offices within the districts—"serves us well."

"I remain convinced it's a question of accountability and not of the structure of the Federal Reserve," she added.

Democrats pressed Mr. Lacker and Ms. George to explain how the current Fed map—largely untouched since the bank's founding in 1913—is representative of the current population. Meanwhile, Republicans used the hearing to slam a Democratic proposal that would bar bankers from serving on the boards of directors of the regional banks and push for greater diversity within the Fed system.

Mr. Lacker insisted diversity is "built into the structure of the [Fed] system," and said the Richmond Fed has focused on diversity on its board for several decades.

"It is essential to the public's trust in this institution that the public sees themselves around those that are making decisions on economic policy," Ms. George said.

The Fed has faced criticism in recent months for relying too often on white men to fill the upper ranks of its leadership. Officials have sought to quell this criticism, including by sitting down in August for an unprecedented public discussion with representatives from the Center for Popular Democracy's Fed Up campaign, which has called for greater diversity at the Fed.

Speaking to reporters after Wednesday's hearing, Mr. Lacker said the Fed hasn't done a good job communicating with the public about its structure, the role of its boards of directors and about the safeguards designed to prevent conflicts of interest on those boards. Testifying at the hearing was a "step toward doing that."

"I just think we need to be more transparent and communicate more on these subjects," he said.

Mr. Lacker also said he hopes Congress isn't pursuing changes to the Fed's governance. He said he is particularly concerned about a GOP proposal that would lower the amount of capital stock banks must hold in regional Fed banks, which he said is critical to their structure.

"I am concerned that maybe we are moving into the crosshairs," he said when asked about the political debate surrounding the central bank.

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