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Fed Governors' Financial Disclosures: 2006

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In 2006, the aggregate value of Federal Reserve governors' financial holdings declined from the previous year's levels. According to their newest financial disclosure statements, the total assets reported by the governors decreased by 5.0 percent at the combined low-end value and by 13.1 percent at the combined high-end value over the most recent reporting cycle (see Table 1).

Meanwhile, the total income generated by those assets jumped appreciably. Between 2005 and 2006, the value of the governors' asset-based income rose by 25.2 percent at their combined low-end value and by 89.9 percent at their combined high-end value.

Table 1: Fed Governors' Assets & Income (2006-2007 disclosure cycles)

	Assets (2007 report)		Assets (2006 report)	
	Lower End	Upper End	Lower End	Upper End
Ben S. Bernanke	\$1,126,023	\$2,541,000	\$1,154,016	\$2,485,000
Donald L. Kohn	\$671,017	\$1,615,000	\$611,023	\$1,640,000
Randall S. Kroszner	\$2,122,024	\$4,659,000	\$1,951,027	\$4,215,000
Frederic S. Mishkin	\$6,740,103	\$21,356,000	\$6,667,175	\$19,131,000
Kevin M. Warsh	\$61,952,138	\$95,647,000	\$66,046,926	\$117,332,000
Total	\$72,611,305	\$125,818,000	\$76,430,167	\$144,803,000
Elizabeth A. Duke	\$8,163,066	\$35,508,000	(pending nominee)	
Larry A. Klane	\$12,722,554	\$45,454,000	(pending nominee)	
	Income		Income	
	Lower End	Upper End	Lower End	Upper End
Ben S. Bernanke	\$139,323	\$329,600	\$139,513	\$323,500
Donald L. Kohn	\$73,211	\$177,200	\$26,913	\$86,500
Randall S. Kroszner	\$79,575	\$193,954	\$437,443	\$511,127
Frederic S. Mishkin	\$1,378,995	\$2,581,770	\$998,534	\$2,205,900
Kevin M. Warsh	\$10,028,049	\$53,785,400	\$7,740,407	\$26,922,500
Total	\$11,699,153	\$57,067,924	\$9,342,810	\$30,049,527
Elizabeth A. Duke	\$928,281	\$3,105,325	(pending nominee)	
Larry A. Klane	\$2,148,154	\$3,349,523	(pending nominee)	

Note: Asset and income totals include amounts reported for governors and their family members.

SOURCE: Executive Branch Personnel Public Financial Disclosure Reports

These changes seem anomalous and indeed are quite unique when viewed in comparison to annual shifts in the aggregate assets and income of Fed governors over the past decade. However, they stem almost entirely from an unusual source: transactions carried out in the portfolio of Governor Kevin Warsh's wife, Jane Lauder, a member of the wealthy family that controls Estee Lauder Companies. (Except where noted, all financial information in this report is presented on a familial basis, just as it is disclosed in the Fed officials' filings.) The profile on page five of this report describes the transactions reported on behalf of Ms. Lauder.

The financial disclosures filed by Fed governors and other high-ranking government officials report the value of each income-producing asset in their portfolio within 11 broad ranges described by a lower bound and upper band (for example \$1,001 to \$15,000), rather than specific amounts (see details in the box on page three). The reports generally do not list non-income producing assets, such as homes, owned by the governors or their family

members. As a rule, the filings also do not list officials' government retirement plan holdings or earnings.

Despite their lack of specificity and completeness, these yearly reports still provide a useful window on the personal finances of America's central bankers. In his memoir, *A Term at the Fed*, former governor Laurence Meyer recalls his surprise that "the value of my financial assets would become public information and that my personal investment skills would be on display as well." According to Meyer – who sometimes trailed far behind his colleagues in investment performance – the disclosure process was "more painful than doing my taxes."

As their filings indicate, the governors as a group continue to be significantly wealthier than their fellow citizens. On average they reported family assets of \$14.5-\$25.2 million in the most recent disclosure cycle. Even if this figure were adjusted by omitting the richest governor's assets, the average portfolio for a Board member would still be rather sizeable in 2007 relative to past years (see Table 2).

In addition, the Fed's governors apparently remain much less indebted than millions of households whose borrowing rates are influenced by the central bank's monetary policy decisions. In 2007, only one governor reported a liability of any kind – a modest-sized student loan taken out by one of Chairman Ben Bernanke's college-age children.

Table 2. Average Asset Total per Governor

Year	Lower End		Upper End	
	Unadjusted	Top Governor Omitted	Unadjusted	Top Governor Omitted
2007	\$14,522,261	\$2,664,791	\$25,163,600	\$7,542,750
2007 (incl. pending nominees)	13,356,704	5,257,465	29,540,000	18,522,167
2006	13,958,869	3,541,257	27,188,000	9,158,800
2005	2,574,616	1,824,045	6,511,000	4,659,333
2004	2,678,603	1,840,363	7,022,714	5,189,667
2003	2,387,316	1,685,529	6,544,714	4,840,167
2002	2,814,317	2,035,364	9,511,571	6,013,833
2001	3,459,274	2,664,792	9,934,200	8,278,000
2000	3,909,671	3,006,792	8,058,400	5,906,500
1999	3,258,080	2,619,750	6,711,800	5,185,750

Note: Asset and income totals include amounts reported for governors and their family members.

SOURCE: Executive Branch Personnel Public Financial Disclosure Reports. FMC calculations.

The Board of Governors' combined holdings and asset-related income would increase sharply if they included the holdings of Elizabeth Duke and Larry Klane, two Virginia-based financial industry executives who President Bush recently nominated to fill vacancies at the Fed. Ms. Duke, the head of a community bank and past president of the American Bankers Association (2004-2005), owns assets valued at \$8.2-\$35.5 million, according to the disclosure statement she filed after her nomination. Mr. Klane, the president of Capital One Global Financial Services, disclosed holdings valued at \$12.8-\$45.5 million in his filing. Although the Senate Banking Committee conducted hearings on their nominations in July 2007, neither the committee nor the full Senate has scheduled a vote to confirm their appointment.

As indicated by Table 3,¹ Ms. Duke and Mr. Klane would immediately become two of the three wealthiest individuals to serve at the Fed in recent years if the Senate confirms their nominations. In that event, an already large financial gap would widen further between America's most important economic policymakers and the public they are charged with serving.

¹ Table 3 records the highest annual asset total disclosed by each of the past and present governors who have held office since 1999. In some instances, the amount of governors' assets and income declined after their initial disclosure due to reporting quirks or to asset sales associated with their transition from the private sector to the Fed. For an explanation, see the 2003 edition of FMC's analysis of governors' disclosures.

Table 3. Peak Asset Total Since 1999 (identified by reporting year)

Governor [current Board member] [pending nominee]	Lower End	Upper End	No. of Reports Since 1999
Ben S. Bernanke	\$1,186,019 (2003)	\$5,615,000 (2003)	6
Susan S. Bies	\$7,708,040 (2004)	\$30,448,000 (2002)	5
Elizabeth A. Duke	\$8,163,066 (2007)	\$35,508,000 (2007)	1
Roger W. Ferguson	\$2,986,056 (2001)	\$9,871,000 (2001)	7
Edward M. Gramlich	\$2,191,000 (1999)	\$7,775,000 (2005)	7
Alan Greenspan	\$4,488,000 (1999)	\$12,118,000 (2001)	7
Edward W. Kelley	\$7,021,191 (2000)	\$16,666,000 (2000)	3
Larry A. Klane	\$12,722,554 (2007)	\$45,454,000 (2007)	1
Donald L. Kohn	\$1,078,030 (2002)	\$2,620,000 (2002)	6
Randall S. Kroszner	\$2,122,024 (2007)	\$4,659,000 (2007)	2
Laurence H. Meyer	\$2,132,044 (2000)	\$3,905,001 (2000)	3
Frederic S. Mishkin	\$6,740,103 (2007)	\$21,356,000 (2007)	2
Mark W. Olson	\$1,078,030 (2002)	\$2,190,000 (2002)	4
Kevin M. Warsh	\$66,046,926 (2006)	\$117,332,000 (2006)	2

Note: Asset and income totals include amounts reported for governors and their family members.

SOURCE: Executive Branch Personnel Public Financial Disclosure Reports. FMC calculations.

The following profiles provide details on financial disclosures by each of the governors. The profiles also include electronic links to web pages that display Schedule A of the governors' SF278 forms, [available online only](#) at the Financial Markets Center site (this schedule identifies each asset reported by the governors and the income it yielded).

Asset & Income Reporting Ranges

Disclosure statements list income-producing assets and all non-salary income over \$200 for Federal Reserve governors and their immediate family. **Asset values** are reported in the following dollar ranges: \$0-1,000; \$1,001-\$15,000; \$15,001-\$50,000; \$50,001-\$100,000; \$100,001-\$250,000; \$250,001-\$500,000; \$500,001-\$1,000,000; over \$1,000,000 (a category that is supposed to apply only if the asset "is solely that of the filer's spouse or dependent children"); \$1,000,001-\$5,000,000; \$5,000,001-\$25,000,000; \$25,000,000-\$50,000,000; over \$50,000,000.

Income is reported in the following dollar ranges: \$0-\$200; \$201-\$1,000; \$1,001-\$2,500; \$2,501-\$5,000; \$5,001-\$15,000; \$15,001-\$50,000; \$50,001-\$100,000; \$100,001-\$1,000,000; over \$1,000,000 (a category that is supposed to apply only if the income "is solely that of the filer's spouse or dependent children"); \$1,000,001-\$5,000,000; over \$5,000,000.

To view filing instructions and the form for Office of Government Ethics Executive Branch Financial Disclosure Reports, click [here](#).

Ben S. Bernanke (Chairman)

Total Value of Assets – Governor and Family		Total Income from Assets & Misc. – Governor and Family (a)	
High	\$2,541,000	High	\$329,600
2005-2006 \pm % Change	+2.3%	2005-2005 \pm % Change	+1.9%
Low	\$1,126,023	Low	\$139,323
2005-2006 \pm % Change	- 2.4%	2005-2006 \pm % Change	-0.1%
Biggest Asset		Values for Governor Only (no family) (b)	
TIAA Traditional Account;		Assets (High)	\$2,375,000
CREF Stock Large Cap Blend Account		Assets (Low)	\$1,115,012
(\$500,001-\$1 million each)		Income (High)	\$316,900
		Income (Low)	\$136,312

Notes: The principal holdings in [Dr. Bernanke's](#) portfolio remain his savings in TIAA-CREF, the giant retirement fund for employees of academic and research institutions. When he filed his first few disclosure statements as a Fed governor in 2002-2004, Mr. Bernanke reported the value of these retirement assets as a lump sum within the \$1 million-\$5 million range. In 2005, however, he began reporting each of his TIAA and CREF annuities as separate items – a change that had the effect of downsizing his total disclosed holdings.

During his second tour of duty at the Fed, Mr. Bernanke has made few changes in the basic composition of his portfolio. In addition to his TIAA-CREF savings, his largest holding continues to be a Wachovia money market account valued at \$50,001-\$100,000. Meanwhile, the largest income-producing items in Dr. Bernanke's filings also have remained constant. They consist of two streams of textbook royalties – one from Pearson and another from McGraw Hill, each valued at \$50,001-\$100,000.

The most noteworthy change in Mr. Bernanke's 2006 filing is the addition of a federal student loan taken out by one of his dependent children. The ten-year loan was valued at \$10,001-\$15,000 and was reported to carry an interest rate of 7.9 percent. In the decade since 1998 only a handful of Fed governors have reported a liability in Schedule C of their financial disclosure statements.

SOURCE: *Executive Branch Personnel Public Financial Disclosure Reports*

(a) Includes honoraria, royalties, partnership income, etc.

(b) Excludes assets and income described as belonging to spouses, dependent children or joint accounts.

Donald L. Kohn (Vice Chairman)

Total Value of Assets – Governor and Family		Total Income from Assets & Misc. – Governor and Family (a)	
High	\$1,615,000	High	\$177,200
2005-2006 \pm % Change	- 1.5%	2005-2006 \pm % Change	+104.9%
Low	\$671,017	Low	\$73,211
2005-2006 \pm % Change	+ 9.8%	2005-2006 \pm % Change	+172.0%
Biggest Asset		Values for Governor Only (no family) (b)	
T. Rowe Price Balanced fund held jointly with spouse		Assets (High)	n/a
(\$500,001-\$1 million)		Assets (Low)	n/a
		Income (High)	n/a
		Income (Low)	n/a

Notes: Alone among the current governors, [Mr. Kohn](#) has spent his entire career at the Federal Reserve and built his portfolio on a public-service salary. Since his appointment in 2002, the composition of his family's portfolio has undergone only minimal changes (Governor Kohn is the only member of the Board who shares joint ownership of all his reported assets with his spouse).

Between 2005 and 2006, the amount of income Governor Kohn reported receiving from his assets rose substantially at both the low end and high end of the reporting ranges. This increase resulted largely from the income on Mr. Kohn's largest asset (shares in a T. Rowe Price fund) jumping from the \$15,001-\$50,000 range to the \$50,001-\$100,000 range.

SOURCE: *Executive Branch Personnel Public Financial Disclosure Reports*

(a) Includes honoraria, royalties, partnership income, etc.

(b) Excludes assets and income described as belonging to spouses, dependent children or joint accounts.

