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Remarks

by

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at the

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and hosted by the Department of Economics, Michigan State University

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Let me begin by expressing my appreciation to the American Economic Association (AEA), the National Science Foundation and the other organizations and institutions sponsoring this conference, which for nearly 20 years has focused attention on the benefits of diversity and the need for continued progress in ensuring that the best and the brightest have the opportunity to advance and contribute to the field of economics. I want to especially thank Lisa Cook for giving me the opportunity to be here today.<sup>1</sup>

I am particularly pleased to be able to speak with students participating in the AEA's Summer and Mentoring Programs. At the Fed, we share the goal of making sure the group of students who go on to practice economics look more like America. So if you are interested in pursuing economics, we want to make sure you have an opportunity to contribute to the field.

Perhaps more than any other profession, it is in the DNA of economists to believe that equality of opportunity is important not only as a matter of fairness, but also to our country's vitality. In addition, economists like to base conclusions on hard numbers. The numbers make clear there is a persistent lack of diversity in the economics profession, which indicates we are falling short of our ideals.

The quality of the economics profession and its contributions to society will be stronger when a broader range of people are engaged. We now have substantial empirical evidence documenting the benefits of diversity in broadening the range of ideas and perspectives that are brought to bear on solving problems, and thereby contributing to

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<sup>1</sup> I am grateful to John Maggs for his assistance in preparing this text. The remarks represent my own views, which do not necessarily represent those of the Federal Reserve Board or the Federal Open Market Committee.

better outcomes, both in research and in policy. Studies suggest that increased diversity alters group dynamics and decisionmaking in positive ways.

As Amanda Bayer and Cecilia Rouse have noted, microeconomic experiments and other research have confirmed these ideas. One experiment found that greater racial diversity helped groups of business students outperform other students in solving problems. And another found similar benefits from gender diversity. A study of 2.5 million research papers across the sciences found that those written by ethnically diverse research teams received more citations and had a greater impact than papers by authors with the same ethnicity.<sup>2</sup>

Diversity in the economics profession will bring important insights into the analysis of our economy and financial system and help policymakers make better decisions in promoting a healthier economy. So given that diversity in the economics profession is an important goal, how have we been doing? Unfortunately, by any measure, we are still falling short. Between 1995 and 2014, the share of women obtaining a doctorate in economics held roughly steady in the neighborhood of 30 percent. Among U.S. citizens and permanent residents earning doctorates, the representation of those identifying as black, Hispanic, or Native American among the pool of doctorate recipients improved from 6 percent in 1995 to 11 percent in 2007. But the improvement has since unwound and the underrepresented minority share stood at about 7 percent in 2014.

I respectfully defer to others who have more closely studied the mix of possible reasons for why progress has not been greater, but I will defer to no one in expressing my

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<sup>2</sup> Amanda Bayer and Cecilia Elena Rouse, (2016) "Diversity in the Economics Profession: A New Attack on an Old Problem," *Journal of Economic Perspectives*, vol. 30, no. 4 (Fall), pp. 221-42.

view that the status quo is not good enough. I've laid out a number of arguments why policy and society at large would be better off if there were more women and minorities in the economics profession. But a more important question for the students here today might reasonably be, what's in it for me? One answer is that there are a ton of interesting questions out there for you to solve. Another is the considerable premium in earnings over other academic fields.

Even for those students here who are not convinced that a career in economics is ultimately the goal for you, the intellectual framework associated with the study of economics is extremely powerful and applicable to a host of other areas. And who can say now how your career will unfold? I would encourage you to think expansively about your career trajectory. Some of you may already feel that economics is your calling and you may choose to go directly into graduate school with the aim of pursuing doctoral studies. Others may decide to work for a few years and then make a choice about graduate studies once you know more about what kind of job is likely to be most appealing and hopefully have made a dent in your student debt. Just as many people choose to leave the field of economics and pursue other interests at different junctures in their careers, so too there may be multiple points of entry. There are many stories of successful careers in economics that began only after other avenues had been explored. I want to make sure you know that even if you have not specialized in economics as an undergraduate, it is not too late to join. We need economists with diverse experiences and backgrounds, just as we need other sources of diversity.

For what it is worth, I did not major in economics as an undergraduate, and I worked for several years in the private sector before I decided to pursue a doctorate in

economics. I am glad I did. I enormously value the intellectual framework associated with economics, and my career has provided terrific opportunities both to range far afield and to work within the field. In short, I hope you will think of economics not as shutting doors on other opportunities, but rather as equipping you to pursue a whole new set of opportunities.

Given the benefits I have described to the profession and society from increasing diversity in the ranks of economists, as well as the opportunity a degree in economics affords to individuals who pursue the field, it makes sense to look closely, as the AEA and others continue to do, at the reasons more women and minorities do not concentrate in economics in college or depart from economics as they move toward graduation. To the undergraduates in the audience today who are participating in the Summer Program, I would be interested to hear what you believe may be discouraging women and minorities from choosing economics in school and careers, so that we can take steps to reduce any barriers.

The AEA and other groups are rightly focused on what universities and other institutions can do to promote diversity in economics. Let me now direct my attention to diversity at my institution, the Federal Reserve, because it is both one of the largest employers of PhD economists in the country and a prominent public institution. The share of women and minorities among economists at the Fed is similar to the numbers for the profession at large, and these numbers have likewise improved fairly little since 2009. Something that has changed over that time, however, is the elevation in importance of diversity efforts, including recruitment. The Board of Governors is making considerable effort to recruit and retain economists who are women and minorities.

We are working hard at recruitment at the earliest stages of the career-formation process. Every year the Board hires 50 to 60 research assistants (RAs) for two-year terms; the 12 Reserve Banks together hire roughly an equal number. Our research assistant program is to some extent an apprenticeship program for economists and also for financial analysts and those in related fields. Our research assistants are typically recent college graduates and most are at least considering further study of economics. These are sought-after positions because our RAs have the opportunity to work with the Board's leading economists on both research and work that directly supports policymaking.

For the Summer Program students here today, I would encourage you to explore the RA program. Serving as an RA either at the Federal Reserve Board or at one of the Reserve Banks has proven to be a good way to learn more about the profession and prepare for graduate school. I can report that five graduates of last year's program are now working at the Board as RAs and several are working at Reserve Banks.

For the Federal Reserve System, our recruitment of RAs is a great opportunity to give a wide range of potential newcomers some exposure to what the career pathway of economics looks like. While not all RAs go on to further economics education and training, a considerable share do, and thus our diversity efforts have the potential to significantly affect career pathways later on. Indeed, at the highest levels of that process, the Federal Reserve under Chair Janet Yellen and with the strong support of the Governors and Reserve Bank Presidents is committed to increasing diversity among the top-ranking staff at the Board and among leaders of the Reserve Banks.

In the tradition of the discipline of economics, I have cited empirical support for the argument that diversity is good for economics. I know from my own personal experience we can and must do better, and in that spirit I want to tell you about one of my experiences that might resonate with some of you here. When I served at the Treasury Department for President Obama, one of my responsibilities was to represent the United States in the Group of 20 (G-20) deputy ministers of finance and central bank officials. At one of our negotiating meetings, the nearly 50 officials gathered for a group photo. When this photo was distributed to each of us as a memento, it caused a bit of a stir. I remember a colleague from another delegation doing a double take when he looked at the photo. He turned to me and said “Did you realize you are the only woman in this group?” I had indeed already noticed that. And I am happy to say that his delegation added a woman after that.

Since that time, we have seen some particularly noteworthy milestones. At the time, there had been only one woman among the G-20 countries serving as head of a central bank, in South Africa, and none among the G-7 advanced economies. Since then, two other women have led G-20 central banks, and now I have the honor of serving with the first woman to lead the Federal Reserve, Janet Yellen.

So what’s my take away from that experience? It was a good reminder to me that we have to see the challenges that are right in front of our eyes if we want to address them and we should not be satisfied until the people sitting around every decisionmaking table look like America in all its rich diversity.

Earlier this year, the Federal Reserve Bank of Atlanta hired Raphael Bostic as its president and chief executive officer, the first African-American to lead a Reserve Bank.

I look forward to the day when we have moved far beyond all the firsts, when we can see with satisfaction that the people of the Federal Reserve fully reflect the characteristics of the American people. We are working hard to get there, but we still have a long way to go.

Of course, getting to that point in the future starts with people like you and the paths you choose today. You should choose the path where you feel you will make your greatest contribution--the one that is right for you. But if economics seems like a great fit, then choose it with the confidence that you have the capacity to make an important contribution that will be valued.

So with that, I will be glad to respond to your questions.