

Title: Boom goes the dynamite! ■

Author: disoriented_llama

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“Reserve banks are outside the normal channels of democratic accountability that we expect our public policy makers to be tethered to,” he said. “There is good work happening at many reserve banks but I think it would be better for the system if the reserve bank presidents were advising and not actually making policy for the Federal Reserve.”

– *With assistance by Catarina Saraiva, and Craig Torres*

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the banks all over the country, and it remains a potent argument.

A major restructuring of the Fed banks would require “a broader degree of political consensus on the role of the central bank than we currently have,” Klein said.

Still, some modest changes could be adopted, such as expanding the authority of the Fed’s inspector general to investigate regional banks, and subjecting Fed regional bank senior staff to the Freedom of Information Act requiring public disclosures, he said.

[Read More: Fed’s Kaplan, Rosengren to Sell All Stocks Amid Ethics Concerns](#)

Both Kaplan and Rosengren said were following the rules, which bar them from using inside information to trade during certain periods around Fed policy meetings.

Even so, “it would be better if Fed officials avoid making new investments in individual stocks and avoid active trading in stocks and bonds,” said Peter Ireland, an economist at Boston College. It’s important “to appear impartial, free from conflicts

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of interests, and fully focused on serving the public.”

The stock trading is a symptom of a broader lack of accountability, said Sam Bell of Employ America, a progressive research group in Washington that has been pushing for policies emphasizing full employment.

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Fed Accountability Under Fire After Stock-Trading Revelations

By [Steve Matthews](#)

September 10, 2021, 1:16 PM EDT

- ▶ Senator Warren calls for ban on Fed officials holding stocks
- ▶ The unusual public-private nature of Fed banks renews scrutiny

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Federal Reserve critics seized on revelations about investments and trading by two of its senior officials to renew demands for a major overhaul of the U.S. central bank and its 12 regional branches.

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Richmond Fed President Jeffrey Lacker resigned abruptly in 2017 as he announced his role in a leak of confidential information about policy options the central bank was considering in 2012.

The New York Fed also came under fire 🔥 during the financial crisis after it granted a waiver allowing a Goldman Sachs board member to stay on as a member of the New York Fed board after Goldman Sachs became a bank holding company in September 2008. The change in status put Goldman Sachs under the New York Fed's supervision.

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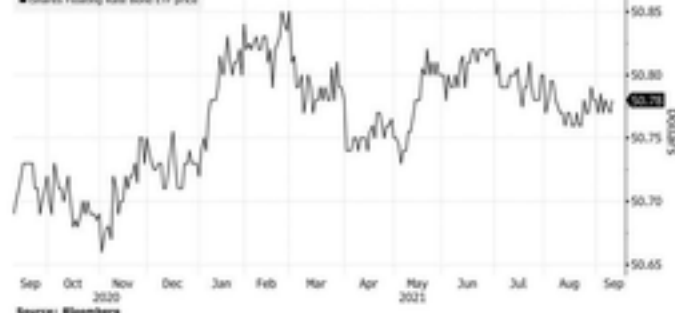
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Rosengren and Kaplan's trading activities -- revealed in the annual disclosures filed by all 12 regional Fed presidents -- come at a time when the Fed is already under fire from some quarters for aggressive policy actions during the pandemic that have elevated asset prices, disproportionately benefiting wealthier Americans.

Kaplan Trade

Dallas Fed chief was active in the iShares Floating Rate ETF

■ iShares Floating Rate Bond ETF price



The disclosure by Kaplan, a former senior executive of Goldman Sachs Group Inc., shows that among multiple \$1 million-plus transactions in his portfolio, he bought and sold iShares Floating Rate Bond ETF, which tracks the level of bonds under five years of maturity, and would be influenced by Fed rate policies and projections.

Reserve Bank's disclosures listed stakes in four companies

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Both said their transactions had complied with the Fed's ethics rules and they were acting to avoid even the appearance of any conflict of interest. But critics said the situation should never have arisen in the first place and showed the need for fundamental change to improve oversight and accountability.

'Enrich' Themselves

In a tweet, Democratic Senator Elizabeth Warren of Massachusetts said Fed officials shouldn't engage in trades to "enrich" themselves.

"I've said it before and will say it again: members of Congress and senior government officials should not be allowed to trade or own stocks. Period," she wrote.

The U.S. president nominates the seven governors to the Fed board in Washington, subject to Senate confirmation. But the regional institutions are hybrid private-public entities with directors who pick each branch chief, though the board in Washington must sign off. Critics say this means the regional Feds can operate with less disclosure and

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Boston Fed President Eric Rosengren and Dallas's Robert Kaplan on Thursday said they would sell their individual stock holdings by Sept. 30, in moves aimed at quelling ethical concerns over their trading activity last year.



Eric Rosengren *Photographer: Andrew Harrer/Bloomberg*

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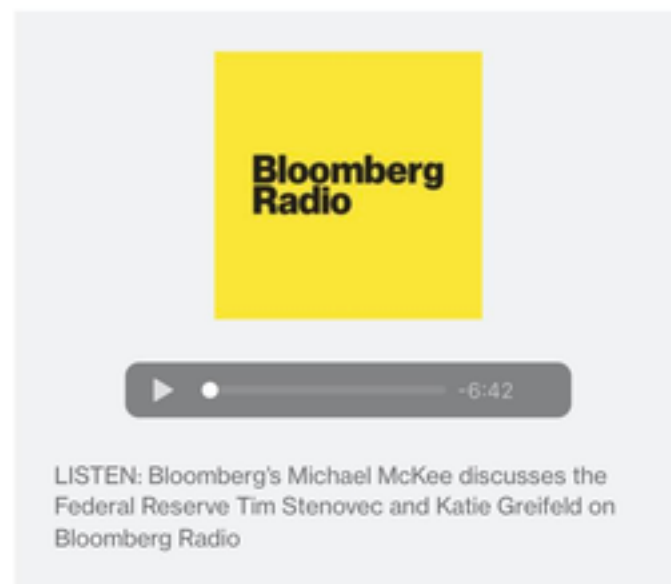
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The director, Stephen Friedman, bought additional stock in Goldman after receiving the waiver and while serving as chairman of the New York Fed's board.



Congressional efforts to revamp the Fed system haven't gone far. Regional Fed banks have lobbied effectively against changes by pointing out the benefits of a structure that prevents the central bank from being dominated by Wall Street or Washington. That was a core concern of Midwestern lawmakers when the Fed was founded over 100 years ago, which they solved by locating

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