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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

May 23, 2021

Neel Kashkari  
President and Chief Executive Officer  
Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, MN 55401

Dear President Kashkari:

I am writing regarding the recent focus of the Federal Reserve Bank of Minneapolis (Minneapolis Fed) on politically-charged issues that are outside the bounds of the mission and statutory mandate of the Federal Reserve System (Federal Reserve), particularly the Minneapolis Fed's recent, intense interest in "racial justice" activism.

Of course, racism is abhorrent and has no place in our society. We have made tremendous strides on race as a nation, but a respectful dialogue on racial discrimination and institutional barriers to success, where they may exist, can serve to strengthen our democratic republic. Towards that end, I recognize the interest in studying economic disparities along demographic lines, such as race and gender. However, this subject matter is fraught with ideological assumptions and interpretations, and the work and analysis of the Minneapolis Fed seems heavily laden with political and value judgments.

More importantly, it is not the proper role of the Federal Reserve to be engaging in political advocacy. As the nation's central bank, the Federal Reserve has an important, nonpartisan mission and statutory mandate: to "promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates."<sup>1</sup> As such, over the past century the activities of the Federal Reserve have 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> Lately, however, certain Federal Reserve Banks, including the Minneapolis Fed, have dedicated resources to social policy topics outside their area of expertise and that are reflective of the political and

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<sup>1</sup> 12 U.S.C. § 225a.

<sup>2</sup> See e.g., Board of Governors of the Federal Reserve System, *The Federal Reserve System: Purposes & Functions*, [https://www.federalreserve.gov/aboutthefed/files/pf\\_1.pdf](https://www.federalreserve.gov/aboutthefed/files/pf_1.pdf); 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/>.

normative leanings of Federal Reserve Bank officials who are neither elected to political office nor confirmed by the Senate.<sup>3</sup>

Under your leadership, the Minneapolis Fed increasingly has focused on politically-charged causes, like racial justice activism, that are wholly unrelated to the Federal Reserve’s statutory mandate. The Minneapolis Fed’s obsession with race is apparent throughout its 2020 Annual Report letter, which emphasizes at the outset that the Minneapolis Fed “renewed our commitment to dismantling structural racism.”<sup>4</sup> The 2020 Annual Report letter goes on to describe how the death of George Floyd “galvanized [the Minneapolis Fed’s] commitment to addressing racism.”<sup>5</sup> The 2020 Annual Report letter also lauds the Minneapolis Fed’s launching of “a groundbreaking series, *Racism and the Economy*, to confront the effect of systemic racism in our economy.”<sup>6</sup>

Based on its body of work the Minneapolis Fed appears to believe that economic disparities—from educational opportunity to unemployment—can only be explained by racial animus. Its *Racism and the Economy* series, which is premised upon the subjective opinion that “[r]acism forms the foundation of inequality in our society,”<sup>7</sup> features prominently on the Minneapolis Fed’s website.<sup>8</sup> The fifth and most recent installment of this series, *Racism and the Economy: Focus on the Economics Profession*, examined “how racism affects the people and practice of economics” and included speakers such as the AFL-CIO’s chief economist.<sup>9</sup> Past installments of this series included: (1) *Racism and the Economy: Focus on Housing*, which examined “systemic racism in housing policy” and proposed solutions such as abolishing single-family zoning and offering “restorative housing reparations”;<sup>10</sup> (2) *Racism and the Economy: Focus on Education*,<sup>11</sup> in which the invited presenters advocated for expanding the welfare state and imposing new

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<sup>3</sup> See e.g., 2020 Annual Report letter of the Federal Reserve Bank of Minneapolis, *A year of resilience and resolve: Our board Chair Sri Zaheer and President Neel Kashkari reflect on 2020* (hereinafter, “2020 Annual Report letter”) (Mar. 31, 2021), <https://www.minneapolisfed.org/article/2021/a-year-of-resilience-and-resolve>; Federal Reserve Bank of Minneapolis, *Racism and the Economy: Series kickoff event* (Oct. 7, 2020), <https://www.minneapolisfed.org/events/2020/racism-and-the-economy-series-kickoff-event>; Job Boerma and Loukas Karabarbounis, *Reparation and Persistent Racial Wealth Gaps*, Federal Reserve Bank of Minneapolis (Feb. 19, 2021), <https://www.minneapolisfed.org/research/working-papers/reparations-and-persistent-racial-wealth-gaps>.

<sup>4</sup> 2020 Annual Report letter.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> The Federal Reserve Banks of Minneapolis, Boston, and Atlanta have partnered to present this series. Federal Reserve Bank of Minneapolis, *Racism and the Economy: Series kickoff event* (Oct. 7, 2020), <https://www.minneapolisfed.org/events/2020/racism-and-the-economy-series-kickoff-event>.

<sup>8</sup> Federal Reserve Bank of Minneapolis (last accessed May 20, 2021), <https://www.minneapolisfed.org/>.

<sup>9</sup> Federal Reserve Bank of Minneapolis, *Racism and the Economy: Focus on the Economics Profession* (Apr. 13, 2021), <https://www.minneapolisfed.org/events/2021/racism-and-the-economy-focus-on-the-economics-profession>.

<sup>10</sup> Federal Reserve Bank of Minneapolis, *Racism and the Economy: Focus on the Housing* (Mar. 1, 2021), <https://www.minneapolisfed.org/events/2021/racism-and-the-economy-focus-on-housing>.

<sup>11</sup> Federal Reserve Bank of Minneapolis, *Fed’s “Racism and the Economy” series explores racial inequity in the education system* (Jan. 15, 2021), <https://www.minneapolisfed.org/article/2021/feds-racism-and-the-economy-series-explores-racial-inequity-in-the-education-system>; Federal Reserve Bank of Atlanta, *Racism and the Economy: Focus on Education – Transcript* (Jan. 12, 2021), <https://www.atlantafed.org/news/conferences-and-events/conferences/2021/01/12/racism-and-the-economy-focus-on-education/transcript>.

mandates on private employers;<sup>12</sup> (3) *Racism and the Economy: Focus on Unemployment*, which examined “causes [and] solutions for racial employment disparities,” such as fostering “enlightened self-interest in the corporate sector,” strengthening the Equal Employment Opportunity Commission, and rethinking job applicant screening policies and algorithms;<sup>13</sup> and (4) the initial *Racism and the Economy* series event, which examined “structural racism and its impacts” and proposed solutions such as “better engaging communities of color, acknowledging the nation’s history [of racism], and prioritizing diversity and inclusion in hiring.”<sup>14</sup>

Some may welcome these events as useful or needed discussions, but it is perplexing as to why they would be undertaken by a regional Federal Reserve Bank. These events represent a dubious use of federal resources, as the federal government has agencies and departments for education (Education), workforce (Labor), and prosecuting racial discrimination (Justice). Not only were these events far afield from the Federal Reserve’s mission and expertise, but many suffered from severe bias. All of the policy prescriptions recommended to treat the presumed ubiquity of racism required a more intrusive and expansive government.

The 2020 Annual Report letter also emphasizes the creation of *For All*, a new magazine by the Minneapolis Fed’s Opportunity & Inclusive Growth Institute aimed at highlighting “the breadth, depth, and diversity of the Institute’s contributions to understanding the wide array of inequalities in the United States and around the world.”<sup>15</sup> A recent issue of *For All* features an article by the AFL-CIO’s chief economist entitled, “A Teachable moment? Will George Floyd’s death spur change in Economics?” In this article, the AFL-CIO’s chief economist, among other things, expresses his hope that the “gut-wrenching brutal murder of George Floyd” will cause economists to: “join other social sciences and accept that race is a social construct”; “focus on how we achieve systemic change”; “ask the big questions about understanding the institutions that created our massive inequality”; and “accept the ugly reality that passively accepting [the view that race is an exogenous variable] leads to the ugly incidents of police misconduct we all observed.”<sup>16</sup>

As should be obvious, many of the above writings and activities of the Minneapolis Fed under your leadership—as well as recent Minneapolis Fed working papers and articles on topics such

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<sup>12</sup> Setting aside the propriety of the forum itself, none of the participants discussed alternatives to greater government control of education, such as parental choice.

<sup>13</sup> Federal Reserve Bank of Minneapolis, *Fed’s “Racism and the Economy” series explores racial inequities in labor markets* (Dec. 2, 2020), <https://www.minneapolisfed.org/article/2020/feds-racism-and-the-economy-series-explores-racial-inequities-in-labor-markets>.

<sup>14</sup> Federal Reserve Bank of Minneapolis, “*Racism and the Economy*” series launched (Oct. 22, 2020), <https://www.minneapolisfed.org/article/2020/racism-and-the-economy-series-launched>.

<sup>15</sup> 2020 Annual Report letter, *supra* note 3; *see also* Federal Reserve Bank of Minneapolis, Opportunity & Inclusive Growth Institute, *For All Magazine* (last accessed May 20, 2021), <https://www.minneapolisfed.org/institute/for-all-magazine>.

<sup>16</sup> Williams Spriggs, *A Teachable Moment? Will George Floyd’s deaths spur change in economics?* FOR ALL, Federal Reserve Bank of Minneapolis (Jun. 9, 2020), <https://www.minneapolisfed.org/article/2020/a-teachable-moment-will-george-floyds-death-spur-change-in-economics>.

as “Fatal Encounters Between Native Americans and the Police”<sup>17</sup> and “Reparations and Persistent Racial Wealth Gaps,”<sup>18</sup> to name but a few—are extremely political in nature and fall well outside the mission and expertise of the Federal Reserve. Historically, the Federal Reserve’s independence and careful adherence to nonpartisanship have 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, the Minneapolis Fed’s intense interest in social and political advocacy under your leadership regrettably has had the opposite effect. Indeed, after examining the contents of the Minneapolis Fed’s website, including its 2020 Annual Report, I am left with the impression that you believe that a primary purpose of the Minneapolis Fed is to thrust itself into highly charged issues of race and politics rather than focusing on carrying out the Federal Reserve’s dual mandate enshrined in statute.<sup>19</sup>

Whether or not this is your personal view, I would remind you that only Congress has the authority to reform the Federal Reserve or modify its statutory mission.<sup>20</sup> Moreover, I would caution you on the reputational damage being inflicted on the Minneapolis Fed and the Federal Reserve as a whole by pursuing a highly politicized social agenda unrelated to monetary policy.

In light of the Minneapolis Fed’s sudden and alarming preoccupation with the political advocacy described above, I request that the Minneapolis Fed provide a briefing to my Committee staff on this subject by no later than the week of June 7, 2021, to fully explain the impetus and intent behind the Minneapolis Fed’s departure from its historical mission.

In addition, please provide the following information by no later than June 7, 2021:

1. All records describing or relating to the Minneapolis Fed’s planning for any of its *Racism and the Economy* events;<sup>21</sup>

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<sup>17</sup> Matthew Harvey, *Fatal encounters between Native Americans and the police*, Federal Reserve Bank of Minneapolis (Mar. 25, 2020), <https://www.minneapolisfed.org/article/2020/fatal-encounters-between-native-americans-and-the-police>.

<sup>18</sup> Job Boerma and Loukas Karabarounis, *Reparation and Persistent Racial Wealth Gaps*, Federal Reserve Bank of Minneapolis (Feb. 19, 2021), <https://www.minneapolisfed.org/research/working-papers/reparations-and-persistent-racial-wealth-gaps>.

<sup>19</sup> While I condemn racism in the strongest terms and would not fault you for publicly condemning acts of racism when they occur, it is quite another thing for you to leverage the resources of an ostensibly independent and nonpartisan Federal Reserve Bank to advance a particular political cause or movement.

<sup>20</sup> Although then-Presidential Candidate Joe Biden asked Congress in July 2020 to amend the Federal Reserve Act to “add to that responsibility and aggressively target persistent racial gaps in jobs, wages, and wealth,” Congress never did so. See Jacob M. Schlesinger and Sabrina Siddiqui, *Biden Urges Bigger Role for Fed in Addressing Racial Wealth Gap*, THE WALL STREET JOURNAL (Jul. 28, 2020), <https://www.wsj.com/articles/biden-to-urge-federal-reserve-to-take-on-racial-wealth-gap-11595948475>; see also Federal Reserve Racial and Economic Equity Act, S. 4464, 116th Cong. § 2 (Aug. 6, 2020) (introduced by Sen. Elizabeth Warren), available at <https://www.congress.gov/bill/116th-congress/senate-bill/4464?r=4&s=1>.

<sup>21</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.

2. All records related to the drafting and/or publicizing of the Minneapolis Fed's 2020 Annual Report letter;
3. All memoranda and emails created or generated between July 1, 2019, and the present that describe or refer to the impetus behind the Minneapolis Fed's focus on racial justice issues;
4. Annual expenses of the Minneapolis Fed over the past 10 years dedicated to research; and
5. Annual expenses of the Minneapolis Fed over the past 10 years dedicated to Community Development.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Pat Toomey". The signature is written in a cursive style with a large, looping initial "P" and a long horizontal stroke extending to the right.

Pat Toomey  
Ranking Member

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