

Statement of Senator Richard C. Shelby
Committee on Banking, Housing and Urban Affairs
November 16, 2010

- Thank you Mr. Chairman. I ask unanimous consent that my full statement be made a part of the record.

- It is the duty of each Senator to examine the qualifications of a nominee in terms of their technical proficiency as well as their underlying policy philosophy. Professor Peter Diamond is certainly a skilled economist. It is not axiomatic, however, that every skilled economist is the best qualified individual to serve on the Federal Reserve Board.

- There are many factors to be considered before we confirm any particular nominee . . . professional accolades is just one.
- Before we even begin to consider the personal and professional qualifications of a nominee, however, we should and must determine whether they are eligible to serve. In this particular instance, it has come to our attention that Professor Diamond's nomination does not comply with the express language or the implied intent of the law.

- According to Section 10 of the Federal Reserve Act: “In selecting the members of the Board, not more than one of whom shall be *selected from* any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country.”
- The requirement of cross-district and cross-sector representation has a rich history, stemming from an American tradition of questioning concentrations of power.

- Since the founding of the Federal Reserve System, Congress recognized the need to protect the interests of our country's diverse economic regions. Such concerns helped shape the Federal Reserve Act wherein geographical balance is required on the Board.
- It appears Professor Diamond, whose nomination papers indicate he is “of Massachusetts ” and current Board member Daniel Tarullo, whose nominations papers also indicated he was “of Massachusetts” can not serve at the same time and comply with Section 10 of the Federal Reserve Act.

- I understand that “The White House”, whoever that may be, has stated that Professor Diamond will be representing the Chicago area for purposes of the law. I think we all know, however, that the geographical diversity requirement of the law is not an ex post facto designation.
- The nominee actually has to be “selected from” that district and the only one in “The White House” who matters in this instance has selected Professor Diamond from Massachusetts.

- I realize that the Committee has favorably reported nominees in the past who should have been disqualified for the same reason. I am not aware, however, that the Committee did so knowing that the nominee had virtually no nexus to the relevant district.
- In this instance, we are fully aware of the conflict and I don't believe that we should or can proceed with the nomination in willful violation of the law.

- I understand that the Chairman has recently referred to such an objection as being “specious” because the requirement has been disregarded in the past. I don’t believe that a prior failure to adhere to the law is a sufficient basis for ignoring it today.
- Therefore, I move that the Committee disapprove the nominee and inform the President that he must select a candidate that comports with the geographic diversity requirement in the law. In fact, we should encourage the President to select an individual from Ohio or Kentucky because they lie in the Federal Reserve district that has been historically the least represented.

