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**United States Senate**  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS  
WASHINGTON, DC 20510-6075

March 29, 2021

Mary C. Daly  
President and Chief Executive Officer  
Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, CA 94105

Dear President Daly:

I am writing regarding the sudden pivot of the Federal Reserve Bank of San Francisco (FRBSF) toward publishing politically-charged research on environmental, social, and governance (ESG) topics like climate change and racial justice.<sup>1</sup>

Over the past century, research within the Federal Reserve System (Federal Reserve) has been nonpartisan, independent, and broadly aimed at analyzing high-level economic data such as capital flows, asset prices, and employment, in support of the Federal Reserve's monetary and regulatory policy duties.<sup>2</sup> Recently, however, several Federal Reserve Banks, including the FRBSF, have increasingly been engaged in research on social policy topics reflective of the political and normative leanings of unelected Federal Reserve Bank officials. This approach has inserted the Federal Reserve into the emotionally-charged political arena—a place where the Federal Reserve seldom has ventured, and for good reason. As Federal Reserve Chair Jerome Powell has stated on numerous occasions, the independence of the central bank has been a hallmark of our financial system.<sup>3</sup> Indeed, Chair Powell noted in a 2019 address to the Council

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<sup>1</sup> See e.g., Federal Reserve Bank of San Francisco, *Virtual Seminar on Climate Economics* (last accessed Mar. 15, 2021), <https://www.frbsf.org/economic-research/events/virtual-seminar-on-climate-economics/>; Conference co-hosted by Glenn Rudebusch of the Federal Reserve Bank of San Francisco and the Energy Policy Institute at the University of Chicago, *Economic Risks of Climate Change: Implications for Financial Regulators* (Dec. 4, 2020), <https://epic.uchicago.edu/events/event/economic-risks-of-climate-change-implications-for-financial-regulators/>; SF Fed Blog, *Confronting Inequity: A Framework for Change*, Federal Reserve Bank of San Francisco (Feb. 4, 2021), <https://www.frbsf.org/our-district/about/sf-fed-blog/confronting-inequity-framework-for-change/>.

<sup>2</sup> See e.g., Federal Reserve Bank of San Francisco, *What kinds of research and analysis do economists at the Federal Reserve System do, what types of information do they use, and what kinds of presentations do they make?* (Jan. 2006), <https://www.frbsf.org/education/publications/doctor-econ/2006/january/economist-research-fed/>.

<sup>3</sup> See e.g., Christopher Condon, *Powell Lauds Former Fed Chairman for Forging Fed's Independence*, BLOOMBERG (Oct. 7, 2019), <https://www.bloomberg.com/news/articles/2019-10-07/powell-lauds-former-fed-chairman-for-forging-fed-s-independence>; Donna Borak, *Jerome Powell takes stand for Fed independence against 'short-term political interests'*, CNN (Jun. 25, 2019), <https://www.cnn.com/2019/06/25/economy/jerome-powell-fed-independence>.

on Foreign Relations that “Congress chose to insulate the Fed this way because it had seen the damage that often arises when policy bends to short-term political interests.”<sup>4</sup>

The Federal Reserve’s independence and careful adherence to nonpartisanship has allowed it to avoid being seen as a politicized body in the course of carrying out its dual mandate of maintaining price stability and full employment. However, FRBSF and other regional Federal Reserve Banks have written social studies essays dealing with, among other things, health insurance and essential service workers in New England (something for which we have a Department of Labor, Equal Employment Opportunity Commission, and National Labor Relations Board);<sup>5</sup> the relationship between race, type of work, and Covid-19 infection rates (something for which we have a Department of Health and Human Services);<sup>6</sup> overcrowded housing (something for which we have a Department of Housing and Urban Development);<sup>7</sup> and guidance that people “may have privilege based on [their] racial identity, job, and other factors” and should, if they “are white, practice finding ways to center and elevate the voices and experiences of people of color, without burdening them to educate on racial equity or validate your learnings.”<sup>8</sup>

While this research may be meritorious, the Federal Reserve is devoting significant federal resources to efforts that are supposed to be independent and nonpartisan. Each of the twelve regional Federal Reserve Banks has a research department, and there is often duplication of efforts among those departments. The Board of Governors of the Federal Reserve has a research department, too, as does the Federal Stability Oversight Council via the Office of Financial Research. It may be that that some of the significant amount of federal resources utilized by Federal Reserve researchers could be better directed to other federal agencies whose issues the Federal Reserve research departments seem to wish now to creep into, or could be invested in programs serving underprivileged communities.

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<sup>4</sup> Remarks by Jerome Powell, Chair, Board of Governors of the Federal Reserve System, at the Council on Foreign Relations, *Economic Outlook and Monetary Policy Review* (Jun. 25, 2019), <https://www.federalreserve.gov/newsevents/speech/files/powell20190625a1.pdf>.

<sup>5</sup> See e.g., Sara Chaganti, Amy Higgins & Marybeth J. Mattingly, *Health Insurance and Essential Service Workers in New England: Who Lacks Access to Care for COVID-19?*, Federal Reserve Bank of Boston Community Development Issue Briefs (Jun. 11, 2020), <https://www.bostonfed.org/publications/community-development-issue-briefs/2020/health-insurance-and-essential-service-workers-in-new-england-who-lacks-access-to-care-for-covid-19.aspx>.

<sup>6</sup> See e.g., Jason Faberman & Daniel Hartley, *The Relationship Between Race, Type of Work, and Covid-19 Infection Rates*, Federal Reserve Bank of Chicago Working Paper (August 2020), <https://www.chicagofed.org/publications/working-papers/2020/2020-18>.

<sup>7</sup> See e.g., Douglas Clement, *Commuting, crowding, and COVID-19*, Federal Reserve Bank of Minneapolis (Mar. 18, 2021), <https://www.minneapolisfed.org/article/2021/commuting-crowding-and-covid-19>.

<sup>8</sup> Bina Patel Shrimali, Federal Reserve Bank of San Francisco, *Racial Equity Primer* (last accessed Mar. 24, 2021), <https://www.frbsf.org/our-district/about/sf-fed-blog/racial-equity-primer/> (Jun. 12, 2020). Notwithstanding the fact that a FRBSF senior researcher authored the post and the FRBSF requests appropriate attribution in the event that any of its contents is reproduced, the post is oddly disclaimed by the FRBSF in a footnote stating that “The views expressed here do not necessarily reflect the views of the management of the Federal Reserve Bank of San Francisco or of the Board of Governors of the Federal Reserve System.” Thus, FRBSF is at once expressing views and hedging on those views by saying that they may or may not reflect the views of management at the Federal Reserve.

Furthermore, the Federal Reserve Banks are to assist the Board of Governors of the Federal Reserve in carrying out its monetary policy duties.<sup>9</sup> A sizable portion of FRBSF research appears to be focused on how matters unrelated to monetary policy impact narrow subgroups of people. While there are reasons to analyze the distributional effects of monetary policy tools, aggregate tools are not nimble enough to correct adverse distributional effects even if they arise. The Federal Reserve's regulatory policy tools can affect distributional outcomes, but they can also easily be misused if the Federal Reserve, engaging in mission creep, tries to alter resource distributions according to normative or political leanings of Federal Reserve officials.

The Federal Reserve may pursue mission creep or welcome itself to political capture. But such activities are inconsistent with its statutory responsibilities; only Congress has the authority to reform the Federal Reserve or modify its mission. In light of the FRBSF's seemingly sudden and alarming inclusion of social research that risks being of a bitterly partisan nature, I request that the FRBSF provide a briefing by Dr. Glenn D. Rudebusch, Executive Vice President and Senior Policy Advisor, to my Committee staff on this subject by no later than the week of April 12, 2021, to fully explain the impetus and intent behind the FRBSF's departure from its historical mission.

In addition, please provide the following information by no later than April 9, 2021:

1. All records describing or relating to the FRBSF's planning for its Virtual Seminar on Climate Economics;<sup>10</sup>
2. All memoranda and emails created or generated between July 1, 2019, and the present that describe or refer to the impetus behind the FRBSF's focus on climate change and/or racial justice issues;
3. Annual expenses of the FRBSF over the past 10 years dedicated to research; and
4. Annual expenses of the FRBSF over the past 10 years dedicated to Community Development.

If you have any questions regarding this request, please have your staff contact Joe Gammello on my Committee staff at 202-224-7391.

Sincerely,



Pat Toomey  
Ranking Member

cc: The Honorable Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs

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<sup>9</sup> See 12 U.S.C. § 341 *et seq.*

<sup>10</sup> The term "records" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.