S. HRG. 117–335

NOMINATION OF JEROME H. POWELL

HEARING

BEFORE THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

ON

NOMINATION OF:

JEROME H. POWELL, OF MARYLAND, TO BE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

JANUARY 11, 2022

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: https://www.govinfo.gov/

U.S. GOVERNMENT PUBLISHING OFFICE
48–289 PDF WASHINGTON : 2022

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C O N T E N T S

TUESDAY, JANUARY 11, 2022

NOMINEE

NOMINATION OF JEROME H. POWELL

TUESDAY, JANUARY 11, 2022

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., via Webex and in room 106, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order.

This hearing will be in the hybrid format, as we have done many times. The witness is in person. The Senators can go either way, and my Senate colleagues will be done by seniority, whether you are here or whether you are remote, at the gavel. So thank you all for joining us.

Yearning for a return to normalcy, millions of American voters elected Joe Biden President of the United States more than a year ago. The American people were exhausted by the divisive rhetoric at neighborhood functions, and church gatherings, and family dinners. They wanted someone who would bring this country together based on our shared values, like the dignity of work. They wanted an economy that works for everyone, not just wealthy elites.

That is what we are delivering.

Think of where this country was a year ago. Domestic terrorists breached this building a year and a week ago and assaulting our democracy. Four million more people were out of a job, and the hope of vaccines, for everyone, was just that—a hope.

Today, we have made much progress. We have a President committed to democracy, willing to stand in this breach, as he put it last week. Vaccines and booster shots have dramatically lowered the risk for most people, allowed Americans to go back to work and our children to go back to school, safely.

We added 6.4 million jobs last year—6.4 million jobs—the most since 1939.

The nomination we consider today represents another step in President Biden's efforts to rebuild our economy. And the President is putting results over partisanship, evidenced by the gentleman sitting at the table, renominating a Federal Reserve chair of the other political party.

Jerome Powell has served as Chair of the Federal Reserve since 2018. He joined the Fed in 2012. He served the country before that in a number of different roles, including as Under Secretary for Finance at the Treasury Department during the George H.W. Bush administration.

As Chair, together with President Biden, he has helped us deliver historic economic progress. We passed the American Rescue Plan, putting shots in arms and money in pockets. The unemployment rate dropped to 3.9 percent, down from 6.7 percent—6.7 percent—when President Biden raised his right hand. In December alone, we added 800,000 jobs, more than doubling economists' expectations.

The economy has regained 84 percent of the jobs we lost since the pandemic hit 2 years ago. And for some of my colleagues who like to measure the strength of the economy only by the stock market, it was up 20 percent at the end of 2021, and last year hit record highs 70 different times.

We passed an historic jobs bill, the bipartisan infrastructure package, a goal that Presidents, for decades, Presidents of both parties failed to reach.

Chair Powell, along with Vice Chair nominee Lael Brainard, whom we will hear from later this week, led the Federal Reserve's unprecedented actions to stabilize our economy in the face of a global pandemic.

To his credit, Chair Powell recognized the importance of full employment and what that means for all workers, particularly those at the margins of our economy. He held firm against attempts to politicize the Fed, and prevented an economic downturn from becoming far, far worse. He understands that the best way to bounce back from this crisis is to get the coronavirus under control with vaccines.

Today we are at a critical moment. For the first time in decades, workers are finally—finally—starting to get a little bit more bargaining power. Wages are growing faster, faster than inflation, faster than we have seen in over a decade.

Americans are leaving jobs that did not work for them and their families, and they are finding better ones, often with higher paychecks. Corporations call this, quote, "a labor shortage." To me it looks like the free labor market at work at its best.

Of course we still have many challenges. We have seen severe supply chain disruptions caused by the pandemic, because for decades corporations put short-term profits over long-term resilience, lobbying this body for what turned out to be bad trade agreements and bad tax policy. The fragile supply chains stretching all over the globe are not easily fixed. These disruptions, along with corporate opportunism, are raising the cost of many consumer goods. That adds to all the costs that have been growing more unaffordable for decades, from childcare to prescription drugs to housing.

And while paychecks are starting to go up, wages are still far from keeping up with corporate profits. We have only just begun the work of empowering American workers and reorienting our economy from Wall Street to Main Street.

Some are suggesting, though, that the Fed pull back on the support of the broader economy and make it harder for people to get jobs. That is generally what happens.

Economists' lingo tends to mask what we are really talking about when it comes to the Fed's work, so let us be clear. President Biden put it pretty well last week. Taking the example of the price of cars, he said we have two options. We can increase the supply of cars by making more of them, or we can reduce demand for cars by making Americans poorer.

That is the choice we face. When people talk about "cooling off" the economy, what they really mean is making it harder for people to find jobs and stopping paychecks from growing. And we know how this goes. The "cooling off" never seems to extend to corporate profits or executives' pay.

The Fed must not allow only Wall Street to recover while working Americans are left behind. We have seen that story unfold far, far too many times before.

Today, banks are quietly celebrating one of their most profitable years ever, with huge bonuses and payouts. The Fed must do more to stop consolidation in the banking industry from hurting consumers and small businesses. It must encourage more lending to Main Street, and crack down on stock buybacks and risky bets at the biggest banks. And the Fed needs to take seriously the systemic risks that threaten our economic progress, like cryptocurrencies and stablecoins and, most importantly, climate change.

Chair Powell has shown he understands. In his words, "profound challenges for the global economy and financial system," unquote. If confirmed, we expect him to take what he has promised will be "bold steps" to tackle these risks.

Chair Powell and Vice Chair nominee Brainard have also begun important work with the FDIC and the OCC to update the Community Reinvestment Act regulations. Completing that update is essential to increase banks' service to, and investment in, all the communities that have been left on their own for too long.

We also expect reform inside the Federal Reserve System. That means increasing diversity at the Fed so that the people making decisions for our economy actually reflect the workers who power that economy, something the Fed's entire history has been, frankly, shameful about.

As Chair Powell has said, "If entrenched inequities prevent some Americans from participating fully in our labor markets, not only will they be held back from opportunities, but our economy overall will not realize its potential." Good words from the Chair on that. Many of us have appreciated those words, but now we expect action.

In all of this work the American people must be able to trust that the Federal Reserve works for them, that officials are not abusing their positions for personal gain. Recent revelations about the Fed's ethics scandal have confirmed a lot of people's worst suspicions about Government officials. As Chair of the Fed, Mr. Powell has a responsibility to restore that trust.

The Fed plays a central role in how we want our economy to work. We cannot have a Fed that returns to business as usual, because, frankly, that did not work for most Americans.

Chair Powell, President Biden nominated you to grow the economy for all Americans, not just those at the top, and to protect that growth from threats to our financial system, like risky Wall Street schemes, and cryptobubbles, and increasing climate disasters. We expect you to meet these challenges, and I believe you have shown the leadership to do so. We will be watching closely.

Senator Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman. Chairman Powell, congratulations on your renomination. As I have said, I intend to vote in favor of extending your chairmanship. Let me briefly explain why.

There is broad bipartisan backing for Chairman Powell's renomination because he has a record of acting thoughtfully and constructively, especially in some very difficult circumstances.

First, he did implement a number of modest, sensible reforms that reduced regulatory burdens, including on small banks, and helped to encourage economic growth. Second, when the pandemic hit nearly 2 years ago and Governments worldwide began to shut down their economies, credit markets seized up and the economy teetered on the brink of collapse. But with Congress' help, Chairman Powell acted swiftly and appropriately to stabilize the financial markets and the economy.

And to his critics who claim that the regulatory reforms that he has spearheaded would hasten the collapse of the banking system, we now know that is clearly empirically false. After the pandemic caused the economy to nearly collapse, our country emerged with the most well-capitalized banks in history. It was, and still is, abundantly clear that those regulatory reforms did not come at the expense of financial stability.

Of course, none of the Fed's pandemic actions came without a cost. This negative-real interest rate environment continues to distort markets, risk asset bubbles, and punish savers. And the Fed has dramatically expanded its balance sheet with trillions of dollars in Government bonds, effectively monetizing a lot of debt and facilitating profligate Government spending.

For the past 18 months, I cautioned that the Fed was fighting the last war, a mystery pathogen that led Governments to collectively shut down the global economy, when in fact a new enemy had arrived, and that was inflation.

I am relieved the Fed has acknowledged inflation is running well above and longer than its initial projections. In response, the Fed has accelerated the termination of its bond buying program, and FOMC participants appear to be accelerating the process to normalize interest rates. These are welcome developments.

But I remain concerned with the Fed's actions going forward. First, I worry that the Fed's extraordinary response to the crisis could become the new normal for monetary policy. We are more than a year into a record economic expansion, with unemployment at near all-time lows, and yet the Fed is still today buying Government and agency securities.

Having continued QE throughout the recovery was, in my view, a mistake. It has contributed to asset bubbles, distorted markets, and a suboptimal allocation of capital, credit, and resources, all of which ultimately lead to lower economic growth.

Second, I worry that the Fed's new monetary policy framework has contributed to the Fed being behind the curve, as we are seeing inflation running at a 39-year high. Under this new framework, the Fed intentionally tolerates above target inflation for an indeterminate amount of time. Under the old approach, the Fed may have acted last April when we first passed a 4 percent inflation rate, and we have not seen that in some time.

Beyond monetary policy, I am deeply concerned to see the Fed, especially at the regional banks, wade into politically charged areas like global warming and so-called racial justice. Regional banks have hosted multiple symposia on these issues that consistently embrace and advance a particular liberal political agenda.

And the Fed itself joined the Network of Central Banks and Supervisors for Greening the Financial System. The network's stated aim is to use financial regulation to, and I quote, "mobilize mainstream finance to support the transition toward a sustainable economy," end quote. In other words, to direct credit away from the fossil fuel sector.

The troubling politicization of the Fed puts its independence and effectiveness at risk. The Fed has been granted operational independence to protect monetary policy from short-sighted political interests, and, in turn, the Fed has operated largely apolitically to great effect.

There is a kind of bargain here. The Fed is given independence on the assumption it will only engage in areas in which it has a mandate. That makes sense.

But if the Fed is going to stray from its mandate and become a political actor, advocating a certain set of social policies, then there is no way it is going to maintain its independence from the political branches of Government that are actually responsible for those topics.

The Fed does not have a mandate to advance politically charged causes that are irrelevant to its mandate, like global warming or advancing so-called racial justice. And to make matters worse, when I have sought to understand these developments at the regional banks I have been met with unacceptable noncompliance with reasonable requests.

So let me be clear. If this politicization continues unchecked it will not end well for the Fed or for independently driven monetary policy. As the Fed's leader, I hope you take this seriously and rein it in to protect the Fed's legitimacy and independence.

I have observed that the Fed has had the good sense to adjust its behavior as the facts and circumstances regarding inflation have come in differently than were expected. Unfortunately, we have seen no such humility or recognition of reality from the Biden administration or our Democratic colleagues. They appear set on making the inflationary problem worse, further causing declines in real wages, with more reckless spending that gooses demand and regulatory and protectionist policies that limit supply, that in combination ultimately push prices for basic goods higher. The crisis we face now is inflation complicated by policymakers who unwisely behave as if it is still March of 2020.

The Fed cannot correct for policy failures like school closures, Government-induced business shutdowns, or misguided expansions of the welfare State, nor should it try.

Chairman Powell, the role of the Fed Chairman is crucial for our shared economic prosperity. I was encouraged to see your renomination, and I hope that you will do everything in your power to ensure that the Fed operates within its limited mandate to effectively support the American economy.

Chairman BROWN. Thank you, Senator Toomey.

Chair Powell, please rise. Raise your right hand, please.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. POWELL. I do.

Chairman BROWN. Do you agree to appear and testify before any duly constituted committee of the U.S. Senate?

Mr. POWELL. I do.

Chairman BROWN. Thank you. Please be seated.

Chair Powell, we welcome you to the Committee. If you would like to introduce family or friends feel free. Please begin your testimony. Thank you.

TESTIMONY OF JEROME H. POWELL, OF MARYLAND, TO BE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. POWELL. Thank you. Is this on? Yes. Thank you.

I did not bring any family or friends here today, in light of the limited seating circumstances, but I will mention them in my testimony. Thank you.

Chairman Brown, Ranking Member Toomey, and other Members of the Committee, thank you for the opportunity to appear before you today. I would like to thank President Biden for nominating me to serve a second term as Chair of the Board of Governors of the Federal Reserve System.

I would also like to thank my colleagues throughout the Federal Reserve System for their dedication, perseverance, and tireless work on behalf of the American people. Their commitment and expertise were essential to the Fed's response to the COVID–19 crisis and remain vital to the implementation of monetary policy as our economy continues to progress.

Particular thanks go to my wife, Elissa Leonard, and our three children, Susie, Lucy, and Sam. Their love and support make possible everything I do. My five siblings are all watching, or will later claim to have watched, and we are thinking of each other and of our parents today with love and gratitude.

Four years ago, when I sat before this Committee, few could have predicted the great challenges that would soon become ours to meet. On the eve of the pandemic, the U.S. economy was enjoying its 11th year of expansion, the longest on record. Unemployment was at 50-year lows, and the economic benefits were reaching those most on the margins. No obvious financial or economic imbalances threatened the ongoing expansion. But this attractive picture turned virtually overnight as the virus swept across the globe.

The initial contraction was the fastest and deepest on record, but the pain could have been much worse. As the pandemic arrived, our immediate challenge was to stave off a full-scale depression, which would require swift and strong policy actions from across Government.

Congress provided by far the fastest and largest response to any postwar economic downturn. At the Fed, we used the full range of policy tools at our disposal. We moved quickly to restore vital flows of credit to households, communities, and businesses and to stabilize the financial system.

These collective policy actions, the development and availability of vaccines, and American resilience worked in concert, first to cushion the pandemic's economic blows and then to spark a historically strong recovery.

Today the economy is expanding at its fastest pace in many years, and the labor market is again strong.

As always, challenges remain. Both the initial shutdown and the subsequent reopening of the economy were without precedent. The economy has rapidly gained strength despite the ongoing pandemic, giving rise to persistent supply and demand imbalances and bottlenecks, and to elevated inflation. We know that high inflation exacts a toll, particularly for those less able to meet the higher costs of essentials like food, housing, and transportation.

We are strongly committed to achieving our statutory goals of maximum employment and price stability. We will use our tools to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched.

We can begin to see that the postpandemic economy is likely to be different in some respects, and the pursuit of our goals will need to take these differences into account. To that end, monetary policy must take a broad and forward-looking view, keeping pace with an ever-evolving economy.

Over the past 4 years, my colleagues and I have continued the work of our predecessors to ensure a strong and resilient financial system. We increased capital and liquidity requirements for the largest banks, and currently capital and liquidity levels at our largest, most systemically important banks are at multidecade highs. We worked to improve the public's access to instant payments, intensified our focus and supervisory efforts on evolving threats such as climate change and cyberattacks, and expanded our analysis and monitoring of financial stability. We will remain vigilant about new and emerging threats.

We also updated our monetary policy framework, drawing on insights from people and communities across the country, to reflect the challenges of conducting policy in an era of persistently low interest rates.

Congress has assigned the Federal Reserve important goals and has given us considerable independence in using our tools to achieve them. In our democratic system, that independence comes with the responsibility of transparency and clear communication, to keep the public informed and enable effective legislative oversight. That duty takes on even greater significance when the Fed must take extraordinary actions in times of crisis. In order to facilitate that transparency, and to earn your trust and that of the American people, I have made it a priority to meet regularly and frequently with you and your elected colleagues, and I commit to continuing that practice if I am confirmed to another term.

The Federal Reserve works for all Americans. We know our decisions matter to every person, family, business, and community across the country. I am committed to making those decisions with objectivity, integrity, and impartiality, based on the best available evidence, and in the long-standing tradition of monetary policy independence. That pledge lies at the heart of the Fed's mission and is one we all make when we answer the call to public service. I make it here again, with force and without reservation.

Everything we do at the Federal Reserve is in pursuit of the goals set for us by Congress. I am honored to have worked in service to those ends since I joined the Fed in 2012, and as Chair for the past 4 years.

Thank you. I look forward to your questions.

Chairman BROWN. Thank you, Chair Powell.

Many working Americans are concerned about rising prices, and I think President Biden's decision to renominate you to a second term as Chair shows he is confident you will continue to lead our economy through this ongoing crisis.

In November, you indicated that the rise of the Omicron variant, 586,000 new cases daily over the last week, that the rise of the Omicron variant posed significant risks to employment and economic activity. Do you agree that higher prices are related to the supply and demand imbalances that can be traced directly back to the pandemic and the reopening of the economy?

Mr. POWELL. Yes, I do, for the most part, if you look back, and you can trace to developments including strong demand and also supply constraints.

Chairman BROWN. Thank you. Last year, FSOC released its report on climate-related financial risk which describes how climate change is a threat to our financial stability. In the past you have said, your words, "climate change is an emerging risk to financial institutions, the financial system, and the economy," end quote.

Chair Powell, will the Fed follow the FSOC reports' recommendations, including implementing climate stress tests for the biggest banks?

Mr. POWELL. We are looking at climate stress tests. I think it is very likely that climate stress scenarios, as we like to call them, will be a key tool going forward. I would stress that those are very different from the regular stress tests which affect capital. Climate stress scenarios at this stage are really about assuring that the large financial institutions understand all of the risks that they are taking, including the risks that may be inherent in their business model regarding climate change over time.

Chairman BROWN. Will you make this a top priority if confirmed to another term?

Mr. POWELL. Yes, it will be. I would say, within supervision, as I mentioned, that is likely to be a very important priority over the coming years.

Chairman BROWN. The position of Vice Chair of Supervision but also yours.

Mr. POWELL. Yes.

Chairman BROWN. OK. It is the Fed's responsibility, as you know, to promote financial stability. It means we need strong financial safeguards in place to protect American workers and families from risks in our financial system. It is all that.

Chair Powell, recently the Fed has refocused its full employment objectives to make sure it includes workers of all backgrounds. Can you agree that when all workers, including women, including Black and Brown workers, are able to fully participate in the workforce, that our economy grows, and do you think it is important for the Fed to understand and proactively address racial and gender disparities in wealth and income and employment in our country?

Mr. POWELL. So what we saw at the end of the last very long, longest in our history, expansion was as the labor market tightened the benefits began to go more broadly to those at the lower end of the income spectrum and to groups that have been more marginalized, from an economic standpoint. And that was seen, I think, very broadly as a highly desirable set of outcomes.

So our tools do not generally have direct distributional effects, but I do think that we see now the great benefits that a strong labor market can bring to, you know, right across the whole population and for the whole economy.

Chairman BROWN. But you are suggesting, from your answer, that only when there is strong demand for labor do people who are more on the margins of society, people of color, women, people who have not done as well, only then will they benefit? Does the Fed have responsibility beyond that?

Mr. POWELL. Well, of course we have responsibilities in bank supervision and community affairs and fair lending and things like that, but just focusing on monetary policy, our principle tool is interest rates, and they affect demand over time. And I do think the main thing that we can do is to make sure that, you know, consistent with the inflation side of our mandate that we do foster a strong employment market.

Chairman BROWN. Is part of that a more diverse workforce at the Fed?

Mr. POWELL. As you know, we work very hard to achieve diversity, and as all major American institutions, public and private, do these days, we certainly do. And think that having a diverse workforce makes us better at doing our jobs. And so it is an important focus and a high priority.

Chairman BROWN. OK. Thank you. Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman. Chairman Powell, we all noted, with great interest, the shift in the Fed's focus, the acceleration in the tapering and the indication that FOMC members expect now a series of interest rate increases this year. I am trying to understand where this leads to, and I wonder if you could comment on the fact that if we had three or even four 25-basis-point increases in overnight rates we would still, in my view, have a very accommodative stance with negative real short-term rates.

Is it your view that it is realistic to bring inflation back to the target level if short-term interest rates are negative? Real rates.

Mr. POWELL. So the way I would look at it is this. What we have now is a mismatch between demand and supply. We have very strong demand in areas where supply is constrained, particularly around goods, particularly around things like cars. So how are those two things going to get better into alignment? Well, part of the answer is going to be thorough shifts in demand, and we think that part of it will be through the return of greater supply.

So I do not think we look to get all of the realignment between demand and supply through the demand channel, although we should get some. But at the same time we do think that we will get, over the course of this year, return to normal supply conditions, and that is going to affect our policy.

I will say, though, you know, if we see inflation persisting at high levels longer than expected, then if we have to raise interest rates more over time we will. We will use our tools to get inflation back, and the main reason is this, a reason is this, that to get the kind of very strong labor market we want, with high participation, it is going to take a long expansion. We can see that participation is moving only very slowly. And to get a long expansion we are going to need price stability. And so, in a way, high inflation is a severe threat to the achievement of maximum employment and to achieving a long expansion that could give us that.

Senator TOOMEY. I think that is a very important point. Let me also just ask you, as I mentioned, I understood the need for quantitative easing, the extraordinary measures that we are taking during the crisis. But I worry that the Fed's decision to continue to use these policies, well after the crisis had passed—and, in fact, we are in the midst of a strong recovery—increases the risk of normalizing a behavior like this bond buying.

So I think it is your view that it is important that this not become normal routine part of Fed behavior, but could you clarify that, and if it is important that this not become a routine matter, how do we ensure that it does not?

Mr. POWELL. So I guess I would start by saying that the last two downturns, there has been nothing normal about them. They have been two historically large downturns, and one being the global financial crisis and one being the pandemic, and we were called to use—to invent new tools and use all of our tools.

So really, if we had a regular-way recession, a couple of quarters of negative growth, a typical recession, then the question would be, what do we need to do? So in this era of very low interest rates there is not going to be as much room to cut, but that would be the first thing that we would do.

Now just because we have been, and probably remain in an era of very low interest rates, we would have to look at asset purchases as the next tool in line, but I do not think we would automatically use it unless it was necessary.

Senator TOOMEY. I would certainly hope that we would not automatically use it. I would hope that there would be a very, very high threshold to get over, especially when you consider the ways in which it distorts the allocation of capital.

As I mentioned in my opening remarks, one of things I am very concerned about is especially the regional banks having strayed from the Fed's statutory mission on monetary policy into inappropriate and overtly political advocacy. As one of many, many examples, the Boston Fed conducted a virtual event as part of its Racism and the Economy series, in which the speakers routinely and adamantly called for defunding the police, which has nothing to do with the Fed's mandate.

For 7 months now, I have been asking for information from several regional banks about their political activism, and for 7 months they have simply refused to comply with my request. So I have requested some documentation from the main Fed with respect to this activity, all of which, by the way, is subject to FOIA, in any case.

Now I am sure it is not your opinion that the Ranking Member of the Senate Banking Committee is entitled to less information than a member of the general public would get through a FOIA requests, so can you commit to getting me the information that is now long overdue?

Mr. POWELL. So I am aware that you have submitted a FOIA request, and we are processing it not. And I do not know what is asked for. I do not whether it is actually covered by FOIA. But to the extent that it is, you will, of course, get it.

Senator TOOMEY. I think it is very important that this Committee and Congress understand how the Fed reaches decisions to engage in political advocacy.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

Senator Reed from Rhode Island is recognized.

Senator REED. Thank you very much, Mr. Chairman, and Chairman Powell, congratulations on your renomination. I believe that President Biden has made two excellent choices, yourself and Governor Brainard. I think you have worked together, hand in hand, for many years. I think you will be a superb team. And so I look forward to supporting your nomination and Governor Brainard's nomination also for Vice Chair. And let me join my colleagues in commending you for an exceptional job with respect to the pandemic.

One of the interesting consequences of the pandemic and the employment market is that we have seen wages rise. In fact, we have seen them rise with respect to factory workers and nonsupervisory personnel about 5.8 percent. And my concern is would an increase in interest rates in any way begin to slow down that rise or indeed reverse it?

Mr. POWELL. So like you, and I think like everyone, we think wages moving up is generally a good thing, but if you look back through history there are times when wages have moved up in a way that has fostered persistent inflation, and that hurts everyone. And particularly it hurts people on fixed incomes. So we do not see that right now, but we do see these are the biggest wage increases in decades, and so we are watching carefully.

You know, to the extent we are looking at this year, what we see is an economy where the labor market is recovering incredibly rapidly, really beginning around the middle of last year that the unemployment rate has been dropping at more than 3⁄10 of a percent per month since last June. It is now below 4 percent, which is pretty close to, you know, half-century low. So that part of the employment market is doing very well.

Meanwhile, inflation is running very well, very far above our target, and what that is telling us is that the economy no longer needs or wants the very highly accommodative policies that we have had in place to deal with the pandemic and the aftermath. So that is what that is really about.

We are really just going to be moving, over the course of this year, to a policy that is closer to normal, but it is a long road to normal from where we are. Right now we are very highly accommodative, and it is really time for us to begin to move away from those emergency pandemic settings to a more normal level. It really should not have negative effects on the employment market.

Senator REED. Which it is ironic because, as you pointed out in your opening statement, when you took over we had 11 straight years of significant economic growth, but that was not translated into the wages of most working people, particularly entry-level and non-factory workers, et cetera. And now we have seen a situation where that is reversed, and I would hope that we could continue that type of progress, and I know you will be sensitive to that, going forward.

One of the interesting things about the situation we face now is that the Fed tools are probably most effective at reducing overall demand, but a lot of what we are facing is supply problems. You know, the situation about automobiles, the problem there, in fact, I think used cars are so expensive they are distorting the inflation numbers significantly, and that is a result of the shortage of microchips and other types of chips, which is a result of the pandemic. These are supply issues.

So to what extent will your dealing with demand help supply, or maybe that is the real problem?

Mr. POWELL. No, it really will not. We really cannot directly affect the supply side conditions. That is why I mentioned this really is a problem both of very strong, elevated demand, particularly in a part of the economy, the goods sector, the durable goods sector, things like washing machines and cars and all of the things that people bought during the course of the pandemic when they could not spend money on travel and services. That is where spending is running at level 20 percent above where it was before the pandemic, and it has just kind of overwhelmed the supply chains, most of which are global. In these days you are getting parts and fully assembled products coming in.

So we can affect the demand side. We cannot affect the supply side. But this really is a combination of the two.

Senator REED. And the final point I want to make is that the issue of climate change is absolutely critical. It is an economic issue. I do not think you want to see a lot of banks owning property that is literally under water. But if you look at any of the analysis going forward that could be the case.

So I would hope that the Fed would view this as an economic issue and pursue it as an economic issue that is going to affect us dramatically. And my colleague, Senator Whitehouse, has been one of the most staunch visionaries and advocates for that position, and I hope the Fed is responsive.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Reed.

Senator Shelby, from Alabama, is recognized.

Senator SHELBY. Thank you, Mr. Chairman. Chair Powell, welcome back to the Committee. You have spent a lot of time with us in the past.

Inflation is currently surging at its highest rate in 40 years. And while I appreciate the decision that the Fed has made to begin tapering, I am concerned that the Fed missed the boat on addressing inflation sooner. A lot of us are. And as a result to that, the Fed, under your leadership, has lost a lot of credibility.

I only have a little time so I have a number of questions, and I know you can probably remember them, or maybe together we will remember them all. But I would like to touch on this, if you would, I would like for you to. Why did the Federal Reserve initially forecast inflation to be transitory? Second, has your view on the threat of inflation changed? Why? What assurances can you provide here today that the Fed has a better grasp today on inflation than a year ago, and so forth? And what factors have caused the U.S. to have greater increases in inflation compared to other developed countries? And I guess last, yes, how important is price stability to the American people?

That is a lot of questions, but these are all relevant to your job. Thank you.

Mr. POWELL. Respecting your time let me go right through these. First, let me say price stability is half of our mandate. There is no basis in the law for preferring maximum employment over price stability, or vice versa. They are equal. However, at different times one of them is farther away from its goal, and that is the one that we need to focus on a little bit more. Sometimes that is maximum employment. Sometimes it is inflation. I would say now it is inflation.

So on inflation, why do we say transitory? We said that because we thought that these supply side bottlenecks and shortages would be alleviated much more quickly than they have been. There is no empirical experience with this before. We have not had the global supply chain collapse. We have not had this kind of a labor force shock before. So we, and essentially all other mainstream forecasters, forecasted that by now we would be seeing much lower inflation, and that is not what happened.

So what has changed is that, just as I mentioned, the supply side constraints have been very persistent and very durable. We are not seeing really a lot of progress. If you look across, you know, the global supply chains and what is happening domestically, look at our ports, look at Long Beach and L.A., the two big ports on the West Coast for Asia, the number of ships at anchor is still at a record level. So we are not really seeing yet the kind of progress we, essentially all forecasters, really thought we would be seeing by now, and that is really what is driving it.

I think we did foresee the strong spike in demand. We did not know that it would be so focused on goods, but that is really what happened.

So I think we learned that. It was not that it was just—this is a unique set of circumstances. Really, the United States economy is so dynamic. The supply side adapts quickly. You know, there are new companies being started and old companies dying all the time. This is a situation where there actually are hard constraints. People want to buy cars. Car makers cannot make any more cars because there are no semiconductors. So that has never happened. I cannot think of another example of that, and that is true across.

So what factors, really it is the supply side. Did I miss any? I would like to think I covered, at least touched all five of those.

Senator SHELBY. What have you really learned, and you would share with your fellow Board of Governors, to get a grasp, as much as you can, on inflation? Because a lot of us have been on the Committee awhile and we remember what Dr. Volcker did with the Fed under his leadership. It was draconian, but it worked. I hope we will not have to do that, but you have got to do whatever you have to do. Do you agree?

Mr. POWELL. We have to achieve price stability, and I believe we will, and I am confident we will. And again, it is not just a question of restraining demand, although that will be—right now we are stimulating demand with very highly accommodative policy. As we move through this year we will, in all likelihood—we do not know the future, but if things develop as expected we will be normalizing policy, meaning we are going to end our asset purchases in March, meaning we will be raising rates over the course of the year. At some point, perhaps later this year, we will start to allow the balance sheet to run off.

And that is just the road to normalizing policy. That is what we are going to be doing, and of course we are committed. But we do believe, and I think widely it is believed that these supply blockages will be alleviated too, so that there will be more supply as well, more labor force, but people will be coming back into the labor force. We will see more recovery, although it has been slow, from participation. And we will see these global supply blockages coming down. We will see some more cars, although that is going to take some time. And that will help as well, getting supply and demand back at the same level.

Chairman BROWN. Senator Menendez, from New Jersey, is recognized.

Senator MENENDEZ. Thank you, Mr. Chairman. Chair Powell, let me start by reiterating a point that I have made, unfortunately far too many times, and the latest batch of nominees leads me to, once again, the conclusion that there is serious diversity problem at the Federal Reserve.

Latinos are the country's largest minority. They make up nearly 20 percent of the entire U.S. population. It is outrageous that they have no representation in Fed leadership. There has never been a single member of the Board of Governors or regional bank president that has lived the experience of being a Latino in the United States, and that means that the voices of one-fifth of the country's citizens are repeatedly drowned out when the Fed is making critical decisions on economic policy, decisions that affect whether a Latino family can afford their first home, find a job that pays a living wage, send their children to college, save for a comfortable retirement, or get a loan to expand their business.

In late October, several of my colleagues and I sent you a letter requesting that you work closely with the Boston and Dallas banks to recruit diverse candidates for their open president positions. We received your response to that letter just last week, and I have to be honest with you, the lack of detail was thoroughly disappointing. I had been expecting you to provide a more detailed update on the search process before your confirmation vote, including what specific changes you have made to the process and how they are going to lead to a more diverse candidate pool, and I hope that you will do that.

While we face significant challenges with the Omicron variant and supply chain disruptions that are both causing families to face higher prices for a variety of goods, the fact is that we are experiencing a strong recovery from an unprecedented pandemic. Thanks to the American Rescue Plan and other policies put in place by Congress and the Biden administration, we gained an average of 537,000 jobs per month since President Biden took office.

So Chairman Powell, if you are confirmed, how would you continue to balance the Fed's dual mandate to keep price increases manageable while not dampening the strong job and wage growth that we have seen over the past year?

Mr. POWELL. So by so many measures labor demand relative to supply is at its highest level, really, than I can remember. The level of job openings is at an all-time high as a percentage of the labor force. The level of quits—labor economists look at the level of quits as a real indicator of how strong the labor market—the percentage of quits, the number of quits is at an all-time high.

So the problem is not lack of demand for labor. The problem is that there is a significant supply problem, which is associated with the pandemic and a range of other factors. Participation has not recovered, but as you can see, for people who are in the labor force the unemployment rate is dropping at historically fast levels.

So we do not have a labor demand problem to solve through our policy. What we have is a labor supply problem. So what is the threat? We are clearly on a path to have an even better labor market over time. What are the big threats to our getting there? Well I would say very near the top of the list is the threat of price stability. If inflation does become too persistent, if these high levels of inflation get entrenched in our economy and in people's thinking, then inevitably that will lead to much tighter monetary policy from us, and it could lead to a recession, and that will be bad for workers.

So really, achievement of maximum employment, by which we really mean continued progress in hiring and in participation, is going to require price stability, and that is going to require us to use our tools, to the extent they work on the demand side, while we also expect some help from the supply side.

Senator MENENDEZ. Do you expect inflation to subside as vaccinations increase and supply chains are repaired?

Mr. POWELL. Over time, yes. Over time. The question is how fast, and the risks that we are running in the meantime that inflation psychology starts to get entrenched. But certainly I believe that. And you make a great point about vaccinations. Getting ahead of the pandemic, I mean, I do not think 2 years ago we thought we would still be having record levels of cases, and even close to record levels of hospitalizations. Getting past the pandemic is the single most important thing we can do.

Senator MENENDEZ. Now finally, according to the *New York Times*, New Jersey and other parts of the Northeast were hit particularly hard at the beginning of the pandemic and during the most recent surge, while the Midwest was most strongly affected in November of 2020, and the South at the end of last summer.

How closely does the Fed look at differences in regional performance when making policy decisions?

Mr. POWELL. We have to focus on the national level, but of course we follow, in this instance, the earlier Delta, for example, COVID rolled around the country on a regional basis. That is not so much the case with Omicron. It is so contagious, and it is not the same everywhere, but it really is going through the whole country at a pretty rapid rate. But we follow that very, very carefully. I would say we did not know much about vaccines and pandemics 2 years ago, but we have all had 2 years to learn.

But, you know, we defer to the experts, though. We do not substitute our judgment on medical issues for the experts but we talk to them all the time.

Senator MENENDEZ. Right. Well I look forward to following up with you on the diversity question.

Thank you, Mr. Chairman.

Chairman BROWN. Senator Crapo is recognized, from Idaho, from his office, I believe.

Senator CRAPO. Yes. Thank you, Mr. Chairman, and Chair Powell, welcome back to the Committee. When you last appeared before I also asked you about an expected Fed report on digital currencies. You indicated that delays in releasing the report were because the Fed wanted to ensure that their analysis was correct and complete, and that a release was expected in the coming weeks. However, that report still has not been released.

Do you have an update you can share on the status of the report, and are there problems with sharing this report with Congress and the public on what the Fed may be proposing with respect to possible centralizing public digital currency?

Mr. POWELL. So the report really is ready to go, and I would expect we will drop it—I hate to say it again—in coming weeks. But it really is in a situation where it is ready to go. The fall for us, given, you know, changes in monetary policy and other things going on, it was hard to—we did not get it quite to where we needed to get it. But it is effectively there now and I will tell you, you know, within weeks we will be publishing it.

And by the way, it is more going to be an exercise in asking questions and seeking input from the public rather than taking a lot of positions on various issues, although we do take some positions.

Senator CRAPO. Thank you. Well I hope that you will be able to meet this couple of weeks projection. As you know, I have been asking you and other members of the Fed about this for a long time, and I really do believe that it is time that the Fed releases this report so that we can engage in the further discussion of it.

I want to also, with the rest of my time, go back to the issue of inflation. I know you have talked about it a lot with us this morning. In response to my question about inflation last November, you confirmed that inflationary pressures would certainly last, in your words, through the middle of this year, this coming year. What do you now expect with the time we have seen since you last answered these questions in front of the Committee? What do you now expect inflationary pressures to look like throughout this year?

Mr. POWELL. I would not think things have changed much on that front since last November. I think that inflationary pressures do seem to be on track to last well into the middle of next year. And if they last longer than that then I will just say that our policy will continue to adapt. Our policy has been adapting to this, you know, for some months, but if inflation is going to last longer than that would potentially imply more risk of its persistence and ultimately becoming entrenched, and our policy will respond accordingly.

Senator CRAPO. You just said well into the middle of next year. Did you mean this year or next year?

Mr. POWELL. I mean this year. You are right. I still think it is 2021 sometimes.

Senator CRAPO. OK. I thought so, but I wanted to be sure.

You know, with regard to a question of what is going to happen over the next 3 to 4 months, as we try to deal with the inflationary pressures we have described, if consumer price inflation were to persist over the next 3 or 4 months at somewhere between 5 and 7 percent as we are now seeing, and if the unemployment rate were to remain about where it is now, below 4 percent, what would we expect the tools that the Fed would need to use would be?

And I noted in one of your responses on the inflation issue earlier today I thought I heard you say that the Fed's overnight interest rate would still, even after you may use it as a tool, would still be very low. Could you just discuss—I know you cannot predict the specificity, what the Fed would do, but could you discuss what you expect interest rates to look like as you utilize that tool?

Mr. POWELL. Sure. So I think to your point, you know, we are at a place where unemployment is now very low, historically low, and inflation is well above target, and the economy no longer needs this very highly accommodative stance of policy. And I would expect that this year, 2022, will be a year in which we take steps toward normalization. That will involve raising the Federal funds rate, that will involve ending asset purchases in March, and perhaps later this year, depending on the run of things, we would also see ourselves beginning to allow the balance sheet to shrink.

So I think that is the broad picture of what I see happening. The committee has not made any decisions about the timing of any of that, and I think we are going to have to be both humble and a bit nimble here. You know, if you go back and look at where we were a year ago today in the economy, you know, vaccines were arriving, and I think in my thinking there was the idea that that will really help us get past the pandemic. It has helped a lot but yet we are at all-time record cases and approaching record hospitalizations nationally.

So the thing has stayed with us longer, and I think we are going to have to be open to the changing environment, and monetary policy is going to have to adapt as we learn more. We are going to learn a lot about the path of inflation, particularly as it relates to these supply side blockages we have had, over the first 6 months of the year, and every month, really.

Senator CRAPO. So do I understand, are you saying that if the pandemic remains problematic and aggressive, that that would impact the timing of any decisions the Fed might make in terms of the Federal funds rate?

Mr. POWELL. I would say it could, but, you know, what has happened is the economy has made all these gains in the face of two—during 2021, we had two major pandemic outbreaks, two variant outbreaks, and really, the beginning of 2021, was dominated by a very strong wave of the original COVID. And yet the economy, we made tremendous progress in the labor market in 2021, and growth is at a multidecade high in 2021.

So I expect the economy to continue to be able to deal with these outbreaks. I think it is likely, though, if the experts are right and Omicron is going to go through really quickly, and peak perhaps within a month and then come down after that, I think it is likely you will see, you know, lower hiring and perhaps a pause in growth and that kind of thing. But that it should be short-lived. It should be, and then the economy, the forecast for the rest of the year, or certainly for the next quarter or two, would be a very positive one, very positive.

Senator CRAPO. And if that happened, would that increase the likelihood of Fed action to increase the Federal funds rate, or would it delay that?

Mr. POWELL. Sorry. If that all happens? So I think what we are seeing is an economy that functions right through these waves of COVID. My colleagues and I see that, and you see that every quarter we write down projections of interest rates that are individual projections. They are not a committee plan or anything like that. But broadly speaking, all Members of the Committee see interest rate increases coming this year. The median was 3. But that is going to depend on data. It is going to depend on the progress we see on the supply side, the progress we see on inflation, and we honestly do not know. There is risk on both sides, really, on growth and potentially on inflation as well.

So we are going to have to be just very attentive to what is happening in the economy and willing to adapt pretty nimbly our policy as we go through the year.

Chairman BROWN. Thank you, Senator Crapo.

Senator Tester, from Montana, is recognized.

Senator TESTER. Yeah. Thank you, Mr. Chairman. I do not know if there is any way to turn that mic down, but that was almost painful. I mean, it was tough. Not your questions, Crapo. Just the intensity.

First of all, Chairman Powell, I want to thank you for your willingness to serve. I appreciate your work you have done, working with the Federal Reserve Board throughout the health and economic crisis that we have found ourselves in. And just to say, as many have said before me, we appreciate your steady hand.

In your opening statement you talked about climate change and cyberattacks, taking those into account as part of the things the Fed has to do. There was an interesting story in the *Post* yesterday that talked about $145 billion this country spent on disasters in

2021. December was the warmest ever, and last year was the fourth-warmest year in history. I think that is a conservative number, because I do not think it took in the impacts of our crops and crop insurance and things like that.

I say that because I hope you will continue to gather as much information as possible about what needs to happen as this climate situation appears to be getting worse and not better as time moves on. The American taxpayer deserves that.

Look, the challenges that we have had because of this pandemic, it is fair to say that the Federal Reserve has helped us get through this is in a major, major way. This question has been asked before, but I am going to ask it again in a different way. Could you compare the economy prepandemic, pandemic, a year ago, and today, and tell me where we are at in relation to those three different points of time?

Mr. POWELL. Sure. So the prepandemic economy, that was a very long, historically long, 10 years and 8 months expansion. Growth was just modestly above potential every year, so we were getting growth between 2 and 3 percent, and we think potential growth is around 2 percent. So that implies a tightening labor market.

So we had this long, relatively uninterrupted period of growth, and what happened was unemployment kept coming down and participation kept coming up, and that was very beneficial. So you saw people around the edges of the labor market getting more wages. We saw companies going to prisons and recruiting people who were not going to get out for a couple of years. I mean, it was a great labor market. So that is prepandemic.

So then the pandemic comes and it upends everything, and so the question really is how is it going to be different? And we are only beginning to see that because we are not out of the pandemic. We are a long way from out of the pandemic, potentially. So what are some of the things that we are seeing that are with us now?

One of them is that the recovery in labor force participation overall has been slower than hoped. Actually, prime-age labor force participation has moved up a whole percentage point, almost, last year, but overall that was offset significantly by older people retiring, for older people and not older people retiring. So we are seeing some differences.

We are also going to see people working remotely. The wage increases that we are seeing are still very skewed to the lower end of the income spectrum. So there may be something happening there where wages are just going to be higher for people. We do not know whether any of this will persist, but those are some of the things that we are seeing.

I know employers who are hiring younger people out of school are finding that they have to have 1 day to work from home, or they will go to someplace else where they can get that. So it is a market right now where labor is very short, and as result workers have a lot of leverage, and that may persist. So I think there are a lot of different things.

Senator TESTER. I have just got a limited amount of time here, but could you speak a little bit about the importance of the independence of the Fed? I remember, pretty clearly, the kind of pressure that was put on you by President Trump to try to politicize the Fed, and I commend you on keeping it independent. Could you talk about why that is so important?

Mr. POWELL. Sure. It is essential that we—we work for all Americans, and that is what we do, and it is essential that we do that without regard to political considerations, like election cycles or particular political parties' views on issues that are outside our mandate. You know, we have to focus on the job Congress has given us, which is maximum employment and price stability, and also the payment system and financial stability and other things. But we have got to do that, and that is what we need to do to justify our continued independence, and we are committed to doing that.

Senator TESTER. Thank you. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Tester.

Senator Rounds, from South Dakota, is recognized.

Senator ROUNDS. Thank you, Mr. Chairman. Chairman Powell, first of all, let me congratulate you again on being selected to serve a second term as the Chair of the Federal Reserve, and I do look forward to supporting your nomination.

I want to follow up a little bit with regard to the discussion on inflation. Consumer price index rose 6.8 percent in November. There appears to be a consistency along that line. Part of that you have the opportunity to impact with regard to the demand side. Can you talk to us about your discussions, or at least your analysis of how much of the inflationary trends we are seeing you have the ability to impact with your monetary policy?

Mr. POWELL. So again we do not have much ability to affect the supply side, and if you look at where the really big contributors are to the overshoot from inflation it is in the goods section, still largely, and that is cars, that is new, used, and rental cars, it is appliances, and——

Senator ROUNDS. What about food?

Mr. POWELL. Food too.

Senator ROUNDS. Hamburger at over $5 a pound.

Mr. POWELL. Yeah, no, and see, that is not something—we cannot—I would say that there are supply side issues there too, as you and I have discussed. But those are really outside the range of our——

Senator ROUNDS. Would it be fair to say petroleum products as well? Gas. The price of gas over $5 a gallon.

Mr. POWELL. Yeah.

Senator ROUNDS. Those are items that are supply side. They are not the demand side.

Mr. POWELL. That is right.

Senator ROUNDS. And yet you have a responsibility to try to, or at least your goal is to remain inflation about 2 percent or so.

Mr. POWELL. Right.

Senator ROUNDS. But the supply side of this is a significant part of the entire inflationary demand. Is it fair to say that your focus is on the demand side and not the supply side. Correct?

Mr. POWELL. That is right. That is correct.

Senator ROUNDS. So what percent of that inflationary trend, what percent of that are you trying to impact with the demand side monetary policy that you have the ability to impact?

Mr. POWELL. That would be hard to break it down in that way. I would say it this way, though. Right now our policy is very highly accommodative, so we are stimulating. We are not restraining demand at all at this point. We are encouraging it. We are trying to get to a place where we are more neutral, and then perhaps tight, if that is appropriate?

Senator ROUNDS. But it is not political in nature. It is economic in nature to say that the inflationary trends that we are seeing are partially from the ability to of consumers, with cash in their pockets, to be able to pay a higher price. But second of all, it is because of the limitations and the bottlenecks that we find within the supply side of our economy. Correct?

Mr. POWELL. Yes.

Senator ROUNDS. So let's just take food as an example. I come from South Dakota where cows outnumber people, and yet we have producers there that, on a regular basis, talk about the fact that they do not see an increase in what they are receiving for livestock, and yet our consumers across the entire country are seeing huge increases in the price of meat, and in between them, packers, four packers who control over 80 percent of the market showing record-high profits while consumers pay huge, inflated prices. That is something which has to be dealt with with policy and not necessarily something that the Fed can impact. Correct?

Mr. POWELL. That is really a competition policy question, yes.

Senator ROUNDS. So do we have the same type of challenges with regard to other items that people consume on a daily basis? And by that I mean petroleum products are something that I truly believe that the price rise in petroleum in '06, '07 really impacted the ability of people to actually pay their mortgages or pay their rent, or for that matter, if they were going to put food on the table before they were going to pay a mortgage.

Do we have a similar type of situation developing here with regard to individuals that are trying to get to work paying a higher price for their gasoline, and now they are seeing the possibilities of other things going by the wayside?

Mr. POWELL. That is right. I mean, gas prices are high, and those gas prices and food prices and heating oil prices, you know, are the kind of things that affect people who are living paycheck to paycheck, on a fixed income.

Senator ROUNDS. And not necessarily something that you can do at the Fed, but nonetheless, it does impact inflation, and it is something that would probably have to be addressed with the regulatory environment that we have within this country today.

Mr. POWELL. We can have marginal effects on demand, but really, when it comes down to energy and food, those are largely importantly influenced by supply side issues.

Senator ROUNDS. Thank you, and I would just add this. I know that with regard to regulations the Fed has been considering whether or not make permanent adjustments on separate items, the supplementary leverage ratio, or SLR, in order to account for a significant influx of cash that consumers have got. They are trying to put them into banks, and yet the banks have to basically have capital to be able to accept those deposits.

I would just hope, and I would consider that you continue to look at considerations with regard to the adjustments on the SLR so that we actually have the ability to accept those deposits in the future, sir.

Mr. POWELL. We will return to that. We want risk-based capital to be binding not the leverage ratio. We do want to make adjustments, but we want them to be done in ways that do not reduce the overall bindingness of the capital requirements on the largest firms. That is an important principle. But within that we do think there are some things we may be able to do on the SLR that honor that first principle.

Senator ROUNDS. Thank you, Mr. Chairman.

Chairman BROWN. Senator Warner, from Virginia, is recognized.

Senator WARNER. Thank you, Mr. Chairman, and Chair Powell, let me join my colleagues on both sides of the aisle in thanking you again for your service.

I want to pick up a little bit where my friend, Senator Tester, left off when he started talking about prepandemic economy, pandemic economy, and postpandemic economy. You said in your testimony that the postpandemic economy is likely to be different in some respects, and that, quote, "the pursuit of the Fed's goals will need to take these differences into account."

What are some of those differences? You mentioned we are seeing changes in employment patterns. We may need to see new supply chains. Can you talk a little bit more about in that postpandemic economy what those differences will be? How will it affect the Fed's decisionmaking, and will there be actually any economic indicators that might have a new emphasis or even be new economic indicators in this postpandemic economy, hopefully we get to.

Mr. POWELL. We are just beginning to see this sort of emerging from the fog, so it is all very indefinite.

But you mentioned supply chains. The supply chains we had prepandemic were very efficient and pretty fragile. And so I think companies, since the very beginning of the pandemic, have been looking at ways to have more robust supply chains that will not be subject to these kinds of disruptions that we have had now for 2 years. That is one.

Another I mentioned earlier is labor force participation has been much slower to come back than we had hoped for. The level of employment that is consistent with price stability is something that can evolve over time, and we have to deal with the economy as we find it. Right now we have very high inflation, and, you know, wages at multidecade highs, which are not causing the current inflation at all but something that we are watching.

And we want participation to come back, but has been quite slow. We have to deal with the fact that it probably will take a long expansion to draw people back into the labor market, just to speak of two. There are many others.

Senator WARNER. Well, for example, would childcare be one of those factors? We still have a large percentage of the workforce, particularly women in the workforce, participation still down. If we do not find a way to provide adequate, affordable childcare, is that not going to be a long-term disruption?

Mr. POWELL. It is clearly weighing on participation still, although participation has moved back up among women as well. But that part of the economy is suffering from a lack of workers as much as any part is, and that weighs on participation by people who depend on childcare, yes.

Senator WARNER. I also think that on the supply chains a lot of us, at the beginning of this pandemic, raised concerns about being dependent on sole source, for example, whether it is the base chemicals that go into our pharmaceutical drugs or PPE coming from China. I think some of these changes are going to be permanent. We now that the Congress needs to act to make sure that we do not maintain that dependence, but I think it is something we are going to need to continue to revisit.

I want to come to another topic that you and I have talked about a long time. Out of the pandemic we saw a disproportionate effect on minority communities. We lost 440,000 Black-owned businesses. A lot of the delivery mechanisms that we put in place on the Paycheck Protection Program, well-intentioned but clearly minority-owned businesses did not do as well.

I am a big believer, and I thank folks on both sides of the aisle, and I am going to call up my friend, Mike Crapo, on this, we have a lot of money into the CDFIs and MDIs. But there still remains challenges for these organizations.

For example, after the murder of George Floyd, private sectors indicated they were going to put up about $200 billion to help deal with racial wealth cap issues, but we continue to hear that there are a number of entities that might want to, for example, invest in MDIs, minority-owned depository institutions, with no intent of changing control, but they cannot make those investments because of potentially triggering that regulation on change of control.

I think we are going to need some regulatory review here. I think, as well, we need to look at, for example, a nonemergency discount window that would be geared toward CDFIs and MDIs, modeled after the seasonal discount windows that already exist on nonemergency basis.

Can you speak to how you and the Fed can work with me and others on this Committee to make sure that CDFIs and MDIs, that are going to continue to play, I think, an increasingly important role in serving underserved communities, do not get blocked by some of these regulatory barriers?

Mr. POWELL. Yeah. So we have talked about this a lot. We are very focused on what we can do to support CDFIs and MDIs. We did see, in the recovery from the pandemic, in a number of cases where they were the ones who were there in poor communities, delivering credit to a great extent. So they were, in some cases, pretty effective.

Nonetheless, so what are we doing? As you know, under ECIP we have been working with the other banking agencies to make sure that those loans and investments can be made in a way that gives attractive capital treatment. And, you know, there is range of things that we are doing. We do want to foster investment in CDFIs and MDIs under the law.

Senator WARNER. I would just ask that we—and we can continue this offline. But, you know, for those entities, and private capital that wants to come into these institutions with no intention of trying to take over control, whether we set up a different class of stock or some ability for part of the capital to flow into these without triggering the change of control requirements that, frankly, at this point prevents a lot of those investments.

So I appreciate what we have worked on so far, but much more to do.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Warner.

Senator Tillis, from North Carolina, is recognized.

Senator TILLIS. Thank you, Mr. Chairman. Chair Powell, thank you for being here.

You mentioned in your opening statements you committed to regular and frequent contact. I can attest to the fact that you have regularly contacted my office, and any time we have had a request for a conversation you have been very prompt, so I appreciate you for your responsiveness.

I want to talk a little bit about the current extraordinary inflationary pressures and the tools that the Fed has to deal with it. Of course, you could have a benchmark rating increase. We know what that would have is a consequence for raising the price of lending and ultimately affecting the cost of buying a car or buying a house or just making ends meet.

Your other option is to reduce the balance sheet, particularly from some of the COVID areas bond-buying programs. I believe that it was Governor Waller who just last month said that because of the alarming rate of inflation the Fed should begin shrinking the asset portfolio without delay, and I think this week the Fed president from Atlanta, Mr. Bostic, said he thinks the Fed should aggressively draw down the balance sheet by at least $100 billion a month. I know you went up from $15 billion to $30 billion, but that is a 3.5 time increase over the current run rate.

So to what extent do you think, and give me an idea of discussions that you are having at the Fed, to have a faster taper in lieu of a rate increase?

Mr. POWELL. We have not made any decisions. We had our first discussion of these issues about runoff, and as you mentioned there are a number of different pieces to talk about. We had that at the December meeting. I expect we will talk about it again at the January meeting.

And again, just no decisions, but as we reflected in our minutes, we looked at what the Fed did last time, and I was there, as we, you know, ended QE, and then later started to have the balance sheet shrink. And we looked at that experience and thought that is quite informative, but the economy is in a completely different place than it was when we ended asset purchases the last time. So the period of time between stopping purchases and beginning runoff will be shorter, and also the balance sheet is much bigger and so the runoff can be faster.

So I would say sooner and faster. That much is clear. Beyond that, we are not at the point of making decisions at this point. We will have another discussion, and I think we will be in a position to provide guidance at coming meetings. And, you know, we are mindful that the balance sheet is $9 trillion. It is far above where it needs to be.

Senator TILLIS. At the current draw-down rate that is about a 24-year trajectory to retire the balance sheet. Is that right?

Mr. POWELL. That would depend on the speed you assume.

Senator TILLIS. What sort of indicators are you looking at that would actually drive you to a faster taper, particularly based on some of the comments that folks at the Fed——

Mr. POWELL. You know, we are looking at the whole range of things. This balance sheet is much shorter in duration than the one that we had at the end of the global financial crisis. That can play into it.

We tend to do a lot of analysis. We tend to take two, three, four meetings to work these things through. I find that the best ideas sometimes take a while to surface. They did the last time on this issue. So it will be part of the things that we are discussing and doing this year.

Senator TILLIS. OK. Thank you for that. I should have also mentioned that I look forward to supporting your nomination.

Mr. POWELL. Thank you.

Senator TILLIS. I want to turn to bank mergers. You know, Senate Bill 2155 gave us the opportunity to do some regulatory tailoring for some of the smaller banks, and I think it was largely successful. I appreciate the bipartisan effort to do it.

But bank mergers are one of the most highly regulated transactions that you could go through. It involves the Federal regulators, including the Fed, the Department of Justice, and a lot of opportunities for outside interest groups and others to voice their opinions.

But I am getting the sense that moving forward there may be a trend toward making it more difficult for some of the super-regionals and other banks to move through the merger process. I tracked one recently that involved a North Carolina banking institution and it seemed to take a bit longer than I thought it would have.

So can you give me an assurance that there is not sort of increasing bias on the part of the Federal regulators to make it more difficult for some of these super-regional and smaller banks to actually get through a merger and acquisition process, or am I missing—is this a trend that I should be concerned with, or do you believe that the financial regulators are still in a position to allow that ecosystem to continue to evolve, which I personally believe is very important for the viability of the U.S. banking system?

Mr. POWELL. So we are still applying the same. The law has not changed, and our practices have not changed. We are still working our way through, you know, the applications that we have in front of us.

Senator TILLIS. OK. And I will submit a question for the record on the status of the Fed payment system. Thank you.

Thank you, Mr. Chair.

Chairman BROWN. Thank you.

Senator Warren, from Massachusetts, is recognized.

Senator WARREN. Thank you, Mr. Chairman.

So since President Biden took office we have added more than 6.4 million jobs, the most jobs that have ever been added to the economy in U.S. history. But over the past few months, families have faced higher prices at the grocery store, at the gas pump.

Addressing inflation is one of the Federal Reserve's most important jobs, and if we are going to solve this problem then we need to understand why it is happening. So if we can let's start with Econ 101.

Chair Powell, in markets with lots of competitors, are companies' profit margins generally likely to stay low? That is, in competitive markets are profit margins likely to stay steady, modestly above the cost of labor, or materials and capital?

Mr. POWELL. I mean, microeconomics would tell you that all of the things equal, you will compete down to your marginal cost.

Senator WARREN. Good. And in markets with greater concentration and not much competition, are corporations generally able to raise prices and increase profit margins, all else being equal?

Mr. POWELL. So actually the connection between concentration and market power is not as clean as we might think it might be. In some of the industries that have concentrated, there actually has been, you know, sort of lower cost increases. It has resulted in lower costs to consumers, and I am thinking there of retail and things like that, so it is not as direct.

Senator WARREN. Well, but let me ask it the other way then, because we are still kind of doing Econ 101 here. If you are a corporation that has eaten up most of the competition and cornered the market, is it easier for you to raise prices on your customers, and maximize your profits, because you do not have to worry about losing your business. In other words, you have lost the discipline that the market imposes.

Mr. POWELL. In principle, if you do not have competition and you are a monopolist, yes, you can raise your prices.

Senator WARREN. OK. And over the past year we know that prices have risen because of supply chain problems, unexpected shifts in the demand for goods, and even higher labor costs. But if corporations were simply passing along these costs, in highly competitive markets, would the companies' profit margins have changed much?

Mr. POWELL. You know, so many things affect that calculation. In principle you could be right, but——

Senator WARREN. Well it is very much not what we are seeing right now. Today nearly two out of three of the biggest publicly traded corporations in the country are reporting fatter profit margins than they reported before the pandemic, which does not sound like they are just passing along costs.

So let me ask you, does that increase in profit margins, combined with greater market concentration industry after industry suggest to you that some corporations may be passing along increased costs and, at the same time, charging more on top of that to fatten their profit margins?

Mr. POWELL. That could be right. It could also just be, though, that demand is incredibly strong and that, you know, they are raising prices because they can.

Senator WARREN. Well, that is the point. They are raising prices because they can, and they are not being competed down.

You know, market concentration has allowed giant corporations to hide behind claims of increased costs to fatten their profit margins, so the consumer pays more, both because the corporations face higher costs and because, as you put it, because the corporation can increase prices.

The reason I raise this is that higher prices have many causes, and we cannot overlook the role that concentrated corporate power has played in creating the conditions for price gouging.

Now before my time expires I want to ask you about one other important topic, and that is about climate change. Mr. Chair, when you came before the Banking and Housing Committee last July you said that the transition to a lower carbon economy could, quote, "lead to a sudden repricing of assets or entire industries and that we need to be in a position to deal with all of that." Why is it important for the Fed to assess risks related to climate change in order to fulfill its mandate?

Mr. POWELL. So our role on climate change is a limited one but it is an important one, and it is to assure that the banking institutions that we regulate understand their risks and can manage them, and it is also to look after financial stability. And with financial stability the issue really is, can something from climate change rise to the level that would threaten the stability of the entire financial system? So that sounds more in the nature of what you were reading, something in the nature of transition risk, where some unexpected, you know, Government policy change happen, which could potentially create disruption.

Senator WARREN. Well the world is running out of time to deal with the climate crisis, and the Fed has an important role to play here, and I hope the Fed will step up.

Last thing, Chair Powell, I sent you another letter asking for more information about the Fed's ethics scandal, and I asked for a response by next Monday. Can I receive your assurance that I will get that response by next Monday?

Mr. POWELL. I will have to look into the status of that. You will get either a response or we will update you on where we are.

Senator WARREN. OK. I would like to have a response. OK. Very important. Thank you.

Chairman BROWN. Thank you.

Senator Kennedy, of Louisiana, is recognized.

Senator KENNEDY. Mr. Chairman, congratulations. I think it is fair to say that you are, and once you are confirmed, will continue to be one of the most powerful people in the world.

So I want to begin today, I have some questions, but first I have a plea. Above all else, above everything else on your plate, I ask that you please preserve the independence of the Federal Reserve. The last thing that America needs right now is to have the Federal Reserve politicized. It is the last thing the world needs right now, and believe me, the whole world is watching, including our enemies.

Now I get it. Our politics is polarized. I hope you will remain blissfully ignorant of that. And I get it. I am not telling you not to listen to elected officials, public officials. I get it. I mean, I can only speak for the Senate. We have some very smart people in the Senate. They have strong opinions and strong personalities. We have got a few Senators that, to paraphrase Dave Barry, think they ought to make a Hamilton-style musical about their lives. I get all that.

But you have got to remain independent. Political fads come and go, but the dollar does not. I hope not. The dollar underpins the entire world economy. Politicize it at your own risk.

Let me shift gears to a question. Professor Keynes, about who I know you know more than I do, but Professor Keynes has seen a resurgence in the last few decades in his number of followers. And, of course, we both know Professor Keynes said one way to get out of a recession is to have the Government spend money it does not have, to deficient spend, to stimulate the economy.

But Professor Keynes said something else that the media does not usually quote. He also said when you get out of the recession, pay the damn money back. Did he not? Did he not say that?

Mr. POWELL. Yeah. I was going to add that. What he said was it is OK to do deficit spending but you should be doing surplus, you know, in good times, to sort of keep it——

Senator KENNEDY. Yeah. Now behind me is a charge of our public debt, going all the way back to, I think, 1990. You do not have to be Euclid to see that the direction is up, and it has been up under Republican administrations, and it has been up under Democratic administrations. It has been up under Democratic and Republican Senates and Houses. It is up.

So here is my question to you. How much is too much? At what point, in your judgment, are we going to hit the point where you have to say, "No, that is it. We cannot do anymore. It is hurting the world. It is hurting our country."

Mr. POWELL. So we do not know when that is, and as the world's reserve currency, demand for our paper is very strong. If you had shown that and then asked somebody, 15 years ago, to predict what interest rates would be, they would not be predicting that the 10-year would be at 1.75.

Senator KENNEDY. No.

Mr. POWELL. Right? So there has been a lot of demand.

Senator KENNEDY. But they would have predicted that the debt was going to go up.

Mr. POWELL. They would have looked at that picture and said, "Well, you must be experiencing difficulty borrowing," but we are not at all.

So, no, we are on an unsustainable path. Debt is not at an unsustainable level, but the path is unsustainable, meaning it is growing faster than the economy, meaningfully faster than the economy. We have to address that over time. We will address it over time. And the better way to do it is soon, and to do it in good times. Start when the economy is strong and the taxes are rolling in. You know, since we do not do fiscal policy, but I will say that the sustainability of the debt is something we need to get back to and focus on again.

Senator KENNEDY. Good luck, Mr. Chairman.

Mr. POWELL. Thank you, sir.

Chairman BROWN. Senator Van Hollen, of Maryland, is recognized.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Welcome.

Mr. Chairman, we all recognize we have got continuing economic challenges, but I think it is important to look at some critical areas where we are much better off today than the Fed predicted we would be at this time, just a little while ago. We have seen a record increase of 6.4 million jobs in our economy in 2021, and back in December of 2020, when the unemployment rate was 6.7 percent, the Federal Board of Governors projected that the unemployment rate in December of the year we just came out of would be 5 percent. Is that not correct?

Mr. POWELL. I cannot do it from memory but I am sure you are right.

Senator VAN HOLLEN. Well, as I reviewed your predictions that was what it was, and, in fact, we did much better than that. The unemployment rate for December, the month that we just left, was 3.9 percent, and the unemployment rate for that fourth quarter of last year was 4.2 percent, a year ahead of what the Fed had predicted. Is that right?

Mr. POWELL. Yes.

Senator VAN HOLLEN. And what happened in between was a lot of us here in the Senate and the House and folks around the country looked at those projections and said, "That is not the kind of course we want to be on," and we passed the American Rescue Plan which helped stabilize the economy and helped result in those much-improved employment numbers. Isn't that right?

Mr. POWELL. Yes.

Senator VAN HOLLEN. Now let me just talk about inflation. I think all of us recognize that Americans are experiencing price increases in many areas. The Federal Reserve has predicted—well, the Cleveland Fed projected a 2.6 percent inflation rate for this year, which matches the Federal Reserve Board's projections. If you look at consumer expectations, not surprisingly they are running higher than that, because of where we have been in the last couple of months.

But can you explain why you are confident at the Federal Reserve that we can hit that 2.6 percent target while continuing to push for full employment?

Mr. POWELL. So that is the median of expectations of individual expectations. We do not have a committee or official Fed forecast. And it is conditioned on a number of assumptions, and the most important assumption here is that we do get significant relief on the supply side, that the global supply chains loosen up and we get, you know, more semiconductors so that we can start manufacturing cars again. That is going to be a big part of getting inflation back down.

Part of it will also be our moving from a very highly accommodative policy to a somewhat less accommodative policy, but still accommodative, but a lot of it will come on the supply side.

Senator VAN HOLLEN. And on the supply chain issue, I mean there have been recent reports of progress in a number of supply chain bottlenecks. Can you just speak to your perception of where that stands?

Mr. POWELL. Yes. You always see a few snowflakes, but it does not amount to a storm yet. If you look at the Port of Los Angeles, the Port of Long Beach, record numbers of ships still at anchor. We did see—and this is maybe what you saw—that inventories are moving up and delivery times have shortened, and that is a good thing.

But on the other hand, you know, Omicron can really, particularly if China sticks to a no-code policy, Omicron can really disturb the supply chains again, although it could be briefer this time.

So I think the picture—we would not want to say—I would not want to say that it is decisively improving yet, but we are watching it carefully.

Senator VAN HOLLEN. I got it. I was pleased to hear President Biden say, when he renominated you for this position, that you saw the economic risks of climate change as a, quote, "top priority." Is that an accurate statement?

Mr. POWELL. Yes.

Senator VAN HOLLEN. And if confirmed, how do you plan to prioritize addressing the financial risks of climate change in your next term?

Mr. POWELL. So we have a role to play. It is a narrow one but an important one, and that is it relates to our existing mandates. We do not have a new mandate on climate change. It is really the simple mandate, the central mandate of supervising and regulating financial institutions to make sure that they are aware of and able to manage all of their risks, and we are doing that, particularly focusing on the largest financial institutions, who, by the way, are spending a lot of time themselves on these issues.

And second, looking at financial stability issues. You know, we have responsibility for the stability of the financial system, and over time climate risk can play into that as well.

Senator VAN HOLLEN. Well thank you, Mr. Chairman. I am pleased to see that you do agree that it is a top priority. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Van Hollen.

Senator Hagerty, from Tennessee, is recognized.

Senator HAGERTY. Thank you, Mr. Chairman, Ranking Member Toomey. I appreciate you holding this hearing. I want to congratulate Chairman Powell on being renominated to be the Chair of the Fed. Thank you for your testimony and your presence here today, Chairman.

First I have just a quick housekeeping question for you. I think I know the answer to this, but as a matter of fact, have you ever embellished your resume, your record, your publication history?

Mr. POWELL. I do not think so.

Senator HAGERTY. I did not think so. Thank you for clarifying that for us.

I would like to turn to the topic of quantitative easing for just a minute, Chairman Powell. When Chairman Bernanke first introduced quantitative easing back in 2009, he assured lawmakers at that point that it would be both temporary and rare. Essentially it was introduced as an emergency measure. Do you agree that quantitative easing should be both temporary and rare?

Mr. POWELL. I agree we should not use it unless we need to, but I will say it is going to depend, on some extent, on where interest rates. We have been in a very low interest rate environment, even during good times, all over the world, and when that is the case we do not have a lot of ammunition to support the economy.

So I can imagine a regular garden variety downturn, which we have not had in a long time, in which we did not need to resort to quantitative easing to asset purchases and we then would not. But in a world where you have only got a couple hundred basis points to cut you may need to do that, because what that gives you is the ability to move longer-run rates down, not just at the short end.

Senator HAGERTY. I understand but I just remain concerned because here we are, 12 years later, from its first introduction. The Fed's balance sheet is nearly $9 trillion. We are continuing to grow, albeit at a slower pace, so it remains a real concern.

You said earlier to Senator Shelby that you think the Fed could begin the process with normalizing its balance sheet later this year. Can you provide us with a little bit more clarity on this process, how soon you think this would begin, and whether you would consider actively selling securities rather than just letting them gradually run off the balance sheet?

Mr. POWELL. So we had our first discussion of this set of issues at the December FOMC meeting. We will talk about it again at the January meeting in a couple of weeks. We have not made any decisions. This time is going to bear some similarity to what we did last time but it is going to be different too, and that is already clear in that we will have the ability to move sooner and to move a little faster than we did last time. So more clarity is coming soon on that, but I do not want to get ahead of the Committee.

In terms of selling assets, we have not made any decisions on that. We did not do that last time. We never ruled it out either. So it is just something we will be looking at. The balance sheet is a whole lot bigger this time, and also the duration is shorter, and the economy is much stronger, so it is a very different situation.

Senator HAGERTY. So I would like to come to the question of governance if I might. While you have been nominated to remain Chairman of the Fed, the Biden administration's three proposed appointees would, together with the nominee for Vice Chairman, who we will hear from this Thursday, constitute a majority of the Federal Reserve board.

Looking recently at the five-member board at the FDIC and what happened there, there, at the FDIC, a five-member board overturned 88 years of tradition and independence with Biden political appointees led by CFPB Director Rohit Chopra, forcing out the FDIC Chairman before her 5-year term was up, strictly for partisan reasons.

This incident causes me to worry that an activist bloc at the Federal Reserve board could sideline you. They could exert their authority while excluding the full FOMC membership.

So my question for you, Mr. Chairman, is the Fed vulnerable to similar unfortunate, politically motivated hijacking of an organization, like we just witnessed at the FDIC, and what could this Committee do to prevent it?

Mr. POWELL. First, and you will know that I do not have any comment at all on the recent events at the FDIC. So at the Fed, monetary policy is conducted by the Federal Open Market Committee, which includes the 12 reserve bank presidents, and in total there are as many as 12 voters. So we will always have a balance of Governors and reserve bank presidents.

Regulatory policy is really the business of the Board of Governors, and there are as many as seven Governors, and a majority is four. We do have a history at the Fed of working collaboratively and coming together and getting consensus on issues, and that certainly is my intention, that is my nature, and I will work hard to make sure that things stay that way.

Senator HAGERTY. And as a Member of this Committee I will work hard to support you, to maintain that posture as well. Thank you, Mr. Chairman.

Mr. POWELL. Thank you.

Chairman BROWN. Thank you, Senator Hagerty.

Senator Cortez Masto, from Nevada, is recognized from her office.

Senator CORTEZ MASTO. Thank you, Mr. Chairman. Chairman Powell, good to see you again. Thank you always for taking the time to answer my calls, meet with me, answer my questions. I so appreciate it.

Let me start with a question that Senator Tester talked to you about, because I think it is important we recognize and put this in perspective again. He asked you about comments about what the economy was like prepandemic, during the pandemic, and then after, and you actually said something I think was important, that we are still in a pandemic. And even still in the middle of this pandemic you said earlier in your opening remarks that the economy is expanding at its fastest pace in many years and the labor market is strong.

Now in many conversations you have always prioritized job growth and higher wages, especially for those who tend to earn lower salaries, and you have consistently said that the best thing any one of us can do to increase employment, raise wages, improve our supply chains, and reduce inflation is to get vaccinated, to wear masks, and follow the medical guidance to prevent the spread of COVID–19. Do you still believe that reducing COVID–19 infections will have the greatest impact on inflation, supply chains, employment participation, and wages?

Mr. POWELL. I do, and if you imagine a world in which we no longer have to deal with a pandemic, I think that is the answer to your question. We would quickly see the supply side problems alleviate. We would probably see significantly more labor supply. So these issues are still related to the pandemic. It is proving more difficult than we had hoped to end the pandemic, but I certainly would think that is right.

Senator CORTEZ MASTO. And let me just add one additional thing. Of course we all have concerns with the rising prices of so many goods. I see it in my home State when I go grocery shopping or hear it from my family members and constituents in Nevada.

One other area I want to also focus on, though, is housing. A new study from the Federal Home Loan Bank of Atlanta reported that the median American household would need 32 percent of its income to cover mortgage payments on a median-priced home, the most since November 2008, and home prices have climbed 18 percent in the past year. Now we are short at least 3 million homes, especially affordable homes.

So, Chairman Powell, do you think increasing the supply of housing, in essence building more homes, would also have an effect on the inflationary prices that we are seeing right now in the housing market?

Mr. POWELL. Yes, and that is outside of what we can do but clearly the housing market is extremely tight. It was tight before the pandemic and it is remarkably tight now, and supply is quite limited.

Senator CORTEZ MASTO. Thank you. Let me jump to another topic, which is ethics for the Board of Directors. I think we are all disappointed that Vice Chair Clarita did not disclose his active trading in late February 2020. You and I have had this conversation. Can you describe the changes you have made to improve the ethics guidelines and training at the Federal Reserve?

Mr. POWELL. Yes, I would be glad to. So we have really made a complete change in the way we govern purchases and sales of securities by covered people, which includes all of the policymakers and senior staffers. No one can any longer buy individuals stocks. In addition, if you want to sell something that you—so people will be owning mutual funds, mainly, as I already do. When you want to sell something, it has to be outside of blackout, as always, but you have got to give 45 days' notice, and you make that decision. You have got to clear that trade with that sale with a central body.

We do not really have, because of our federated nature, we do not have a group in the center that applies these rules consistently and clearly across the whole system. We will have that now at the Board of Governors. So you will go and you will say, "I want to sell X amount of this mutual fund." Forty-five days later, that trade will take place, whether things change or not. So there will be no ability to time the market and really no appearance of—the kind of appearance issues that we have had.

The old system was in place for decades on end, and then suddenly it was revealed as insufficient. And so we do take the need to protect our credibility with the public very seriously, and I think our new system is easily the toughest in Government and the toughest I have seen anywhere.

Senator CORTEZ MASTO. Thank you, Chairman Powell. Mr. Chairman, thank you.

Chairman BROWN. Senator Lummis, from Wyoming, is recognized.

Senator LUMMIS. Thank you, Mr. Chairman, and congratulations on your nomination. Please throw me a lifeline here and help me support your nomination.

The Fed's website today says that the Federal Reserve will ensure the provision of payment services to all depository institutions on an equitable basis, and to do so in an atmosphere of competitive fairness. But that is not the case at all, Mr. Chairman. The Fed actually uses substantial discretion in providing master accounts to depository institutions, or denies them by delay, simply starving the master account applicant until it dies. And that is true even though every single Federal court that has ever looked at this issue disagrees with the Fed's assertion of substantial discretion.

The *Greater Buffalo Press* and Jet Courier Services cases in the Second and Sixth Circuits found that the Federal Reserve services were, quote, "available to all banks." The Fourth Corner Credit Union case in the Tenth Circuit from 2017 said the same thing.

The Federal Reserve Act says that a depository institution is any institution eligible for deposit insurance. The FDIC says, in General Counsel Opinion 8867, that an entity is a depository institution if it is creating deposit liabilities out of customer assets and is characterized by State law as a bank.

As you know, Chairman Powell, I am terribly concerned about the manner in which Wyoming's special purpose depository institutions are being treated by the Federal Reserve. We have discussed this. What is your reaction to this?

Mr. POWELL. So as we discussed, there are novel charters, and the SPDIs are one of them, and we want to be really careful because they are hugely precedential. They are very important from a precedential standpoint. And so we have been looking carefully at this, and I would say there are good arguments for viewing SPDIs as depository institutions for this purpose, and we are looking carefully at it. I do think we will make some progress on this, and we can talk about it more offline.

But I think you do understand that we—you know, if we start granting these there will be a couple hundred of them pretty quickly, and we have to think about the broader safety and soundness implications. And, you know, it is just hugely precedential. That is really why we have taken our time with it. And we appreciate you bringing it my attention, and so we can continue to talk about it.

Senator LUMMIS. Well as you know it has been well over a year, well over a year, and I have been stonewalled for well over a year. My State has been stonewalled for well over a year.

You know, you mentioned in your testimony today that we can begin to see that the postpandemic economy is likely to be different in some respects. My job is to represent Wyoming's best interests and to ensure the Fed is preparing itself for the postpandemic economy and to promote responsible innovation, as you mentioned in your statement.

You know, I asked your staff for an update on the SPDI charter last week, and I have yet to receive a response. And as we discussed in December, I believed I would receive a response by today. So my disappointment is profound. My frustration is profound. And for now I will just leave it at that.

But I will say thank you for your dialogue with Senator Kennedy and Senator Hagerty today. I thought those were encouraging dialogues, and once again, Chairman Powell, throw me a lifeline.

I yield back.

Chairman BROWN. Thank you, Senator Lummis.

Senator Smith, of Minnesota, is recognized.

Senator SMITH. Thank you, Chair Brown and Ranking Member Toomey, and welcome to the Committee again, Chair Powell. As always it was good to talk with you yesterday, and I want to just say, Mr. Chair, that I think that together Chair Powell and Lael

Brainard would make a great team at the Fed, and I think you are a strong combination.

So Chair Powell, I would like to ask you about kind of where we are with employment and how this relates to the decisions that the Fed is making. Last week, the Bureau of Labor Statistics released job numbers from December, as you know well, and thanks to the American Rescue Plan, and I would also say the hard work and grit and innovation of Americans, the unemployment rate has dropped to just 3.9 percent, which is really a remarkable and historic recovery from the beginning of the pandemic. I note that in my home State of Minnesota, in November, the unemployment rate was even lower, so this is really an incredible accomplishment.

You and I have discussed this before, how it is useful to unbundle, though, these aggregate numbers so that we understand a little bit more about what is happening, understand that it is a more complicated story. For example, Black workers, amongst Black workers the unemployment rate remains stubbornly high, at 7.1 percent, more than twice what it is for White workers.

So Chair Powell, could you tell us, how should the Fed consider factors like this as you evaluate economic strength and whether the economy has reached full employment? The factors that I am referring to as unbundling these aggregate numbers so we understand more deeply where we are with the different sectors of our economy.

Mr. POWELL. Sure. So we do look at a wide range of indicators to determine whether labor market conditions broadly are consistent with maximum employment. It not a single number like inflation can be, and you mentioned a couple of them.

What we saw at the end of the last very long expansion was that unemployment rates and the gap between White unemployment rates and other unemployment rates were at all-time lows, and this was a very desirable feature, and really a feature of having a tight labor market. So that is a little bit of something that tells us whether the labor market is tight. We are not targeting a particular number there but we are using it to inform our thinking.

You mentioned African-American unemployment, which is at 7.1. It dropped by 2.9 percent this year. That is the same decline as for White workers.

The other thing I will say is that there was an increase in December of $\frac{5}{10}$ or $\frac{6}{10}$ among Black unemployment. It is a much smaller sample size and it is pretty volatile, so we would tend to look for a couple of months. It can bounce around more than the overall aggregate.

Another key aspect of maximum employment, though, is participation. So we also want to think that participation is at a structural high level, and there is not a lot of slack in that pocket. And we saw that at the end of the last cycle. We saw participation holding up in the face of demographic decline. And so that is another thing that we look at carefully.

Senator SMITH. Thank you. I agree with that, and I think that we are, in Minnesota, as we are all over the country, experiencing a shortage of workers, and I am glad to see that what we are seeing, in fact, is wages increasing, especially for people who are in lower-wage jobs, and that for the first time in a long time workers, I think, have increased bargaining power, which is of benefit to them. So these are complicated issues and I think it is important that we kind of look beneath some of these aggregate numbers.

But I want to touch on another issue before I wrap up here. You and I have talked about my grandmother, Avis Mason, who was born in 1898, and who became the president of a small community bank at Etna Green, Indiana. Her father, who started the bank, was blessed with three daughters, which is how she became president.

Like so many banks around the country, and over the years, her bank was ultimately sold to a larger bank and became part of the story of increased consolidation in the financial sector, and this pattern has repeated itself for decades in Minnesota and all across the country.

Over the last 30 years, the number of banks in this country has been more than cut in half, and we have seen, I think, the harm that industry consolidation can do broadly, especially in small towns in rural places. I note the comments and the questions of my colleague, Senator Rounds, with whom I have done a lot of work on issues of concentration in agriculture.

So Chair Powell, one of the important duties of the Fed is to review bank mergers. Can you tell us how you think about bank mergers today, and what do you see as the impacts of consolidation on concentration and access to financial services, especially in underserved areas?

Mr. POWELL. So we operate under a statute which requires us to consider a number of factors, and those include competition and future prospects, financial and managerial resources, convenience and needs of the communities to be served, CRA performance, BSA/AML compliance, and financial stability. So all of those things go into our—and there is a rich lore of how we apply those things, and generally banks that are applying for permission to do mergers understand that body of work.

More broadly, though, as we have discussed, when you look back at the United States banking industry, for 30 years and more, almost 40 years, you have seen a very steady decline in the number of banks. So one of the things that is driving that is just, you know, the loss of rural population, and I have seen many, in my earlier years at the Fed, many cases in which you would have a county that had lost half of its population over the last 50 years—it is very typical of rural America—and there was one bank left and it wanted to merge with another bank in a nearby State.

So anyway, it is a trend that is happening because of demographic changes. Also, fixed costs are going up. Regulatory costs are going up, and that is a fixed cost. The need to invest in technology to serve your customers is really a fixed cost now, and that requires a bigger bank.

Community banks are part of the fabric of America, and we do not want anything we do to sort of exacerbate the problem of community banks going out of business. But there are strong secular forces that are driving this consolidation, apart from, you know, regulation, although that can be part of it.

Senator SMITH. Thank you. I believe I am out of time. Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Smith.

Senator Cramer, from North Dakota, is recognized.

Senator CRAMER. Thank you, Chairman Brown and Ranking Member Toomey. Thank you, Chairman Powell, for stepping up again and being willing to take the job on. Congratulations.

I am going to go back to a question somebody asked probably an hour and a half ago, very high level but a point that one of my colleagues made, and I do not remember which one. But he said, in congratulating you, that President Biden clearly has confidence in your ability to lead our economy through this crisis. And without judging those particular words I would ask you, flat out, do you lead our economy? Is that what your job is, to lead the economy?

Mr. POWELL. I am responsible for an agency that has specific, narrow mandates. I would not want to characterize it one way or the other.

Senator CRAMER. I would not either, quite honestly, but I have great respect for and confidence in our free market economy with a very light regulatory touch.

That said, I also want to associate myself with Senator Kennedy's strong word of encouragement to keep the Fed independent. That is why I respect you so much, Chairman Powell. Under the previous President you maintained independence, and we would certainly hope and expect that you would continue that independence under the current Administration.

You have touched on this, but I want just a little further clarification, because somebody, I think it was Senator Menendez, asked you how do you balance the two mandates; of course, price stability and maximum employment. I thought you did a pretty good job, and I want to give you a chance to make it even clearer, and maybe I will help with the way I form the question.

Doesn't price stability naturally lead to a strong economy, which naturally leads to maximum employment? In other words, you talked, I think, in your answer that, you know, we focus on whichever one needs the help the most at a given time. That is my paraphrase of it. But perhaps you could just elaborate a little bit on it.

Mr. POWELL. Sure. So most of the time monetary policy works the same way for both of them. You know, usually inflation is low when the economy is weak, when unemployment is high, and so you cut interest rates and that helps unemployment go down and it helps inflation move up, back up to 2 percent. So usually that is the case, almost all the time.

In rare occasions, though, you have a situation where the two sort of goals are not complementary, and we have had a little bit of that here. I am not sure we have it anymore, but the idea being that we were far from maximum employment—that is no longer the case—but inflation was really high.

I think the situation today is more correctly characterized, as we are very rapidly approaching or at maximum employment, and we are far away from our inflation tool. There is no basis to prefer one of the two goals over the other, but our constitutionally adopted document at the Fed, our Statement on Longer-Run Goals and Monetary Policy Strategy, says when this is the case we look at far something is from the goal and how long it will take to get to the goal, and we look at the other goal, and we use our tools. And I think the current application of that provision would say you need to focus on getting inflation under control because you are not going to have maximum employment unless you have price stability.

Senator CRAMER. I agree. Thank you. Well said.

In fact, with that in mind, what I worry the most about with the Fed, and you and I have discussed this previously, is the mission creep that I think both clouds and, frankly, complicates that main mission of price stability. If you have to sit around and you have to hire people that are going to assess climate risk as an example, banks themselves are not already considering that. Which, by the way, climate risk, in my mind, is really regulatory risk, because climate is a global issue. It is not a domestic issue. It is a domestic issue to the degree it is a global issue.

But what I worry about is the natural outcome of further regulations in the climate sphere, and that is what we are talking about with a climate stress test, or cyberstress test, or any other number of tests, but climate in particular. The natural outcome is that we are going to somewhat transfer our climate guilt to other countries who do not have our environmental and labor standards. In other words, we do not do anything to help the climate except to have more imports from faraway places that are much larger polluters than us.

So I have to tell you, I am a little worried. I am quite worried, actually, mostly worried about the mission creep at the Fed, should we continue to add these extra things that you have to be focused on. And I would just ask for a response to them and then my time will wrap up.

Mr. POWELL. Well, I agree with your principle which is that we have got to stick to our knitting we want to remain independent. I really do. And I guess I would say climate is appropriate for us an issue to the extent it fits within our existing mandates. And I think it does in the sense of it is another risk, over time, that banks are going to run. But the broader answer to climate change has to come from legislators and the private sector.

Senator CRAMER. I agree. Thank you, and I look forward to supporting your confirmation. Thank you. Thank you, Mr. Chairman.

Chairman BROWN. Thank you.

Senator Ossoff is recognized from his office.

Senator OSSOFF. Thank you, Mr. Chairman, and thank you, Chair Powell, for joining us. Congratulations on your renomination.

Chair Powell, are you prepared, if necessary, to act with agility, flexibility, and speed if inflation risk to the upside manifests in the coming months and quarters?

Mr. POWELL. Yes, I am.

Senator OSSOFF. And what do you assess to be the level of risk that inflation surprises to the upside in this year?

Mr. POWELL. Well, I would say it this way. My expectation is that we will see some relief on the supply side, as the year goes on. By that I mean global supply chains will start to loosen up. The shortages will start to be lesser. If that does not happen and we see inflation becoming even more persistent and even higher, then I think the risk of it becoming entrenched in the psychology of businesses and households and people, I think that increases and that would indicate that we would respond.

Senator OSSOFF. Thank you, Chair Powell. You have noted that the Fed and many mainstream economic forecasters had difficulty anticipating the supply chain bottlenecks, the labor shortages, the difficulty with which the global economy would add supply in response to the return of demand and demand stimulated by Government policy.

How can the Fed improve its modeling such that it is not surprised by those macroeconomic dynamics in a future crisis?

Mr. POWELL. So I think this is a unique situation. We do not have ten pandemics to look back on and say, "Oh, these are the common features when the global economy shuts down to deal with a global pandemic." It was all just new, and the problem, strictly speaking, is not the models. It is the assumptions you put in the models. So I would not blame the models. Really it just is that we and other forecasters, we believed, based on our analysis and discussions with people in industry, that the supply side issues would be alleviated more quickly than now appears to be the case, substantially more quickly. We believed that we would have seen material relief on the supply side, that we also thought, you know, by the end of last year.

We also thought that there would be a much more significant return to the workforce than has turned out to be the case. And while that is not what is causing current inflation, it is more a kind of demand side issue that labor supply can be an issue going forward for inflation, probably more than the supply side issues, these supply chain issues that we are seeing.

So we assumed, we believed that we would see these things, and, you know, the data have come in pretty consistently showing that the supply side challenges are more persistent and more substantial than we had expected.

Senator OSSOFF. Thank you, Chair Powell. I want to discuss with you the institutional integrity, public confidence in institutions, ethics among those who hold high office and have privileged access to information. I am an advocate for banning stock trading by Members of Congress who make policy, who have access to information and economic forecasting, and banning stock trading by their spouses, and I will be introducing legislation this week intending to make that the law, with penalties for Members of Congress who violate those new rules.

We had, this week, the resignation of another senior Fed official related to controversy about their stock trading. How widespread is the practice of stock trading, management of one's own portfolio at senior levels in the Fed? Do you agree that it undermines public confidence in the institution? Will you work with this Committee to advance legislation? I know the Chairman has proposed some, to end that practice, and will you comply with any lawful requests or commands for records or information by this or other congressional committees to examine those trades and their propriety?

Mr. POWELL. Well to the latter, of course we will do that.

So I would just point out we have, immediately upon the emergence of these facts, we began to devise a brand-new system of governing investment by principles and senior staff associated with the FOMC. That process is very far along. It is nearing completion. We have already announced the contours of it, and it effectively ends any ability to actively trade on the part of any senior Fed official, either FOMC member or senior staff.

You cannot purchase any equities. If you bring equities to the Fed, ownership of equities to the Fed, of course they cannot be in banks or anything like that, but you can sell them. But if you want to sell or buy anything you have to give 45 days' notice, and it is nondiscretionary. Once you say you are going to do that then those securities will be bought or sold in 45 days. So there is no ability to time the market.

In addition, we are going to have a group at the Board of Governors here in Washington that is preclearing trades, all trades, and is in a position to apply the rules consistently across the system. And I really think this is the strongest system I have seen in place certainly for a Government agency, and I think it rises to the current situation. I completely agree that the public's faith that we are working to their benefit is absolutely critical.

Senator OSSOFF. Thank you, Chair Powell. And will you provide the outlines of that proposal to this Committee as soon as possible?

Mr. POWELL. We have already announced it, and we are very much at the point of being ready to adopt it. But of course we would be delighted to share that.

Senator OSSOFF. I am looking forward to seeing the details. It is vital that the public understand that those in positions of power are not trading based upon access to information that the general public does not have.

Thank you, Chair Powell, for your testimony today. I yield back, Mr. Chairman.

Chairman BROWN. Senator Daines, from Montana, is recognized.

Senator DAINES. Mr. Chairman, thank you. I want to start by expressing my continued concerns my colleagues have had with inflation we are seeing in the economy. The last time you were here before the Committee real wages were down. Well, they are still down as we sit here today, 1.9 percent over the course of 2021, to be more precise, and I believe it is a direct result of this inflation that we are seeing.

CPI inflation grew by 6.8 percent, year over year, in November. Tomorrow morning we are going to get the CPI rating for December. I think we all know it is not going to be good news for hard-working Montanans, hard-working Americans who are seeing their wages eaten away, month after month, by inflation.

Economists are projecting that CPI inflation will rise about 0.5 percent on a month-to-month basis in December, which will leave CPI inflation up at 7.1 percent in 2021. This would be the biggest annual increase in 40 years, and is well above the Federal Reserve's 2 percent target.

This, of course, is not that surprising, to many of us who were here in this very room who warned this would happen when our Democrat colleagues passed this very reckless $1.9 trillion spending package in March of this year, when the economic recovery was already well underway, and we pointed out there was nearly $1 trillion of unspent funds coming into calendar year 2021. The

Democrats, on a purely partisan basis, pushed another $1.9 trillion of reckless spending in March.

Frankly, we should be thankful at this moment that most recent, multitrillion-dollar reckless tax and spending spree package did not pass last year, as that would only worsen the problems we are seeing today.

I trust the Federal Reserve is on the case to address this inflation. I want to make sure that we here in Congress do not do anything to make your job more difficult than it already is.

Moving away from inflation, I would like to briefly address the Federal Reserve's dual mandate. Chairman Powell, I think it is safe to say the Federal Reserve has its hands full already trying to achieve its statutorily mandated goals of promoting maximum employment and stable prices. However, many have called for expanding the Fed's role to wade into politically charged issues for the first time. The Federal Reserve has a long history of political independence, and I worry that independence could easily be undermined.

Chairman Powell, will you commit to strictly following the Fed's dual mandate and not expanding it in ways that are not clearly supported by the law?

Mr. POWELL. Yes.

Senator DAINES. I know Senator Crapo mentioned this earlier so I will just add brief additional remarks on the Fed's report on the costs and benefits of a central bank digital currency. It is a topic that we want to start discussing here, so it would be helpful to have the Federal Reserve's insights. And I very much appreciate that you are working to get this report out in the next few weeks.

My question, Mr. Chairman, is, the FSOC recently designated climate change as an emerging threat to financial stability. Can you describe a sequence of climate-related events that would cause a financial crisis?

Mr. POWELL. So it is a good question. There are two different kinds of risk, right. There is physical risk and then there is transition risk. So physical risk tends to be, you know, these risks in the form of extreme weather and that kind of thing, and they kind of accumulate over time gradually. And to have a financial stability disruption, something that actually threatens the financial system, it does not result from that kind of a process. So it does not seem likely in the near term that it would come from physical risk.

So that means the real risk would be transition risk, and what that means is some surprising event would have to take place that destabilized the whole financial system and maybe caused a very large financial institution to fail in a disorderly way.

How would that happen? It conceivably could happen through Government policy, or it could come through an event, some kind of a public event that really, not unlike the pandemic only related to climate in some way.

So those are the kinds of things. These are not things that we think about will happen every day, but, you know, it is more a question of over time what can happen from climate.

Senator DAINES. So just a follow-up to that. This morning I was with Chairman Manchin of Energy and Natural Resources Committee, which I serve on. We had a hearing on hydropower. And there is a movement afoot in this country to breach hydropower dams, to breach dams. We have already seen blackouts in the U.S. and other countries because of forced closures of reliable baseload energy, whether it was the nuclear plants that have been shut down, coal plants that have been shut down. They are talking about breaching dams.

Do you think that rolling blackouts due to a lack of a stable base-load power poses a more tangible and real near-term threat to the stability of the financial system?

Mr. POWELL. I would have to think about that. I will say that to have a successful—if you are someone who wants to see a transition away from carbon-based energy, you know, we are going to need a lot of energy to facilitate that transition, and I think that means we need to be honest about having to rely on more traditional kinds of power.

Senator DAINES. Yeah. But what is mind-boggling to me—and this will be my last comment, Mr. Chairman, and I will finish—but what is mind-boggling means we have sources of energy that do not emit carbon, like nuclear, like hydropower, and yet we see these ideological movements that are seeking to shut down nuclear plants, shut down hydropower, in some cases, which I think pose a significant risk to the stability of the grid as well as to our financial system.

Mr. Chairman, thank you.

Chairman BROWN. Thank you, Senator Daines.

Senator Toomey is recognized for one last round of questioning, and I will finish up. Thank you.

Senator TOOMEY. Thank you, Mr. Chairman. I want to start by just underscoring a point that Senator Daines just made, which I think is extremely important, and I do not think we made it until he made that point, which is that every month that goes by in which inflation, in the form of consumer prices, is growing faster than wages are gaining is a month in which workers are falling behind. There has been some comment about wage gains. I think we would all like to see wage gains. But wage gains that are more than wiped out by price increases do not leave a family better off.

And so it is not a contradiction. It is not somehow contrary to the interest of a working family to get price stability. In fact, it is necessary for the well-being of the working families of Pennsylvania and America that we bring about price stability.

Mr. Chairman, two quick questions for you, one regarding a central bank digital currency. Some have advocated, as you know, that a central bank digital dollar be used and developed in such a fashion that individual Americans have retail accounts with the Fed and the Fed becomes the retail banker for America. It seems to me that there is absolutely nothing in the history, the experience, the expertise, the capabilities of the Fed that lend the Fed to being a retail bank. Is that a fair observation?

Mr. POWELL. I would say it is, yes.

Senator TOOMEY. Thank you. Second, I know we are going to get our report soon, and I am very much looking forward to this, as you and I have discussed. But I wonder if you could respond to this. If Congress were to authorize, and the Fed were to pursue a central bank digital dollar, is there anything about that that ought to preclude well-regulated, privately issued stablecoins from coexisting with a central bank digital dollar?

Mr. POWELL. No. Not at all.

Senator TOOMEY. All right. Thank you very much. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

Chair Powell, you have responded three times, I believe, to this issue, but I wanted to try to get a little more specificity from Senator Cortez Masto, Senator Ossoff, and Senator Warren. The recent revelations about the Vice Chair's financial transactions before the Fed announced its extraordinary support of the economy in 2020 are pretty troubling, as you and I have talked and you have responded to here.

After the initial fallout from Fed officials making stock trades you announced stricter trading rules at the Fed. That was, I believe, in October. Those rules have still not been written, to my knowledge. We have not seen them, if they have been written, so they certainly obviously have not been implemented.

When will these rules—when will we see them and when will they be put in place?

Mr. POWELL. Imminently. We have tried to take care and write them correctly. They are complex. We have to hire people, we have got to build systems, and we have got to write rules. So we have been hard at work at that since October. We are ready to move ahead with that, and I would think it is in the very near future.

Chairman BROWN. OK. We are watching. Several of my colleagues, Senator Warnock and Senator Ossoff, mentioned it. His bill and our bill complement and do some of the same things, the importance of banning conflicting trading at the Fed. We should move also with our colleagues too, so that is a next step in this.

I want to, before closing, address one issue that came up today. You have said banks were well capitalized during the pandemic. They had one of their most profitable years ever. But the largest banks still are spending it on stock buybacks and bigger dividends while still demanding relief for policy measures because of the volume of the deposits they are taking in. Government help can be necessary but they do not need Government help now.

They should scale back. They could and should and can scale back their stock buybacks. Banks could use that capital to increase lending to small businesses, mom-and-pop manufacturers.

We have seen manufacturing wages, which used to be the highest wages in our economy, particularly for sort of moderate-income people, we have seen that slide back, in part because mom-and-pop manufacturers critical to the supply chain are not always getting the access to capital they should. We should use that capital to increase lending, to invest in communities instead of enriching their executives while pushing to weaken resiliency of our banking system.

The Fed needs to strengthen, not weaken, capital requirements. It is the job of our banking system to support the real economy, not executive stock portfolios. That is what this comes down to. Everything the Fed does needs to support the economy so that it works for all Americans—workers, small businesses, their communities.

That is the Fed. You must lead, if confirmed. I plan to support your confirmation. I am counting on this, as most of in the Senate are.

So, Chair Powell, thank you for being here today. Thank you for providing testimony.

Senators who wish to submit questions for the hearing record, those questions are due at the close of business on Friday, the 14th of January. To the nominees, we would like to have your responses by Wednesday, January 19th.

Thank you again for your testimony today. The Committee on Banking, Housing, and Urban Affairs is adjourned. Thank you.

[Whereupon, at 12:27 p.m., the hearing was adjourned.]

[Prepared statements, biographical sketch of nominee, and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

Yearning for a return to normalcy, American voters elected Joe Biden President of the United States.

The American people were exhausted by divisive rhetoric at neighborhood functions, church gatherings, and family dinners.

They wanted someone who would bring this country together based on our shared values, like the dignity of work. They wanted an economy that works for everyone—not just wealthy elites.

That is what we are delivering.

Think of where our country was a year ago.

Domestic terrorists breached this building a year and a week ago, assaulting our democracy.

Four million more people were out of a job, and the hope of vaccines, for everyone, was just that—a hope.

Today, we have made so much progress.

We have a president committed to democracy—willing to stand in this breach, as he put it last week.

Vaccines and booster shots have dramatically lowered the risk for most people, and allowed Americans to go back to work and our children to go back to school, safely.

We added 6.4 million jobs last year—6.4 million jobs—the most since 1939.

The nomination we consider today represents another step in President Biden's effort to rebuild our economy. And the president is putting results over partisanship, renominating a Federal Reserve chair of the other political party.

Jerome Powell has served as Chair of the Federal Reserve since 2018. He joined the Fed in 2012. Before that, he served the country in a number of different roles, including as Under Secretary for Finance at the Treasury Department during the George H.W. Bush administration.

As Chair, together with President Biden, he has helped us deliver historic economic progress.

We passed the American Rescue Plan, which got shots in arms and money in pockets. The unemployment rate dropped to 3.9 percent, down from 6.7 percent at the end of the last Administration. In December alone, we added 807,000 jobs—more than doubling economists' expectations.

The economy has regained 84 percent of the jobs we lost since the pandemic hit 2 years ago. And for some of my colleagues who only like to measure the strength of the economy by the stock market—it was up 27 percent at the end of 2021 and hit 70 record highs last year.

We passed an historic jobs bill, the bipartisan infrastructure package—a goal that has for decades eluded presidents of both parties.

Chair Powell—along with Vice Chair nominee Lael Brainard, whom we will hear from later this week—led the Federal Reserve's unprecedented actions to stabilize our economy in the face of a global pandemic.

Chair Powell, to his credit, recognized the importance of full employment—and what that means for all workers, particularly those at the margins of our economy. He held firm against attempts to politicize the Fed, and prevented an economic downturn from becoming far worse.

He understands that the best way to bounce back from this crisis is to get the coronavirus under control with vaccines.

Today, we are at a critical moment. For the first time in decades, workers are finally—finally—starting to get a little bit more bargaining power. Wages are growing faster than we've seen in over a decade.

Americans are leaving jobs that didn't work for them and their families, and finding better ones—often with higher paychecks. Corporations call this a, quote, "labor shortage." To me it looks like the free labor market at work at its best.

Of course we still have many challenges.

We have seen severe supply chain disruptions caused by the pandemic. And because for decades corporations put short-term profits over long-term resilience—enabled by bad trade deals and bad tax policy that they lobbied for—those fragile supply chains stretch all over the globe, and aren't easily fixed. These disruptions—along with corporate opportunism—are raising the cost of many consumer goods.

That's adding to all the costs that have been growing more unaffordable for decades, from childcare to prescription drugs to housing.

And while paychecks are starting to go up, wages are still far from keeping up with corporate profits. We have only just begun the work of empowering American workers, and reorienting our economy from Wall Street to Main Street.

Yet some are already suggesting the Fed pull back on its support of the broader economy, and make it harder for people to get jobs.

Economists' lingo tends to mask what we're really talking about when it comes to the Fed's work, so let's be clear—President Biden put it pretty well last week:

Taking the example of the price of cars, he said we have two options: we can increase the supply of cars by making more of them, or we can reduce demand for cars by making Americans poorer.

That's the choice we face. When people talk about "cooling off" the economy, what they really mean is making it harder for people to find jobs and stopping paychecks from growing.

And we know how this goes—the "cooling off" never seems to extend to corporate profits or executives' pay.

The Fed must not allow only Wall Street to recover, while working Americans are left behind. We've seen that story unfold too many times before.

Today, banks are quietly celebrating one of their most profitable years ever, with huge bonuses and payouts.

The Fed must do more to stop consolidation in the banking industry from hurting consumers and small businesses. It must encourage more lending to Main Street, and crack down on stock buybacks and risky bets at the biggest banks.

And the Fed needs to take seriously the systemic risks that threaten our economic progress—like cryptocurrencies and stablecoins and climate change.

Chair Powell has shown he understands—in his words—"profound challenges for the global economy and.financial system," and if confirmed, we expect him to take what he has promised will be "bold steps" to tackle these risks.

Chair Powell and Vice Chair nominee Brainard have also begun important work with the FDIC and the OCC to update the Community Reinvestment Act regulations. Completing that update is essential, to increase banks' service to, and investment in, all the communities that have been left on their own for too long.

We also expect reform inside the Federal Reserve System.

That means increasing diversity at the Fed, so that the people making decisions for our economy actually reflect the workers who power it.

As Chair Powell has said, "If entrenched inequities prevent some Americans from participating fully in our labor markets, not only will they be held back from opportunities, but our economy overall will not realize its potential."

Many of us have appreciated his words. This year, we expect action.

In all of this work, the American people must be able to trust that the Federal Reserve works for them, and that officials aren't abusing their positions for personal gain.

Recent revelations about the Fed's ethics scandal have confirmed a lot of people's worst suspicions about Government officials. As Chair of the Fed, Mr. Powell has a responsibility to restore that trust.

The Federal Reserve plays a central role in how we want our economy to work. We can't have a Fed that returns to business as usual—because that didn't work for most Americans.

Chair Powell, President Biden renominated you to grow the economy for all Americans, not just those at the top. And to protect that growth from threats to our financial system, like risky Wall Street schemes, cryptobubbles, and increasing climate disasters.

We expect you to meet these challenges, and I believe you have shown the leadership to do so. We will be watching closely.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Thank you, Mr. Chairman.

Chairman Powell, congratulations on your renomination. As I've said, I intend to vote in favor of extending your chairmanship. Let me briefly explain why.

There's broad bipartisan backing for Chairman Powell's renomination because he has a record of acting thoughtfully and constructively, especially in difficult circumstances.

First, he implemented a number of modest, sensible reforms that reduced regulatory burdens, including on small banks, and helped spur economic growth. Second, when the pandemic hit nearly 2 years ago—and Governments worldwide began to shut down their economies—credit markets seized and the economy teetered on the brink of collapse. But with Congress' help, Chairman Powell acted swiftly and appropriately to stabilize the financial markets and the economy.

And to his critics who claim that the regulatory reforms he spearheaded would hasten the collapse of the banking system, we now know that's empirically false.

After the pandemic caused the economy to nearly collapse, our country emerged with the most well-capitalized banks in history. It was, and still is, abundantly clear that those regulatory reforms did not come at the expense of financial stability.

Of course, none of the Fed's pandemic actions came without a cost. This negative-real interest rate environment continues to distort markets, risk asset bubbles, and punish savers. And the Fed has dramatically expanded its balance sheet with trillions in Government bonds, effectively monetizing a lot of debt, facilitating profligate Government spending.

For the past 18 months, I cautioned that the Fed was fighting the last war—a mystery pathogen that led Governments to collectively shut down the global economy—when a new enemy is here: Inflation.

I'm relieved the Fed has acknowledged inflation is running well above and longer than its initial projections. In response, the Fed has accelerated the termination of its bond buying program. And FOMC participants appear to be accelerating the process to normalize interest rates.

But I remain concerned with the Fed's actions going forward. First, I worry that this has become the new normal for the Fed's monetary policy. We're more than a year into record economic expansion, with unemployment at near all-time lows, and yet the Fed is still buying Government and agency securities.

Having continued QE throughout the recovery was a mistake. It has contributed to asset bubbles, distorted markets, and a suboptimal allocation of capital, credit, and resources, ultimately leading to lower economic growth.

Second, I worry that the Fed's new monetary policy framework has caused it to be behind the curve, as we are seeing with inflation running at a 39-year high. Under this framework, the Fed intentionally tolerates above target inflation for an indeterminate amount of time. Under the old approach, the Fed may have acted last April when we first passed 4 percent inflation.

Beyond monetary policy, I'm deeply concerned to see the Fed, especially at the regional banks, wade into politically charged areas like global warming and so-called racial justice. Regional banks have hosted symposia on these issues that consistently embrace and advance a liberal political agenda.

And the Fed itself joined the Network of Central Banks and Supervisors for Greening the Financial System. The network's stated aim is to use financial regulation to "mobilize mainstream finance to support the transition toward a sustainable economy." In other words, to direct credit away from the fossil fuel sector.

The troubling politicization of the Fed puts its independence and effectiveness at risk. The Fed has been granted operational independence to protect monetary policy from short-sighted political interests. And in turn, the Fed has operated largely apolitically to great effect.

There's a kind of bargain here: the Fed is given independence on the assumption it will only engage in areas in which it has a mandate. That makes sense.

But if the Fed is going to stray from its mandate and become a political actor, advocating a certain set of social policies, then there's no way it's going to maintain its independence from the political branches of Government that are actually responsible for those topics.

The Fed does not have a mandate to advance politically charged causes that are irrelevant to its mandate, like addressing global warming or advancing so-called racial justice. And to make matters worse, when I've sought to understand these developments, I've been met with unacceptable noncompliance.

Let me be clear—if this politicization continues unchecked—it will not end well for the Fed or for independently driven monetary policy. As the Fed's leader, I hope you take this seriously and rein it in to protect the Fed's legitimacy and independence.

I've observed that the Fed has had the good sense to adjust its behavior as the facts and circumstances regarding inflation have come in differently than they expected. Unfortunately, we've seen no such humility or recognition of reality from the Biden administration, or our Democrat colleagues.

They appear set on making the inflationary problem worse with more reckless spending that gooses demand and regulatory and protectionist policies that limit supply, that in combination ultimately push prices for basic goods higher. The crisis we face now is inflation complicated by policymakers who unwisely behave as if it's still March 2020.

The Fed cannot correct for policy failures like school closures, Government-induced business shutdowns, or misguided expansions of the welfare State—nor should it try.

Chairman Powell, the role of the Fed Chairman is crucial for our shared economic prosperity. I was encouraged to see your renomination, and I hope that you will do everything in your power to ensure that the Fed operates within its limited mandate to effectively support the American economy.

PREPARED STATEMENT OF JEROME H. POWELL

TO BE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

JANUARY 11, 2022

Chairman Brown, Ranking Member Toomey, and other Members of the Committee, thank you for the opportunity to appear before you today. I would like to thank President Biden for nominating me to serve a second term as Chair of the Board of Governors of the Federal Reserve System. I would also like to thank my colleagues throughout the Federal Reserve System for their dedication, perseverance, and tireless work on behalf of the American people. Their commitment and expertise were essential to the Fed's response to the COVID–19 crisis and remain vital to the implementation of monetary policy as our economy continues to progress. Particular thanks go to my wife, Elissa Leonard, and our three children, Susie, Lucy, and Sam. Their love and support make possible everything I do. My five siblings are all watching, and we are thinking of each other and of our parents today with love and gratitude.

Four years ago, when I sat before this Committee, few could have predicted the great challenges that would soon become ours to meet.

On the eve of the pandemic, the U.S. economy was enjoying its 11th year of expansion, the longest on record. Unemployment was at 50-year lows, and the economic benefits were reaching those most on the margins. No obvious financial or economic imbalances threatened the ongoing expansion. But this attractive picture turned virtually overnight as the virus swept across the globe.

The initial contraction was the fastest and deepest on record, but the pain could have been much worse. As the pandemic arrived, our immediate challenge was to stave off a full-scale depression, which would require swift and strong policy actions from across Government.

Congress provided by far the fastest and largest response to any postwar economic downturn. At the Federal Reserve, we used the full range of policy tools at our disposal. We moved quickly to restore vital flows of credit to households, communities, and businesses and to stabilize the financial system.

These collective policy actions, the development and availability of vaccines, and American resilience worked in concert, first to cushion the pandemic's economic blows and then to spark a historically strong recovery.

Today the economy is expanding at its fastest pace in many years, and the labor market is strong.

As always, challenges remain. Both the initial shutdown and the subsequent reopening of the economy were without precedent. The economy has rapidly gained strength despite the ongoing pandemic, giving rise to persistent supply and demand imbalances and bottlenecks, and thus to elevated inflation. We know that high inflation exacts a toll, particularly for those less able to meet the higher costs of essentials like food, housing, and transportation. We are strongly committed to achieving our statutory goals of maximum employment and price stability. We will use our tools to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched.

We can begin to see that the postpandemic economy is likely to be different in some respects. The pursuit of our goals will need to take these differences into account. To that end, monetary policy must take a broad and forward-looking view, keeping pace with an ever-evolving economy.

Over the past 4 years, my colleagues and I have continued the work of our predecessors to ensure a strong and resilient financial system. We increased capital and liquidity requirements for the largest banks—and currently, capital and liquidity levels at our largest, most systemically important banks are at multidecade highs. We worked to improve the public's access to instant payments, intensified our focus and supervisory efforts on evolving threats such as climate change and cyberattacks, and expanded our analysis and monitoring of financial stability. We will remain vigilant about new and emerging threats.

We also updated our monetary policy framework, drawing on insights from people and communities across the country, to reflect the challenges of conducting policy in an era of persistently low interest rates.

Congress has assigned the Federal Reserve important goals and has given us considerable independence in using our tools to achieve them. In our democratic system, that independence comes with the responsibility of transparency and clear communication, to keep the public informed and enable effective legislative oversight. That duty takes on even greater significance when the Fed must take extraordinary actions in times of crisis. In order to facilitate that transparency, and to earn your trust and that of the American people, I have made it a priority to meet regularly and frequently with you and your elected colleagues. I commit to continuing that practice if I am confirmed to another term.

The Federal Reserve works for all Americans. We know our decisions matter to every person, family, business, and community across the country. I am committed to making those decisions with objectivity, integrity, and impartiality, based on the best available evidence, and in the long-standing tradition of monetary policy independence. That pledge lies at the heart of the Fed's mission and is one we all make when we answer the call to public service. I make it here again, with force and without reservation.

Everything we do at the Federal Reserve is in pursuit of the goals set for us by Congress. I am honored to have worked in service to those ends since I joined the Fed in 2012, and as Chair for the past 4 years.

Thank you. I look forward to your questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:	**Powell**	**Jerome**	**Hayden**
	(Last)	(First)	(Other)

Position to which nominated: Chair, Board of Governors of the Federal Reserve System

Date of nomination: December 2, 2021

City of Residence: Chevy Chase, MD

Education*: Institution	Dates Attended	Degrees Received	Dates of Degree
Princeton University	1971-75	B.A.	1975
Georgetown University Law Center	1976-79	J.D.	1979

*Nominees should provide information for all institutions attended, whether or not the nominee was granted a degree by the institution

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Alexander Hamilton Medal, for service in United States Treasury Department, awarded 1993.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, social, charitable and other organizations.

Organization	Office Held (if any)	Dates of Membership
D.C. Prep (charter schools)	Trustee	2006 – 2012
The Nature Conservancy	Trustee	2009 – 2012
Sidwell Friends	Investment Committee	2000 – 2012
Beauvoir School	Trustee	2002 – 2008

Center City Consortium	Chairman, Trustee	1998 – 2007
Bendheim Center for Finance (Princeton University)	Advisory Council Member	2007 – 2012
Council on Foreign Relations	Member	1995 (est) – present
Chevy Chase Club	Member Board of Governors	1990 – present 2010 – 2012
The Metropolitan Club	Member	1998 – present
Burning Tree Club	Member	2000 – resigned 2011
Gibson Island Club	Member	2007 – present
Alfalfa Club	Member	2018 – present
Friendly Sons of St. Patrick	Member	2018 – present

Employment record: List below all positions held since graduation from college including the title or description of job, name of employer, location of work, and inclusive dates of employment.

Warehouse Assistant, M.S. Ginn's, Bladensburg, MD, September – December 1975

Legislative Assistant, Sen. Richard S. Schweiker, Washington, DC, February – August 1976

Summer Associate, Law Offices of Mac S. Dunaway, Washington, DC, June – August 1977

Summer Associate, Baker & McKenzie, Washington, DC, June – August 1978

Summer Associate, Gibson, Dunn & Crutcher, Los Angeles, CA, June – August 1979

Law Clerk, Hon. Ellsworth Van Graafeiland, United States Court of Appeals for the Second Circuit, Rochester, NY,

August 1979 – July 1980

Associate, Davis Polk & Wardwell, New York, NY, January 1981 – September 1982

Associate, Werbel & McMillin, New York, NY, October 1982 – December 1983

Associate, VP and SVP, Dillon Read & Co., New York, NY, January 1983 – June 1990

Assistant Secretary for Domestic Finance, U.S. Treasury, Washington, DC, June 1990 - December 1991

Under Secretary for Finance, U.S. Treasury, Washington, DC, January 1992 - January 1993

Managing Director, Bankers Trust, New York, NY, March 1993 – December 1994

Managing Director, Dillon, Read & Co., New York, NY, January 1995 – August 1997

Partner, The Carlyle Group, Washington, DC, September 1997 – September 2005

Consultant, Promontory Financial Group, Washington, DC, November 2005 - January 2006

Founder, Severn Capital Partners, Washington, DC, September 2006 – December 2007

Managing Director and Senior Advisor, Global Environment Fund, Chevy Chase, MD, May 2008 – December 2011

Visiting Scholar, Bipartisan Policy Center, Washington, DC, September 2010 – 2012

Governor, Federal Reserve Board, Washington, DC, May 2012 – January 2018

Chair, Federal Reserve Board, Washington, DC, January 2018-present

Government Experience: List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary or other (including part-time) service or positions.

Name of Government Entity Position Dates of Service

Federal Reserve Board, Chair, January 2018-present

Federal Reserve Board, Governor, May 2012 – January 2018

U.S. Treasury, Under Secretary for Finance, January 1992 – January 1993

U.S. Treasury, Assistant Secretary for Domestic Finance, June 1990 – December 1991

United States Court of Appeals for the Second Circuit, Law Clerk, Hon. Ellsworth Van Graafeiland, August 1979 –July 1980

Senator Richard S. Schweicker, Legislative Assistant, February – August 1976

Published writings: List the titles, publishers and dates of books, articles, reports and other published materials you have written. The list should include any publicly accessible publications on the internet in the past ten years, including appropriate URLs for any posts on blogs you maintained or contributed to, and URLs for any other significant internet-based postings during that same period. If available, provide the Committee with **one digital copy** of each of the writings you list.

I have done my best to identify titles, publishers and dates of books, articles, reports or other published materials, including a thorough review of personal files and searches of publicly available electronic databases. Despite my searches, there may be other materials I have been unable to identify, find or remember. I have located the following:

How to Fix Libor Pains, *Wall Street Journal* (Op Ed w/ Chris Giancarlo), August 3, 2017: https://www.wsj.com/articles/how-to-fix-libor-pains-1501801028

Real Implications of Debt Debate, *Politico*, June 29, 2011: https://www.politico.com/story/2011/06/real-implications-of-debt-debate-058026

Nation in Fiscal Crisis Faces only Tough Choices, *The Hill*, July 10, 2011: https://thehill.com/blogs/congress-blog/economy-a-budget/169491-nation-in-fiscal-crisis-faces-only-tough-choices

Will Social Security Be Paid? *Politico*, July 26, 2011: https://www.politico.com/story/2011/07/will-social-security-be-paid-059934

WSJ letter to the editor:

More on Stanley Druckenmiller and the Risk of Default, May 25, 2011 https://www.wsj.com/articles/SB10001424052748704816604576333772282586068

More Vulnerable to Inflation, May 20, 1993

Blog posts, TV, and other appearances, 2011 - 2012: https://bipartisanpolicy.org/all-content/?related_people%5B%5D=Jerome+Powell

Numerous blog posts and TV and other appearances concerning fiscal policy, the debt ceiling, financial regulation, and the economy.

Speeches and presentations: List all of the formal speeches and presentations (e.g., PowerPoint) you have delivered during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. If available, provide the Committee with **one digital copy** of each formal speech and presentation. If text is no longer available, list the date, place, and organization or group to whom you made the speech or presentation.

11/29/21 *Opening Remarks*
Chair Jerome H. Powell
At the Introducing the New York Innovation Center Event, Washington, D.C. (via webcast)

11/9/21 *Opening Remarks*
Chair Jerome H. Powell
At the Conference on Diversity and Inclusion in Economics, Finance, and Central Banking, sponsored by the Bank of Canada, the Bank of England, the Board of Governors of the Federal Reserve System, and the European Central Bank (via webcast)

11/8/21 *Opening Remarks*
Chair Jerome H. Powell
At the Gender and the Economy Conference, a symposium hosted by the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. (via webcast)

9/24/21 *Introductory Remarks*
Chair Jerome H. Powell

At "Fed Listens: Perspectives on the Pandemic Recovery," sponsored by the Board of Governors of the Federal Reserve System, Washington, D.C. (via webcast)

8/27/21 *Monetary Policy in the Time of COVID*
Chair Jerome H. Powell
At the "Macroeconomic Policy in an Uneven Economy," economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming (via webcast)

8/17/21 *Welcoming Remarks*
Chair Jerome H. Powell
At Conversation with the Chair: A Virtual Teacher and Student Town Hall Meeting, Washington, D.C. (via webcast)

5/3/2021 *Community Development*
Chair Jerome H. Powell
At the "2021 Just Economy Conference" sponsored by the National Community Reinvestment Coalition, Washington, D.C. (via webcast)

3/18/2021 *Closing Remarks*

Chair Jerome H. Powell
At "Pushing the Frontiers of Payments: Towards Faster, Cheaper, More Transparent and More Inclusive Cross Border Payments," a conference hosted by the Committee on Payments and Market Infrastructures, Basel, Switzerland (via prerecorded video)

2/10/2021 *Getting Back to a Strong Labor Market*

Chair Jerome H. Powell
At the Economic Club of New York (via webcast)

10/6/2020 *Recent Economic Developments and the Challenges Ahead*

Chair Jerome H. Powell
At the National Association for Business Economics Virtual Annual Meeting

8/27/2020 *New Economic Challenges and the Fed's Monetary Policy Review*

Chair Jerome H. Powell
At "Navigating the Decade Ahead: Implications for Monetary Policy," an economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming (via webcast)

6/19/2020 *Introductory Comments*

Chair Jerome H. Powell
At "Building a Resilient Workforce," a video conference sponsored by the Federal Reserve Bank of Cleveland, Youngstown, Ohio (via webcast)

5/21/2020 *Opening Remarks*

Chair Jerome H. Powell
At "A Fed Listens Event: How Is COVID-19 Affecting Your Community?," sponsored by the Board of Governors of the Federal Reserve System, Washington, D.C. (via webcast)

5/13/2020 *Current Economic Issues*

Chair Jerome H. Powell
At the Peterson Institute for International Economics, Washington, D.C. (via webcast)

4/9/2020 *COVID-19 and the Economy*

Chair Jerome H. Powell
At the Hutchins Center on Fiscal and Monetary Policy, The Brookings Institution, Washington, D.C. (via webcast)

11/25/2019 *Building on the Gains from the Long Expansion*

Chair Jerome H. Powell
At the Annual Meeting of the Greater Providence Chamber of Commerce, Providence, Rhode Island

10/9/2019 *Opening Remarks*

Chair Jerome H. Powell
At a "Community Listening Session," a Fed Listens event at the Federal Reserve Bank of Kansas City, Kansas City, Missouri

10/8/2019 *Data-Dependent Monetary Policy in an Evolving Economy*
Chair Jerome H. Powell
At "Trucks and Terabytes: Integrating the 'Old' and 'New' Economies" 61st Annual Meeting of the National Association for Business Economics, Denver, Colorado

10/7/2019 *Brief Remarks*
Chair Jerome H. Powell
At the premiere of "Marriner Eccles: Father of the Modern Federal Reserve," Salt Lake City, Utah

10/4/2019 *Opening Remarks*
Chair Jerome H. Powell
At "Perspectives on Maximum Employment and Price Stability" a Fed Listens event sponsored by the Board of Governors of the Federal Reserve System, Washington, D.C.

8/23/2019 *Challenges for Monetary Policy*
Chair Jerome H. Powell
At the "Challenges for Monetary Policy" symposium, sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming

7/16/2019 *Monetary Policy in the Post-Crisis Era*
Chair Jerome H. Powell
At "Bretton Woods: 75 Years Later—Thinking about the Next 75," a conference organized by the Banque de France and the French Ministry for the Economy and Finance, Paris, France

7/9/2019	*Welcoming Remarks (via prerecorded video)* Chair Jerome H. Powell At "Stress Testing: A Discussion and Review," a research conference at the Federal Reserve Bank of Boston, Boston, Massachusetts
6/25/2019	*Economic Outlook and Monetary Policy Review* Chair Jerome H. Powell At the Council on Foreign Relations, New York, New York
6/4/2019	*Opening Remarks* Chair Jerome H. Powell At the "Conference on Monetary Policy Strategy, Tools, and Communications Practices" sponsored by the Federal Reserve, Federal Reserve Bank of Chicago, Chicago, Illinois
5/20/2019	*Business Debt and Our Dynamic Financial System* Chair Jerome H. Powell At "Mapping the Financial Frontier: What Does the Next Decade Hold?" 24th Annual Financial Markets Conference, sponsored by the Federal Reserve Bank of Atlanta, Amelia Island, Florida
5/9/2019	*Welcoming Remarks* Chair Jerome H. Powell At the 2019 Federal Reserve System Community Development Research Conference: "Renewing the Promise of the Middle Class," Washington, D.C.
3/11/2019	*Brief Remarks* Chair Jerome H. Powell At the "Just Economy Conference" sponsored by the National Community Reinvestment Coalition, Washington, D.C. (via prerecorded video)
3/8/2019	*Monetary Policy: Normalization and the Road Ahead* Chair Jerome H. Powell At the 2019 SIEPR Economic Summit, Stanford Institute of Economic Policy Research, Stanford, California
2/28/2019	*Recent Economic Developments and Longer-Term Challenges* Chair Jerome H. Powell At the Citizens Budget Commission 87th Annual Awards Dinner, New York, New York
2/12/2019	*Encouraging Economic Development in High-Poverty Rural Communities* Chairman Jerome H. Powell At "Rural Places, Rural Spaces: Closing Financial Services Gaps in Persistent Poverty America," a policy forum sponsored by Hope Enterprise Corporation, Mississippi Valley State University, Itta Bena, Mississippi
2/6/2019	*Welcoming Remarks* Chairman Jerome H. Powell At Conversation with the Chairman: A Teacher Town Hall Meeting, Washington, D.C.

12/6/2018 *Welcoming Remarks*
Chairman Jerome H. Powell
At the Housing Assistance Council's 2018 Rural Housing Conference, Washington, D.C.

12/3/2018 *Celebrating Excellence in Community Development*
Chairman Jerome H. Powell
At the Inaugural Janet L. Yellen Award for Excellence in Community Development, Washington, D.C.

11/28/2018 *The Federal Reserve's Framework for Monitoring Financial Stability*
Chairman Jerome H. Powell
At The Economic Club of New York, New York, New York

10/2/2018 *Monetary Policy and Risk Management at a Time of Low Inflation and Low Unemployment*
Chairman Jerome H. Powell
At the "Revolution or Evolution? Reexamining Economic Paradigms" 60th Annual Meeting of the National Association for Business Economics, Boston, Massachusetts

9/27/2018 *Brief Remarks on the U.S. Economy*
Chairman Jerome H. Powell
At Rhode Island Business Leaders Day, Washington, D.C.

8/24/2018 *Monetary Policy in a Changing Economy*
Chairman Jerome H. Powell
At "Changing Market Structure and Implications for Monetary Policy," a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming

6/20/2018 *Monetary Policy at a Time of Uncertainty and Tight Labor Markets*
Chairman Jerome H. Powell
At "Price and Wage-Setting in Advanced Economies," an ECB Forum on Central Banking, Sintra, Portugal

5/25/2018 *Financial Stability and Central Bank Transparency*
Chairman Jerome H. Powell
At "350 years of Central Banking: The Past, the Present and the Future," A Sveriges Riksbank anniversary conference sponsored by the Riksbank and the Riksdag, Stockholm, Sweden

5/8/2018 *Monetary Policy Influences on Global Financial Conditions and International Capital Flows*
Chairman Jerome H. Powell
At "Challenges for Monetary Policy and the GFSN in an Evolving Global Economy" Eighth High-Level Conference on the International Monetary System sponsored by the International Monetary Fund and Swiss National Bank, Zurich, Switzerland

4/6/2018 *The Outlook for the U.S. Economy*
Chairman Jerome H. Powell
At The Economic Club of Chicago, Chicago, Illinois

2/13/2018	*Remarks at the Ceremonial Swearing-in* Chairman Jerome H. Powell At the Federal Reserve Board, Washington, D.C.
11/2/2017	*Introductory Remarks* Governor Jerome H. Powell At the Roundtable of the Alternative Reference Rates Committee, The Federal Reserve Bank of New York, New York, New York (via prerecorded video)
10/18/2017	*Financial Innovation: A World in Transition* Governor Jerome H. Powell At the 41st Annual Central Banking Seminar, sponsored by the Federal Reserve Bank of New York, New York, New York
10/12/2017	*Prospects for Emerging Market Economies in a Normalizing Global Economy* Governor Jerome H. Powell At the 2017 Annual Membership Meeting of the Institute of International Finance, Washington, D.C.
10/5/2017	*Treasury Markets and the TMPG* Governor Jerome H. Powell At TMPG Best Practices @ 10: A Look Back and a Look Ahead, Federal Reserve Bank of New York, New York, New York
8/30/2017	*The Role of Boards at Large Financial Firms* Governor Jerome H. Powell At the Large Bank Directors Conference, Chicago, Illinois
7/6/2017	*The Case for Housing Finance Reform* Governor Jerome H. Powell At the American Enterprise Institute, Washington, D.C.
6/26/2017	*Remarks* Governor Jerome H. Powell At the Salzburg Global Seminar, Salzburg, Austria
6/23/2017	*Central Clearing and Liquidity* Governor Jerome H. Powell At the Federal Reserve Bank of Chicago Symposium on Central Clearing, Chicago, IL
6/1/2017	*Thoughts on the Normalization of Monetary Policy* Governor Jerome H. Powell At the Economic Club of New York, New York, New York
4/20/2017	*Brief Remarks* Governor Jerome H. Powell At The Global Finance Forum, Washington, D.C.

4/5/2017	*Welcoming Remarks* Governor Jerome H. Powell At "Expanding the Impact: Increasing Capacity and Influence," the 2017 Interagency Minority Depository Institution and Community Development Financial Institution Bank National Conference, Los Angeles, California
3/28/2017	*America's Central Bank: The History and Structure of the Federal Reserve* Governor Jerome H. Powell At the West Virginia University College of Business and Economics Distinguished Speaker Series, Morgantown, West Virginia
3/3/2017	*Innovation, Technology, and the Payments System* Governor Jerome H. Powell At Blockchain: The Future of Finance and Capital Markets? The Yale Law School Center for the Study of Corporate Law, New Haven, Connecticut
2/22/2017	*The Economic Outlook and Monetary Policy* Governor Jerome H. Powell At the Forecasters Club of New York Luncheon, New York, New York
1/7/2017	*Low Interest Rates and the Financial System* Governor Jerome H. Powell At the 77th Annual Meeting of the American Finance Association, Chicago, Illinois
11/30/2016	*A View from the Fed* Governor Jerome H. Powell At the "Understanding Fedspeak" event cosponsored by the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution and the Center for Financial Economics at Johns Hopkins University, Washington, D.C.
11/29/2016	*Recent Economic Developments and Longer-Run Challenges* Governor Jerome H. Powell At The Economic Club of Indiana, Indianapolis, Indiana
11/18/2016	*The Global Trade Slowdown and Its Implications for Emerging Asia* Governor Jerome H. Powell At "CPBS 2016 Pacific Basin Research Conference," sponsored by the Center for Pacific Basin Studies at the Federal Reserve Bank of San Francisco, San Francisco, California
10/24/2016	*Opening Remarks on Government Securities Settlement* Governor Jerome H. Powell At The Evolving Structure of the U.S. Treasury Market: Second Annual Conference, Federal Reserve Bank of New York, New York, New York
9/29/2016	*Trends in Community Bank Performance over the Past 20 Years* Governor Jerome H. Powell At the "Community Banking in the 21st Century" Fourth Annual Community Banking Research and Policy Conference, sponsored by the Federal Reserve System and the Conference of State Bank Supervisors, St. Louis, Missouri

6/28/2016 *Recent Economic Developments, Monetary Policy Considerations and Longer-term Prospects*
Governor Jerome H. Powell
At the Chicago Council on Global Affairs, Chicago, Illinois

6/21/2016 *Introductory Comments*
Governor Jerome H. Powell
At the Roundtable on the Interim Report of the Alternative Reference Rates Committee sponsored by the Federal Reserve Board and the Federal Reserve Bank of New York, New York, New York

5/26/2016 *Recent Economic Developments, the Productive Potential of the Economy, and Monetary Policy*
Governor Jerome H. Powell
At the Peterson Institute for International Economics, Washington, D.C.

2/26/2016 *Discussion of the paper "Language after Liftoff: Fed Communication Away from the Zero Lower Bound"*
Governor Jerome H. Powell
At the 2016 U.S. Monetary Policy Forum, New York, New York

11/20/2015 *Opening Remarks*
Governor Jerome H. Powell
At the 2015 Roundtable on Treasury Markets and Debt Management: Evolution of Treasury Market and Its Implications, New York, New York

11/17/2015 *Central Clearing in an Interdependent World*
Governor Jerome H. Powell
At the Clearing House Annual Conference, New York, New York

10/20/2015 *The Evolving Structure of U.S. Treasury Markets*
Governor Jerome H. Powell
At the Federal Reserve Bank of New York, New York, New York (via prerecorded video)

8/3/2015 *Structure and Liquidity in Treasury Markets*
Governor Jerome H. Powell
At The Brookings Institution, Washington, D.C.

6/25/2015 *Building a Safer Payment System*
Governor Jerome H. Powell
At the Federal Reserve Bank of Kansas City Conference, "The Puzzle of Payments Security: Fitting the Pieces Together to Protect the Retail Payments System", Kansas City, Missouri

5/14/2015 *Regulation and Supervision of Community Banks*
Governor Jerome H. Powell
At the Annual Community Bankers Conference sponsored by the Federal Reserve Bank of New York, New York, New York

4/8/2015 *Remarks on Monetary Policy*
Governor Jerome H. Powell
At the C. Peter McColough Series on International Economics Council on Foreign Relations, New York, New York

2/18/2015	*Financial Institutions, Financial Markets, and Financial Stability* Governor Jerome H. Powell At the Stern School of Business, New York University, New York, New York
2/9/2015	*"Audit the Fed" and Other Proposals* Governor Jerome H. Powell At the Catholic University of America, Columbus School of Law, Washington, D.C.
2/4/2015	*Welcoming Remarks* Governor Jerome H. Powell At the Economic Growth and Regulatory Paperwork Reduction Act Outreach Meeting, Dallas, Texas
1/20/2015	*Comments on the Fair and Effective Markets Review* Governor Jerome H. Powell At "Making Markets Fair and Effective for All," Sponsored by The Brookings Institution, Washington, D.C.
11/14/2014	*Monetary Policy Accommodation, Risk-Taking, and Spillovers* Governor Jerome H. Powell At the Global Research Forum on International Macroeconomics and Finance, Washington, D.C.
11/6/2014	*A Financial System Perspective on Central Clearing of Derivatives* Governor Jerome H. Powell At the "The New International Financial System: Analyzing the Cumulative Impact of Regulatory Reform", 17th Annual International Banking Conference, Chicago, Illinois
10/20/2014	*Opening Remarks* Governor Jerome H. Powell At the Webinar on Community Banking, Washington, D.C.
9/30/2014	*Remarks on "Government Debt Management at the Zero Lower Bound"* Governor Jerome H. Powell At the Panel Discussion on "Debt Management in an Era of Quantitative Easing: What Should the Treasury and the Fed Do?", Washington, D.C.
9/23/2014	*Introductory Remarks* Governor Jerome H. Powell At the Federal Reserve/Conference of State Bank Supervisors Community Banking Research Conference, St. Louis, Missouri
9/4/2014	*Reforming U.S. Dollar LIBOR: The Path Forward* Governor Jerome H. Powell At the Money Marketeers of New York University, New York, New York

6/6/2014 *A Conversation on Central Banking Issues*
Governor Jerome H. Powell
At the 2014 Spring Membership Meeting, Institute for International Finance, London, United Kingdom

11/21/2013 *OTC Market Infrastructure Reform: Opportunities and Challenges*
Governor Jerome H. Powell
At the Clearing House 2013 Annual Meeting, New York, New York

11/4/2013 *Advanced Economy Monetary Policy and Emerging Market Economies*
Governor Jerome H. Powell
At the Federal Reserve Bank of San Francisco 2013 Asia Economic Policy Conference, San Francisco, California

10/11/2013 *Communications Challenges and Quantitative Easing*
Governor Jerome H. Powell
At the 2013 Institute of International Finance Annual Membership Meeting, Washington, D.C.

10/3/2013 *Community Banking: Connecting Research and Policy*
Governor Jerome H. Powell
At the Federal Reserve/Conference of State Bank Supervisors, Community Banking Research Conference, St. Louis, Missouri

7/2/2013 *International Financial Regulatory Reform*
Governor Jerome H. Powell
At the Deutsche Bundesbank Reception, New York, New York

6/27/2013 *Thoughts on Unconventional Monetary Policy*
Governor Jerome H. Powell
At the Bipartisan Policy Center, Washington, D.C.

3/4/2013 *Ending "Too Big to Fail"*
Governor Jerome H. Powell
At the Institute of International Bankers 2013 Washington Conference, Washington, D.C.

2/22/2013 *Discussion of "Crunch Time: Fiscal Crises and the Role of Monetary Policy"*
Governor Jerome H. Powell
At the "U.S. Monetary Policy Forum" conference sponsored by the University of Chicago Booth School of Business, New York, New York

Public statements: List all public statements you have made during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. Whenever possible, provide the Committee with finding aids (such as citations, internet URLs, etc.) for each statement.

Testimony

11/30/2021 *Coronavirus and CARES Act*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on December 1, 2021.

9/28/2021 *Coronavirus and CARES Act*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on September 30, 2021.

7/14/2021 *Semiannual Monetary Policy Report to the Congress*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on July 15, 2021.

6/22/2021 *The Federal Reserve's Response to the Coronavirus Pandemic*
Chair Jerome H. Powell
Before the Select Subcommittee on the Coronavirus Crisis, U.S. House of Representatives, Washington, D.C.

3/23/2021 *Coronavirus Aid, Relief, and Economic Security Act*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives
Chair Powell submitted identical remarks to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on March 24, 2021.

2/23/2021 *Semiannual Monetary Policy Report to the Congress*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate
Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., on February 24, 2021.

12/1/2020 *Coronavirus Aid, Relief, and Economic Security Act*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on December 2, 2020.

9/22/2020 *Coronavirus Aid, Relief, and Economic Security Act*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.
Chair Powell submitted identical remarks to the Select Subcommittee on the Coronavirus Crisis, U.S. House of Representatives, Washington, D.C., on September 23, 2020, and to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C., on September 24, 2020.

6/30/2020 *Coronavirus and CARES Act*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.

6/16/2020 *Semiannual Monetary Policy Report to the Congress*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., on June 17, 2020.

5/19/2020 *Coronavirus and CARES Act*
Chair Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

2/11/2020 *Semiannual Monetary Policy Report to the Congress*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on February 12, 2020.

11/13/2019 *The Economic Outlook*
Chair Jerome H. Powell
Before the Joint Economic Committee, U.S. Congress, Washington, D.C.
Chair Powell submitted identical remarks to the House Committee on the Budget, U.S. Congress, on November 14, 2019.

7/10/2019 *Semiannual Monetary Policy Report to the Congress*
Chair Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.
Chair Powell submitted identical remarks to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on July 11, 2019.

2/26/2019 *Semiannual Monetary Policy Report to the Congress*
Chairman Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.
Chairman Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on February 27, 2019.

7/17/2018 *Semiannual Monetary Policy Report to the Congress*
Chairman Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.
Chairman Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, on July 18, 2018.

2/27/2018 *Semiannual Monetary Policy Report to the Congress*
Chairman Jerome H. Powell
Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.
Chairman Powell submitted identical remarks to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on March 1, 2018.

11/28/2017 *Confirmation hearing*
Governor Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

6/22/2017 *Relationship Between Regulation and Economic Growth*
Governor Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

4/14/2016 *Trends in Fixed-Income Markets*
Governor Jerome H. Powell
Before the Subcommittee on Securities, Insurance, and Investment, and Subcommittee on Economic Policy, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

3/13/2014 *Nomination hearing*
Governor Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

3/7/2013 *Anti-Money Laundering and the Bank Secrecy Act*
Governor Jerome H. Powell
Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

News Conferences

3/21/2018 *News Conference*
Chair Jerome H. Powell

6/13/2018 *News Conference*
Chair Jerome H. Powell

9/26/2018 *News Conference*
Chair Jerome H. Powell

12/19/2018 *News Conference*
Chair Jerome H. Powell

1/30/2019 *News Conference*
Chair Jerome H. Powell

3/20/2019 *News Conference*
Chair Jerome H. Powell

5/1/2019 *News Conference*
Chair Jerome H. Powell

6/19/2019 *News Conference*
Chair Jerome H. Powell

7/31/2019 *News Conference*
Chair Jerome H. Powell

9/18/2019 *News Conference*
Chair Jerome H. Powell

10/30/2019	*News Conference* Chair Jerome H. Powell
12/11/2019	*News Conference* Chair Jerome H. Powell
1/29/2020	*News Conference* Chair Jerome H. Powell
3/3/2020	*News Conference* Chair Jerome H. Powell
3/15/2020	*News Conference* Chair Jerome H. Powell
4/29/2020	*News Conference* Chair Jerome H. Powell
6/10/2020	*News Conference* Chair Jerome H. Powell
7/29/2020	*News Conference* Chair Jerome H. Powell
9/16/2020	*News Conference* Chair Jerome H. Powell
11/5/2020	*News Conference* Chair Jerome H. Powell
12/16/2020	*News Conference* Chair Jerome H. Powell
1/27/2021	*News Conference* Chair Jerome H. Powell
3/17/2021	*News Conference* Chair Jerome H. Powell
4/28/2021	*News Conference* Chair Jerome H. Powell
6/16/2021	*News Conference* Chair Jerome H. Powell
7/28/2021	*News Conference* Chair Jerome H. Powell
9/22/2021	*News Conference* Chair Jerome H. Powell

11/3/2021 *News Conference*
Chair Jerome H. Powell

Interviews

- Interview on Marketplace, 7/12/18: https://www.marketplace.org/shows/marketplace/full-interview-federal-reserve-chair-jerome-powell/
- Interview on CBS's 60 Minutes, 3/19/20: https://www.cbsnews.com/news/full-transcript-60-minutes-interview-with-fed-chair-jerome-powell/
- Interview on NBC's Today Show, 3/26/20: https://www.today.com/video/fed-chairman-jerome-powell-there-s-nothing-fundamentally-wrong-with-our-economy-81231429587
- Interview on CBS's 60 minutes, 5/13/20: https://www.cbsnews.com/news/full-transcript-fed-chair-jerome-powell-60-minutes-interview-economic-recovery-from-coronavirus-pandemic/
- Interview on NPR, 9/4/20: https://www.npr.org/2020/09/04/909590044/transcript-nprs-full-interview-with-fed-chairman-jerome-powell
- Interview on NPR, 3/25/21: https://www.npr.org/2021/03/25/980868555/transcript-nprs-full-interview-with-fed-chairman-jerome-powell
- Interview on CBS's 60 Minutes, 4/11/21: https://www.cbsnews.com/news/jerome-powell-full-2021-60-minutes-interview-transcript/

Open Meetings

- Transcript, 12/14/12: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20121214.pdf
- Transcript, 7/2/13: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20130702.pdf
- Transcript, 10/24/13: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20131024.pdf
- Transcript, 12/10/13: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20131210.pdf
- Transcript, 2/18/14: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20140218.pdf
- Transcript, 4/8/14: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20140409.pdf
- Transcript, 9/3/14: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20140903.pdf
- Transcript, 10/22/14: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20141022.pdf
- Transcript, 12/9/14: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20141209.pdf
- Transcript, 7/20/15: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-20150720.pdf
- Transcript, 10/30/15: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-20151030.pdf
- Transcript, 11/30/15: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-20151130.pdf
- Transcript, 3/4/16: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20160304.pdf

- Transcript, 5/3/16: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20160503.pdf
- Transcript, 6/3/16: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20160603.pdf
- Transcript, 12/15/16: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20161215.pdf
- Transcript, 9/1/17: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20170901.pdf
- Transcript, 5/30/18: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20180530.pdf
- Transcript, 6/14/18: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20180615.pdf
- Transcript, 10/31/18: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20181101.pdf
- Transcript, 4/18/19: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20190408.pdf
- Transcript, 4/23/19: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20190423.pdf
- Transcript, 10/10/19: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20191010.pdf
- Transcript, 1/30/20: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20200130.pdf
- Transcript, 9/21/20: https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20200921.pdf

Additional

- Statement on re-nomination, 11/22/21: https://www.federalreserve.gov/newsevents/pressreleases/other20211122a.htm
- Quote in press release on College Fed Challenge winners, 11/19/21: https://www.federalreserve.gov/newsevents/pressreleases/other20211119a.htm
- Teacher town hall, transcript, 8/17/21: https://www.federalreserve.gov/mediacenter/files/educator-student-town-hall-20210817.pdf
- Video message on digital payments landscape, transcript, 5/20/21: https://www.federalreserve.gov/mediacenter/files/payment-innovation-message-transcript-20210520.pdf
- Quote in press release on Fed joining the Network for Greening the Financial System, 12/15/20: https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201215a.htm
- Article by NY Mag, 10/27/20: https://nymag.com/intelligencer/article/jerome-powell-federal-reserve-profile.html
- Quote in press release on Trevor Reeve becoming director of Monetary Affairs, 9/14/20: https://www.federalreserve.gov/newsevents/pressreleases/other20200914a.htm
- Statement on passing of Thomas Laubach, 9/2/20: https://www.federalreserve.gov/newsevents/pressreleases/other20200902a.htm
- Quote in press release on new monetary policy framework, 8/27/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm
- Quote in press release on Main Street Lending Program, 6/15/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200615b.htm

- Quote in press release on Main Street Lending Program, 6/8/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200608a.htm
- Quote in press release on emergency lending facilities, 5/12/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200512a.htm
- Quote in press release on transparency around emergency lending facilities, 4/23/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200423a.htm
- Quote in press release on emergency lending facilities, 4/9/20: https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm
- Statement, 2/28/20: https://www.federalreserve.gov/newsevents/pressreleases/other20200228a.htm
- Statement on passing of Paul Volcker, 12/19/19: https://www.federalreserve.gov/newsevents/pressreleases/other20191209a.htm
- Quote in press release on Beth Anne Wilson becoming director of International Finance, 12/18/19: https://www.federalreserve.gov/newsevents/pressreleases/other20191218a.htm
- Quote in press release on College Fed Challenge winners, 11/22/19: https://www.federalreserve.gov/newsevents/pressreleases/other20191122a.htm
- Statement on meeting with President and Treasury Secretary, 11/18/19: https://www.federalreserve.gov/newsevents/pressreleases/other20191118a.htm
- Quote in press release announcing Steve Kamin stepping down from director of International Finance, 10/11/19: https://www.federalreserve.gov/newsevents/pressreleases/other20191011a.htm
- Statement on passing of Alice Rivlin, 5/14/19: https://www.federalreserve.gov/newsevents/pressreleases/other20190514a.htm
- Statement on meeting with President and Treasury Secretary, 2/4/19: https://www.federalreserve.gov/newsevents/pressreleases/other20190204a.htm
- Quote in press release announcing Stacey Tevlin becoming director of Research and Statistics, 1/25/19: https://www.federalreserve.gov/newsevents/pressreleases/other20190125a.htm
- Quote in press release about annual Janet Yellen award, 11/30/18: https://www.federalreserve.gov/newsevents/pressreleases/other20181130a.htm
- Quote in press release announcing College Fed Challenge winners, 11/29/18: https://www.federalreserve.gov/newsevents/pressreleases/other20181129b.htm
- Quote in press release on monetary policy framework review, 11/15/18: https://www.federalreserve.gov/newsevents/pressreleases/monetary20181115a.htm
- Quote in press release on economics career symposium for High School and college students, 8/23/18: https://www.federalreserve.gov/newsevents/pressreleases/other20180823a.htm
- Quote in press release announcing David Wilcox stepping down from director of Research and Statistics, 8/20/18: https://www.federalreserve.gov/newsevents/pressreleases/other20180820a.htm

Social media usernames: Please provide a list of all of your currently active social media usernames (e.g., Facebook, Instagram, Twitter, etc.), and any usernames for any inactive accounts you have used within the previous ten years.

I have a twitter account (@jeromehpowell) that I have not used since joining the Fed in May 2012. I have another twitter account that is not identified with me (Harambah53) and that I use regularly to follow events. I never tweet or "like" anything on this account. I have a Facebook account that I check on from time to time (Jay Powell). On rare occasions I will wish someone happy birthday or other similar things on this account. I have no other social media accounts.

Political affiliations activities: List memberships and offices held in and services rendered to all political parties or election committees during the last ten years.

List all public offices, if any, for which you have been a candidate in the past ten years.

Name of Office	Elected/Appointed Candidate Only	Year(s) Election Held or Appointment Made	Terms of Service (if applicable)

None.

Political contributions: Itemize all political contributions which exceed $200 or which aggregate to over $200 in a calendar year to any individual, campaign organization, political party, political action committee or similar entity during the last ten years and identify specific amounts, dates, and names of recipient.

None.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

I have served as a member of the Federal Reserve Board since May 2012 and as its Chair since February 2018. As Chair I have overseen all the Board's key decisions, including those related to monetary policy, financial regulatory and supervisory policy, financial stability, consumer and community affairs, and payments system policy.

I led the Federal Reserve's response to the economic and financial hardship caused by the COVID-19 pandemic. The Federal Reserve took forceful measures through monetary policy, liquidity provision, the creation of emergency lending facilities, and supervisory action to support financial stability, economic activity, and the economic recovery. I initiated the most extensive review to date of the Federal Open Market Committee's (FOMC) monetary policy framework. The review culminated with a revised Statement on Longer-Run Goals and Monetary Policy Strategy in which the FOMC highlighted that the maximum level of employment is a broad-based and inclusive goal, that the FOMC's policy decisions must be informed by assessments of the shortfalls of employment from its maximum level, and that the FOMC seeks to achieve inflation that averages 2 percent over time.

In addition, during my term as Chair, the Federal Reserve increased capital and liquidity requirements for the largest banks; focused significant resources toward the implementation of a new interbank payment service, FedNow, to improve the general public's access to instant payments; continued and expanded our analysis and monitoring of financial stability; created standing committees to evaluate how climate change impacts our mandates related to the supervision and regulation of financial institutions and the stability of the broader financial system; and dramatically improved the overall diversity of the Boards of Directors for the Federal Reserve banks and branches.

Before my term as Chair of the Board, I chaired most of the Board's internal policy committees, including the Committee on Supervision and Regulation (CSR) and the CSR subcommittee that reviews the potential effects of regulation on community banks; the Board Committee on Payments, Settlement, and Clearing;

and the Payment System Policy Advisory Committee, which includes senior Reserve Bank officials as well as Governors. I was also a member of the Board's subcommittee on monetary policy communications. I led the Board's activities on financial market issues, including Treasury market structure, market liquidity, central clearing of derivatives, reforms of interest rate benchmarks, and reforms of repurchase agreement (repo) markets.

I was also the Administrative Governor, Chair of the Committee on Board Affairs, and Chair of the Reserve Bank Affairs Committee. In these roles, I was responsible for oversight of all operations of the Board of Governors and of the 12 Reserve Banks.

Included as a part of this questionnaire is a list of my public remarks and testimony as Chair of the Board and as a member of the Board.

Before joining the Board, I spent more than 25 years working as an attorney, as an investment banker, and finally as an investor. I believe that my practical experience with financial markets has provided a valuable perspective in Board and FOMC deliberations.

In addition to my private sector work, I served as Assistant Secretary and then Under Secretary of the Treasury for Finance from 1990 to 1993. That period was marked by key financial regulatory and financial stability policy issues.

In the late 1980s, a sharp downturn in commercial and residential real estate markets resulted in a wave of more than 1,000 failures among depository institutions. As a result, at Treasury we faced the savings-and-loan cleanup; the insolvency and bailout of the Bank Insurance Fund; and the failure of large financial organizations, which squarely presented the too-big-to-fail problem. The devastation in the financial sector also resulted in a severe credit crunch, with businesses and consumers unable to access credit on reasonable terms, and a consequent sharp rise in unemployment.

I was involved in addressing these multiple crises and in the major legislation that followed, including the Federal Deposit Insurance Improvement Act of 1991 (FDICIA). I also led the Administration's efforts to deal with the Salomon Brothers scandal in the government securities markets, which involved market manipulation and the submission of false bids in Treasury auctions. This scandal resulted in the Government Securities Reform Act of 1992, as well as revisions to Treasury's auction rules.

After leaving Treasury in 1993, I remained a careful observer and student of economic policy and events. From 2010 until I joined the Board in 2012, I worked full time at the Bipartisan Policy Center as a Visiting Scholar, focusing on federal and state fiscal issues. My principal projects during that time included: a study of the operation of the federal debt ceiling, published in June 2011; the public simulation of a failure of a large, global bank under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Orderly Liquidation Authority") (October 2011); and the public simulation of the insolvency of a major American state (October 2010).

Future Employment relationships: 1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

N/A

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization

I have no such plans.

3. Has anyone made a commitment to employ you after you leave government service?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last ten years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

Any potential conflict of interest will be resolved in accordance with the terms of my ethics agreement, which I understand has been provided to the Committee.

Tax compliance and bankruptcy:

1. In the past ten years, have you and your spouse (if applicable) filed and paid all taxes (federal, state, and local) as of the date of your nomination? Indicate if you filed as 'married filing separately.'

Yes.

2. In the past ten years, have you been required to make any back tax payments? If so, indicate if you have made any back tax payments and provide full details.

No.

3. Has a tax lien or other collection procedure(s) been instituted against you or your spouse (if applicable) by federal, state, or local authorities? If so, provide full details.

No.

4. In the past ten years, have you or your spouse (if applicable) ever been the subject of any audit, investigation, or inquiry for federal, state, or local taxes? If so, provide full details.

No.

5. Were all your Federal, State, local, and other tax returns and tax liabilities of any kind current (filed and paid when due) as of the date of your nomination? If not, provide details.

Yes.

6. Have you ever filed for bankruptcy? If so, provide details.

No.

Civil, criminal and investigatory actions:

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency (e.g. an Inspector General's office), professional association, disciplinary committee, or other ethics enforcement entity at any time? If so, provide details, regardless of outcome.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding, or civil litigation other than a divorce proceeding? If so, provide details.

No.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

Other information: Please advise the Committee of any additional information, favorable or unfavorable, which you believe should be considered in connection with your nomination.

N/A

Public records search: Do you consent to allow Committee staff to conduct a public records search on you using appropriate search tools? (including Westlaw, Lexis, etc.)

Yes.

The undersigned certifies that the information contained in the public statement to the Committee is true and correct.

Signed: James H. Parnell Date: December 1, 2021

RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN FROM JEROME H. POWELL

Q.1. Chair Powell, you recently stated that in your career, you "have seen the best and most successful organizations are often the ones that have a strong and persistent commitment to diversity and inclusion." Yet, according to the *New York Times*, just 1 percent of all economists at the Fed are Black and less than 10 percent of them are Hispanic. I appreciate that in your nomination hearing, you emphasized the importance of a diverse workforce for full employment, including at the Fed. What steps will you take to ensure racial equity in hiring at the Fed? Will you commit to furnishing this Committee with a report by July 1st of this year, if confirmed, identifying the Fed's progress in hiring more economists and staff from diverse backgrounds?

A.1. To foster diversity, we must develop an overall culture of inclusion at all levels, starting at the top. The Federal Reserve Board (Board) reviews and assesses our employment policies, procedures, and practices and works closely with stakeholders to address any barriers that may not align with the Board's values in fostering an inclusive working environment. Board leaders continue to engage in strategies that support effective recruitment and development goals. For example, we have implemented an Ambassador outreach program in which Board employees from diverse backgrounds representing a variety of job families, including economics, may participate. This program is designed to attract candidates to the Board by providing information about the Federal Reserve and the Ambassadors' experience working at the Board.

We offer voluntary classes in leadership development, mentoring, and skill enhancement as part of career development and succession planning. In addition, we will continue to support the American Economics Association summer programs for economics-centered internships, and to work closely with other minority and women's professional organizations such as the Sadie Collective to advance opportunities for minorities in the economics profession. To promote accountability for addressing possible bias in the recruitment and promotion process, hiring officials will continue to attend workshops on recruiting without bias, and we will continue to ensure that interview panels include people with diverse backgrounds.

In addressing the challenges of increasing diversity in the economics profession, we are collaborating with the G7 Central Banks to identify leading practices and resources that will enable recruitment of economists from a broader set of research areas in order to attract more diverse candidates and better support the diversity of perspectives, experiences, and skill sets needed to fulfill our mission. In addition, our economics divisions (Research and Statistics, Monetary Affairs, International Finance, and Financial Stability) will continue to collaborate on a variety of diversity and inclusion initiatives to support and encourage increased representation of women and minority groups in the economics profession. These initiatives involve partnerships with outside organizations—such as the American Economic Association, the Bank of England, the European Central Bank, the National Economic Association, and the

American Society of Hispanic Economists—as well as Federal Reserve System and internal efforts.

With regard to your question on reporting, the Board's Office of Minority and Women Inclusion annually reports to Congress outlining its activities, successes, and challenges. The appendices of this report provide the Board's Employer Information EEO–1 Report, as well as the combined data for official staff demographics of the Board and Reserve Banks, the demographics of Federal Reserve System boards of directors, and the total contract payments by the Board and Reserve Banks to minority- and women-owned businesses. As required by section 342 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, the Board will continue to provide this information annually. Our next report will be forthcoming at the end of March.

Q.2. What specific measures will you use to evaluate the success of the Federal Reserve in understanding and addressing the needs of Black, Indigenous and people of color (BIPOC)? And, will you keep Congress apprised, as appropriate, on the progress being made on these measures?

A.2. The Federal Reserve devotes considerable attention to analyzing differences in income, wealth, employment, and other economic outcomes for Black, Indigenous, and people of color, women, and communities across regions of the country to help us better understand the implications of such differences for the economy's functioning. The Federal Reserve regularly reports the outcomes of these efforts to Congress and the public through various reports and testimonies, all of which are posted on our website.

Some specific examples of the data collection work that we have undertaken include:

- The Distributional Financial Accounts (DFAs). The DFAs provide quarterly estimates of wealth, assets, and debt by race and ethnicity.
- The Survey of Household Economics and Decisionmaking. Since 2013, the Board has conducted the Survey of Household Economics and Decisionmaking, which measures the economic well-being of U.S. households, including across racial and ethnic groups, and identifies potential risks to their finances.
- The Survey of Consumer Finances (SCF). The SCF is a long-running data product of the Board. For the 2022 SCF, Board staff have worked to improve the SCF's ability to measure wealth disparities across racial and ethnic groups by increasing the sample size for these groups. These improvements to the SCF will allow us—for the first time—to estimate the wealth holdings of Asian families separately; in addition, it will permit us to look more closely at subsets of Black and Hispanic families.
- The Small Business Credit Survey. This survey covers a national sample of small businesses (businesses with fewer than 500 employees) and provides information on firms' financing needs and access to credit, with a focus on startups, minority-owned firms, women-owned firms, rural firms, and self-employed and gig workers.

Data from these surveys as well as research and analysis based on these data are available in a number of public formats, including a section of the Board's website that provides easy access to the range of our data and research on economic disparities. The Federal Reserve also regularly presents relevant analysis in the semiannual *Monetary Policy Report* that we submit to Congress, such as the analysis we included in the February 2021 *Monetary Policy Report* on disparities in labor market outcomes across demographic groups and for workers at various places in the wage distribution.

In addition, the Federal Reserve System and the Board have undertaken or encouraged analysis of these topics in the following ways:

- The Board and the Federal Reserve Banks of Atlanta, Minneapolis, and St. Louis have set up research centers that investigate the causes of economic and financial disparities across demographic groups. For example, the Board has become a member of the Central Bank Network for Indigenous Inclusion, which seeks to foster ongoing dialogue, research, and education to raise awareness of economic and financial issues and opportunities around Indigenous economies. The Board's participation is supported by the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis and the Economic Education Partnership with Indian Country at the Federal Reserve Bank of St. Louis.
- Building on previous work, the Board and Reserve Banks partnered to convene research conferences in 2021 that focused on uneven outcomes in the labor market.

The Federal Reserve also supervises and enforces laws and regulations designed to advance economic opportunity to people and communities of color by promoting fair and equal access to credit and financial services and preventing illegal discrimination. We have rigorous processes and robust programs to implement the laws and regulations in the following areas, and the Federal Reserve's work in these areas is reported to Congress in our Annual Report.

- Community Reinvestment Act (CRA): Implementation of the CRA is a crucial mechanism for addressing persistent systemic inequity in the financial system for low- and moderate-income (LMI) and minority individuals and communities. CRA evaluations carefully review and rate banks on how well they meet the investment, credit, and banking services needs of their local communities, which are critical to advancing economic opportunity, including by promoting access to home ownership, small business loans, and education. The Board is working with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) to propose revisions to regulations that would strengthen the CRA's role in meeting the credit needs of communities of color by encouraging investment in minority depository institutions, women-owned financial institutions, low-income credit unions, community development financial institutions, and encouraging investment in Indian Country and colonias.

- Fair Lending Laws: As a supervisor of financial institutions, we enforce both the Fair Housing Act and the Equal Credit Opportunity Act, the Federal fair lending laws that prohibit discrimination in lending. Under these authorities, we have a robust supervisory approach to make sure banks have strong programs to ensure fairness in their lending and address any findings of discrimination to ensure that bank policies or practices do not close off opportunities to access credit that advance economic opportunity. Supervisory evaluations for CRA and fair lending are also taken into account when evaluating proposals for mergers and acquisitions.
- Minority Depository Institutions (MDIs): The Federal Reserve recognizes the importance of MDIs, which have an explicit mission to serve the banking and credit needs of minority consumers and communities and understand the challenges inherent in providing access to credit and other financial services in traditionally underserved areas. In collaboration with the FDIC and OCC, the Federal Reserve's Partnership for Progress (PFP) program is dedicated to supporting the preservation of MDIs to ensure these financial institutions can thrive and support an inclusive financial system. In 2021, the Federal Reserve expanded the programmatic work to include Women's Depository Institutions (WDIs) to ensure that PFP resources are also available to WDIs. The agencies' activities are reported annually to Congress in the Annual Report on Promoting Minority Depository Institutions.

Further, the Federal Reserve has a long-standing commitment to community development, establishing programs at each of the 12 Reserve Banks and the Board in 1984. This function promotes economic growth and financial stability for LMI communities and individuals by conducting and publishing research and convening community development stakeholders interested in working together to address challenges and create new investment opportunities.

To help inform the work of community development practitioners, researchers, lenders, and policymakers, the Federal Reserve produces publications and convenes events to disseminate research, data, and perspectives on issues related to advancing economic opportunity for traditionally underserved populations and areas.

Q.3. What is your plan for creating an inclusive working environment for employees within your office?

A.3. I place a high value on setting a tone of inclusiveness and openness in my office. An inclusive working environment is critical to enable all employees to fully engage in their work and to feel valued and respected. It is important to provide a venue and a process for employees to have the ability to freely and confidently share feedback on their workplace. I have supported the implementation of an Engagement Survey. Feedback from this process has led to enhancing career development opportunities, creating a Board-wide mentoring program, implementing diversity and inclusion training events, and addressing safety to speak up.

Q.4. Where have you excelled in past positions in attracting, hiring, and promoting people of color in positions in your organization? Where might there be room for improvement?

A.4. As Chair, I have internally and externally stated my strong personal belief in and support for a diverse and inclusive environment, including specifically identifying its importance as part of the Board's 2020–23 Strategic Plan. As Chair, I have also led quarterly meetings with staff at many levels from within the Board and the System to discuss and assess our progress in advancing diversity and economic inclusion. These meetings are a priority for me and my colleagues on the Board.

I also speak regularly with staff about the importance of fostering diversity and inclusion. I meet with the Board's Director of the Office of Women and Minority Inclusion on a quarterly basis, and I have met with the chairs and cochairs of each of the Board's seven Employee Resource Groups [1] on a number of occasions. We have created staff advisory groups at the division level to work with leadership to create action plans focusing on staff development and division inclusion activities. In an effort to learn from others, we have also hosted business and nonprofit leaders who have served on Reserve Bank boards of directors to discuss what has worked well in developing a culture of diversity and inclusion at their organizations.

As Chair, I have encouraged and strongly supported the considerable outreach we do to diverse candidates in our recruiting of staff. This includes participating in minority recruitment events at Historically Black Colleges and Universities (HBCUs), Hispanic-Serving Institutions (HSI), and Hispanic professional conferences and career fairs. Our outreach is particularly notable as we hire recent college graduates as full-time research assistants, a position which can be an important step towards a career in economics.

We are also reviewing our recruiting and hiring practices to identify and implement ways in which we can further increase the pool of diverse qualified candidates. As a result of our ongoing review, we have started to broaden the research specializations within economics from which we have typically hired economists. Recruiting from a broader set of research areas not only may draw more diverse candidates, but also better supports our mission by ensuring broader skill sets and perspectives.

Under my leadership as Chair, the Board has leveraged its award-winning internship program to offer students on-the-job experience and learning. The program is a way to create a diverse job candidate pool for our entry-level positions. The Board has also implemented job board and resume database access to expand diversity sourcing initiatives with the National Black MBA Association and National Society of Black Engineers.

Over the last 4 years, my colleagues and I have worked to develop the pipeline of economists from under-represented groups. We have welcomed diverse groups of students—at the high school, un-

[1] The Board's employee resource groups include: Advocacy for the Diverse Abilities, Needs, and Contributions of Employees (ADVANCE) Employee Resource Group; African American Employees Resource Group; Asian American Pacific Islander Employee Resource Group; Hispanic Employee Resource Group; LGBTQA Employee Resource Group; Veterans Employee Resource Group; and Women's Employee Resource Group.

dergraduate, and graduate levels—to the Board both in person and through online events to discuss career opportunities, the work that we do, and diversity in the profession. We are collaborating closely with the American Economic Association (AEA) and with Howard University, including committing staff resources over the next 5 years to teach an Advanced Research Methods class to undergraduate and masters level students at the AEA Summer Training Program, which is being hosted by Howard University.

My colleagues and I are also supporting research on and awareness of the factors that are holding back diversity and inclusion in economics. For example, in November 2021, we hosted a conference on Diversity and Inclusion in Economics, Finance, and Central Banking, along with three other central banks.

Prior to becoming the Chair of the Board, I was chair of the Board's Committee on Reserve Bank Affairs, responsible for overseeing Reserve Bank operations. With respect to the process of selecting Reserve Bank presidents, we have focused over the past 7 years on ensuring that Reserve Bank boards reflect the communities that they serve, in terms of personal characteristics, as well as professional experience and educational background. Research has shown that diverse hiring committees have more success in identifying and attracting diverse talent. The directors who serve on these boards play the lead role in appointing presidents and other senior Reserve Bank leaders. During my tenure as the chair of the Committee on Reserve Bank Affairs, I also worked with Reserve Bank boards of directors and presidents to specifically align expectations for the Reserve Bank president position and developed a set of key dimensions for the role. In addition, I oversaw the overhaul of the Reserve Bank president search process, leveraging best practices I learned from my previous leadership roles and outreach to various communities. Aligning expectations and having robust search processes are important steps in assuring that search committees have the opportunity to consider a broader set of candidates who are diverse in professional, academic, and personal background. These changes—both to Reserve Bank boards and the appointment process—have helped diversify the sectoral, professional, racial, and gender makeup among the Reserve Bank presidents. More work is needed in furthering diversity across the senior ranks of the Federal Reserve System, and I am committed to working with the Reserve Banks to further leverage effective practices in the senior leadership search processes.

Q.5. Twenty years ago, Wall Street marketed over-the-counter derivatives and subprime mortgages as "financial innovation" and a way to manage risks and expand opportunity. Without regulation, these products failed and upended the financial system. We hear the same type of marketing about cryptocurrency today—that it's innovative, secure, and expands inclusion. They also market stablecoins as an alternative to the American dollar, which you mentioned in the hearing is strong and in demand across the world. What risks do you see to working families from cryptocurrency and stablecoins? Further, what do you believe is the Fed's role in protecting the economy from the risks of crypto assets?

A.5. Like any new financial technology, crypto assets may create potential benefits, but they also pose a range of risks, including those related to safety and soundness, anti–money laundering, illicit finance, and—as you note—consumer protection. It is vital that the United States maintain a strong financial regulatory system that adheres to the principle of same activity, same risks, same regulation for all financial activity, including novel asset classes such as crypto assets.

The Board continues to monitor financial services innovation involving crypto assets, including the potential risks to the financial system. As you know, the Board's regulatory and supervisory authority is generally limited to activities conducted by depository institution holding companies, State member banks, and their nonbank affiliates. The Federal Reserve is committed to supporting responsible innovation in banking, but is focused on ensuring the safety and soundness of banking institutions and the financial system more broadly. The Federal Reserve is also committed to working with our interagency counterparts to tackle novel risks in the financial system, such as those raised by the growth of crypto assets.

Stablecoins that may be used as a means of payment, like other payment innovations, are of particular concern in light of their rapid growth and asserted promise of stability. Stablecoins may improve efficiencies, increase competition, lower costs, and foster broader financial inclusion, but they also pose risks such as run risk, payment system risk, systemic risk, and risks related to the concentration of economic power. The President's Working Group on Financial Markets, together with the other Federal banking agencies, has recommended that Congress move promptly to enact legislation that would ensure payment stablecoins and payment stablecoin arrangements are subject to a consistent and comprehensive Federal regulatory framework.

More broadly, the Board is working in conjunction with the other Federal banking agencies to better understand the risks associated with crypto-asset-related activities, including those related to cryptocurrencies, and to develop an appropriate, coordinated response. As noted in the recent interagency statement on this topic, the agencies are engaging in policy work focused on providing greater clarity on whether certain activities related to crypto assets conducted by banking organizations are legally permissible and, if so, how these activities can be conducted safely. The agencies expect to provide further clarity on these issues throughout 2022. The Board, also in conjunction with the other Federal banking agencies, works closely and frequently with the Financial Crimes Enforcement Network on matters relating to the Bank Secrecy Act and anti–money-laundering policy and regulatory issues, including those related to digital assets such as cryptocurrency.

Q.6. Recently, the Fed approved mergers that created banks with $560 billion, $450 billion, and even $1 trillion in assets. Bank mergers often lead to closed branches, decreased financial inclusion, less access to capital for small businesses. How do you prioritize community needs and financial stability in reviewing bank mergers?

A.6. The Federal Reserve is committed to promoting financial inclusion, and to the premise that all Americans should have access to affordable banking services regardless of where they live. The Federal Reserve is required to review bank merger and acquisition (M&A) proposals under the relevant statutory factors set forth in the Bank Holding Company Act and the Bank Merger Act and takes seriously its responsibility for doing so. Under these statutes, the Federal Reserve is required to consider, among other things, the managerial resources of the organizations involved and the proposed combined organization. As part of its evaluation of the managerial factor, the Federal Reserve considers the involved institutions' records of compliance with laws and regulations, including those related to consumer protection.

The Federal Reserve is also required to consider the effects of a bank M&A proposal on the convenience and needs of the communities to be served by the resulting financial institution. In evaluating the convenience and needs factor, the Federal Reserve considers whether the involved institutions are currently helping to meet the credit needs of their communities, as well as the potential effects of the proposal on these communities. This includes considering the records of the involved institutions under the CRA, their consumer compliance records, the results of their recent fair lending examinations, as well as the number and locations of branches proposed to be closed as a result of the merger and the potential impact of closures in LMI and majority–minority areas.

Because a bank's CRA performance is taken into account in the Board's review of bank M&A proposals, I should also note the Federal Reserve's ongoing work to strengthen and modernize the CRA. In 2020, the Federal Reserve released an Advance Notice of Proposed Rulemaking (ANPR) on the CRA regulations.[2] In July, the Federal banking agencies took a significant step forward by announcing that we are working together on strengthening CRA regulations.[3] I believe that the Board's ANPR will serve as a sound framework for our interagency efforts.

The Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd–Frank Act) added financial stability as a statutory factor the Board must consider when evaluating M&A proposals under the Bank Holding Company Act and the Bank Merger Act. In analyzing the financial stability considerations associated with a proposed banking merger, the Board assesses the systemic footprint of the resulting firm and the incremental effect of the transaction on the acquirer's systemic footprint. Since the enactment of the Dodd–Frank Act, the Board has not approved any acquisition by a global systemically important bank (GSIB) that resulted in a material increase in its systemic footprint or any M&A transactions that would create a GSIB. Further, the Board has made substantial improvements to its regulatory framework to mitigate systemic risk since the 2008 financial crisis, including through the adoption of stricter bank capital and liquidity requirements, as well as other enhanced prudential standards under the Dodd–Frank Act. Under the Board's regulatory and supervisory framework, as banking

[2] Community Reinvestment Act, 85 FR 66410, 66412 (Oct. 19, 2020).
[3] See *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210720a.htm.*

firms grow larger—whether organically or through M&A—they face an increasingly stringent set of prudential requirements.

Q.7. As I mentioned in my opening statement, when the Federal Reserve's only remedy against inflation is to raise interest rates, it is ordinary Americans who bear the brunt, becoming locked out of employment and losing access to affordable credit in service of "cooling off" the economy. In the past, the Federal Reserve has raised interest rates prematurely, hurting workers in the process. How is this time around different? As Chair, how will you work to ensure that the Federal Reserve takes lessons from our history to inform future monetary policy frameworks, especially given that, as you shared during your testimony, the higher prices we are seeing are heavily impacted by pandemic-related supply constraints?

A.7. The labor market is very strong, and I expect that it will strengthen further, although the pandemic will continue to prevent or discourage some from re-entering the workforce. Job openings and quits are at record levels, and nominal wages are rising at the fastest rate in decades. Wage gains have been concentrated in the lowest quartile of earners and among production and non-supervisory workers. The labor market does not suffer from a lack of demand, but from restrained supply resulting from the pandemic. Many people are still unable or unwilling to return to the workforce because of factors such as caregiving needs or fears of illness, which has limited firms' ability to attract workers.

More broadly, strong aggregate demand and pandemic-constrained supply have pushed inflation well above our 2 percent objective. High inflation is most burdensome for those living on fixed income and struggling to pay costs of basic necessities. One of the key lessons of the past, including those from the previous expansion, is that the biggest benefits of a strong labor market emerge over the course of a long expansion, particularly for families and residents of low-to-moderate income communities. To return to the kind of economy we saw before the pandemic could require another long, sustained expansion, which will, in turn, require price stability and well-anchored longer-term inflation expectations. The Federal Open Market Committee will be discussing these issues at our coming meetings.

Q.8. Chair Powell, the Federal Reserve has not had a full Board of Governors since 2013. As we face a critical moment in our economic recovery, there is much work to be done. Do you agree that the Federal Reserve would benefit from a full Board?

A.8. As you are aware, the Federal Reserve has many functions, and members of the Board contribute a broad range of views to, and share responsibility for, fulfilling that work. Under the Federal Reserve Act, the Board can take any authorized action with the Board members that are serving. I have served with as few as three members, and as many as seven. I have significantly benefited from the range of views my colleagues contribute to our deliberations.

Q.9. During your time as Chair, did you ever prevent another member of the Board from expressing his or her views or refuse to work with that member on an issue with which you disagreed? Do you commit to work with every member of the Board of Governors and attempt to find common ground?

A.9. I have served on the Board for nearly 10 years and have occupied the position of Chair for nearly 4 years and, in my experience, the Board is a highly collaborative environment where governors with different views work together in good faith to conduct the business of the Board. I welcome diverse opinions and have never prevented other governors from expressing their views. I have worked to continue to foster the Board's collegial and collaborative culture, and I commit to continue to do so if I am confirmed for a second term as Chair.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM JEROME H. POWELL

Q.1. Economists often describe quantitative easing (QE) as working through a "term premium effect." QE pushes down long-term yields by reducing the supply of Treasury debt and mortgage bonds.

To the best of your understanding, how much do the Fed's portfolio holdings reduce the current 10-year Treasury yield? If uncertain, provide a plausible range.

What models or analyses inform your estimate of the Fed portfolio's TPE?

A.1. The financial and economic effects of quantitative easing have been a topic of economic research for decades.[1] Following the Global Financial Crisis in 2008, the literature on the financial and economic effects of quantitative easing expanded greatly. Various authors have identified a range of possible channels through which quantitative easing may affect financial conditions and the overall economy, including a portfolio balance channel, duration channel, and signaling channel, among others.[2] These various channels of influence work through both the term premium embedded in longer-term Treasury yields and the expected future path of short-term interest rates. Vayanos and Vila (2021)[3] is one study that has provided a theoretical basis for understanding the effects of quantitative easing. The term structure model of Li and Wei (2013)[4]

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[1] One of the earliest papers focusing on the effects of changes in the supply of Treasury securities in the hands of the public on the level of longer-term Treasury yields is Modigliani, Franco, and Richard Sutch (1967), "Debt Management and the Term Structure of Interest Rates: An Empirical Analysis of Recent Experience", *Journal of Political Economy*, 74, August, pp. 569–589.

[2] See, for example, Krishnamurthy, Arvind, and Annette Vissing-Jorgensen (2011), "The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy", Brookings Papers on Economic Activity, 42, Fall, pp. 215–265; D'Amico, Stephania, William English, David López-Salido, and Edward Nelson (2012), "The Federal Reserve's Large-Scale Asset Purchase Programmes: Rationale and Effects", *Economic Journal*, 122, November, pp. 415–446; Bauer, Michael D., and Glenn D. Rudebusch (2014), "The Signaling Channel for Federal Reserve Bond Purchases", *International Journal of Central Banking*, September, pp. 233–289, and Bhattarai, Saroj, and Christopher Neely (2016), "A Survey of the Empirical Literature on U.S. Unconventional Monetary Policy", Federal Reserve Bank of St. Louis Working Paper, October. In addition, monetarist literature's account of how asset purchases can lower bond yields and stimulate the economy when the short-term interest rate is at its lower bound is quite similar to what we have laid out in describing our asset purchases. For example, see Edward Nelson (2013), "Friedman's Monetary Economics in Practice", *Journal of International Money and Finance*, vol. 38, no. 1, pp. 59–83.

[3] Vayanos, Dmitri, and Jean-Luc Vila (2021), "A Preferred-Habitat Model of the Term Structure of Interest Rates", *Econometrica*, 89, January, pp. 77–112.

[4] Li, Canlin, and Min Wei (2013), "Term Structure Modeling with Supply Factors and the Federal Reserve's Large Scale Asset Purchase Programs", *International Journal of Central Banking*, 9, March, pp. 3–39.

has been an important framework underlying many of the Federal Reserve's empirical estimates of the effects of quantitative easing on the term structure of interest rates. Numerous authors have studied the effects of quantitative easing in foreign economies. While the estimates vary considerably, most papers find evidence that quantitative easing can have important effects on the level of longer-term yields and other asset prices. These changes in financial conditions, in turn, can have meaningful macroeconomic effects. [5]

Calculating the effects of the increase in the Federal Reserve's total portfolio of securities holdings on the 10-year Treasury yield is complicated because such effects work through the entire expected future path of securities holdings. That said, the estimates from various studies of the effects of securities holdings, summarized in Gagnon (2016), [6] provide a reasonable range. According to Table 1 in this study, the median of the estimated quantitative easing effects for the U.S., reported across a range of papers, is about 70 basis points for quantitative easing purchases, amounting to 10 percent of nominal GDP. Over the period from 2019 Q4 to present, the Federal Reserve's securities holdings increased as a share of nominal GDP from about 17 percent to about 35 percent. Using the 70-basis point figure, this 18 percentage point increase in the Federal Reserve's securities holdings as a share of nominal GDP since the onset of the pandemic, all else equal, may have lowered the level of the 10-year Treasury yield by roughly 125 basis points. Of course, the range of uncertainty around any estimate of this type is quite large. While this estimated effect of the increase in the Federal Reserve's securities holdings on longer-term yields is sizable, the effect would be expected to fade over time once asset purchases conclude and as the size of the Federal Reserve's balance sheet relative to nominal GDP returns to a more normal level.

Q.2. Traditional monetarist analysis suggests a different transmission mechanism for QE: the money supply. QE increases the amount of reserves in the banking system. A greater level of reserves earning a near-zero return drags down return on equity, incenting banks to increase lending. Lending boosts bank deposits, and therefore the money supply. In turn, all else equal, the greater money supply increases aggregate demand—and in the long run, prices.

Do you believe this mechanism is important for explaining the transmission of monetary policy? Please explain your view and share any relevant research.

Or if you do not yet have an informed view, will you commit to studying it further and briefing me and my staff?

A.2. The traditional textbook account of deposit creation—according to which increases in the quantity of reserves in the banking system give rise to a multiplied expansion of the money supply via the commercial banking system increasing its loans and investments—can be of value in understanding the behavior of commercial banks'

[5] See, Engen, Eric, Thomas Laubach, and David Reifschneider (2015), "The Macroeconomic Effects of the Federal Reserve's Unconventional Monetary Policies", Finance and Economics Discussion Series, Board of Governors of the Federal Reserve, January.

[6] Gagnon, Joseph (2016), "Quantitative Easing: An Underappreciated Success", Peterson Institute for International Economics, Policy Brief, April.

reserve balances and their deposit liabilities in past historical episodes. In recent decades, however, this theory has been of much more limited value in understanding the process of money creation, as the relationship between bank reserves and bank deposits has weakened considerably in the United States.

With regard to the relationship between the money supply, aggregate demand, and prices, the M2 monetary aggregate once had a reasonably stable connection with total spending in the economy, and it was widely argued that M2 growth provided a useful signal about the future course of the inflation rate. For the past 30 years, however, financial innovation, related changes in regulation, and the lower level of nominal interest rates have substantially altered the link between M2 and economic activity. M2 has not been a reliable indicator of spending, inflation, the stance of monetary policy, or the degree of policy accommodation. Correspondingly, about a decade ago, M2 was dropped from the Conference Board's standard set of U.S. leading economic indicators.

Q.3. FOMC participants have re-evaluated their views on the appropriate path of policy in light of recent inflation. In the December 2021 Summary of Economic Projections, the median FOMC participant projected three rate hikes in 2022, up from one rate hike. All participants see inflation slowing. However, three rate hikes would only raise overnight rates to between 0.75 percent and 1.00 percent. In real terms, interest rates would still be sharply negative. While these projections are not a committee forecast, these numbers suggest that participants generally believe that inflation will fall despite real interest rates remaining in negative territory.

How can the Fed curtail inflation while real interest rates remain negative?

Does this imply that the neutral interest rate is now negative, and so a less negative rate can be contractionary?

A.3. The elevated levels of inflation we have experienced reflect a mismatch between demand and supply. Some of the sectors of the economy that have experienced very strong demand, especially those involving goods, have hit supply constraints. We expect inflation to start coming down this year as a result of both an increase in supply and a moderation in demand. That said, we do not think that the current imbalance between demand and supply will be fully resolved this year. Elevated inflation is currently the foremost threat to the achievement of maximum employment.

Monetary policy cannot address supply constraints, but it can affect demand. This is a reason why, as you noted, the median Federal Open Market Committee (FOMC) participant in December saw three rate hikes in 2022 as appropriate. But, if the economy evolves broadly as anticipated, rate hikes this year would be only part of our actions to curtail inflation. For instance, the median FOMC participant in December saw additional rate hikes as appropriate for next year (2023) and beyond, taking the real Federal funds rate out of negative territory. In this context, it is important to note that demand and inflation pressures respond not just to the current level of the Federal funds rate but also to its expected path. Indeed, longer-term interest rates, which encompass the expected trajectory of the Federal funds rate, are most relevant for economic activity.

In addition to our communications regarding the expected future path of the Federal funds rate, we have already made strides toward ending our net asset purchases, which we expect will end in early March. We have also started discussions about reducing the size of our securities holdings, and will continue those discussions at coming FOMC meetings.

As you noted, in the December 2021 Summary of Economic Projections, the median FOMC participant projected three rate hikes in 2022. This median view is based on a set of expectations for how the economy will evolve, including an expectation that inflation will move down substantially over the course of the year. We will act as needed to curtail above-target inflation if the data do not support that view.

Q.4. In the past, you have testified about the role of fiscal policy in supporting monetary policy when it is constrained by the zero lower bound. In your view, fiscal policy can support aggregate demand when the Fed's primary tool (the overnight interest rate) is constrained. We have now seen the troubling result of that support: tremendous inflation. And rather than fix our long-term budget issues, my Democrat colleagues want to continue deficit spending. Others have proposed radical changes to the Fed's framework for monetary policy, such as allowing for negative nominal interest rates, or purchasing corporate bonds and equities. None of these radical proposals address the root issue: the neutral interest rate has fallen close to zero.

Do you agree that the potential growth rate is closely connected to the neutral rate?

A.4. Yes. The growth rate of potential output is one of the key factors that determines an economy's neutral rate. However, many other factors can affect the neutral rate, including the growth rates of population and the labor force, the expected length of people's retirements, the share of near-retirement age workers relative to retirees, the distribution of income, the capital intensity of the production process, and the price of investment goods. These factors affect the supply and demand for savings, and therefore interest rates, and many of them factors also affect potential growth.

Q.5. All else equal, for each percentage point increase in the potential growth rate, how much would the neutral rate increase? If uncertain, provide a plausible range.

A.5. As I noted in my answer to 4(a), it is quite difficult to estimate the relationship between potential real GDP growth and the neutral interest rate, as there are many interacting factors at play. But on the basis of the current State of economic research, it is plausible that for each percentage point increase in the potential real U.S. GDP growth rate, the longer-run value of the neutral real interest rate would increase by 0.4 to 1 percentage point. [7]

[7] On the 0.4 percent estimate, see Borio, Claudio, Piti Disyatat, Mikael Juselius, and Phurichai Rungcharoenkitkul (2017), "Why So Low for So Long? A Long-Term View of Real Interest Rates", BIS Working Paper No. 685, December, Table 8. On the 1 percentage point estimate, see the discussion on pp. S62–S63 of Holston, Kathryn, Thomas Laubach, and John C.

Continued

Q.6. In your view, what is the current neutral rate? If the neutral rate were to rise, at what level would the zero lower bound no longer be a salient concern for monetary policy?

A.6. Some perspective on how individual FOMC participants assess the value of the longer-run neutral rate is provided by December SEP. The median participant's longer-run projected value of the Federal funds rate was 2.5 percent. All participants in December projected a longer-run inflation rate equal to our 2 percent objective, implying a median longer-run neutral real interest rate of 0.5 percent.[8] Pricing in markets for inflation-protected Treasury securities likewise suggests that the longer-term value of the real interest rate is low. We expect that the lower bound on nominal interest rates will be a salient concern in the setting of monetary policy for the foreseeable future.

Q.7. What models or analysis informs your estimate of the neutral rate, as well as the relationship between the neutral rate and the potential growth rate?

A.7. Although the neutral rate of interest is an important conceptual tool, it is also an unobserved variable that changes over the business cycle and over longer time frames. Numerical estimates of the rate will depend on the economic model and estimation procedure used. Members of the Board and the FOMC look at estimates of the neutral rate of interest based on a variety of models. Although such estimates can provide useful inputs into policymakers' projections and deliberations, all estimates are associated with considerable uncertainty. Policymakers also take into account information from other sources, such as their observations of the economy and their discussions with market participants and observers.

In deciding on monetary policy, FOMC participants likely have different views about the importance they attach to estimates of the neutral rate and in the weights they give to the various estimates. In addition, the pandemic and its economic effects have considerably complicated the interpretation of estimates of the neutral rate, particularly in the case of estimates of shorter-term and medium-term concepts of the rate. The FOMC as a whole has not adopted an official model of the neutral rate or a preferred estimate of that rate, and I do not assume that we know with confidence the level of the neutral rate at any point in time.

Q.8. At a Financial Stability Oversight Council (FSOC) meeting in 2021, Treasury Secretary Yellen expressed potential systemic concerns resulting from "liquidity risks" associated with open-end mutual funds and money market funds. It is concerning that this will be used to justify an overreaching regulatory regime for both products.

Do you believe that money market funds should be eliminated as an investment vehicle?

A.8. Properly structured, money market funds can play an important role in the financial system. However, amid recent financial stresses, we have seen that the incentive of investors in prime

Williams (2017), "Measuring the Natural Rate of Interest: International Trends and Determinants", *Journal of International Economics*, 108, Supplement 1, May, pp. S59–S75.

[8] See, *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20211215.pdf.*

funds and tax-exempt funds is to rush to redeem, especially if they anticipate that others are or will soon be doing so. This incentive contributed to destabilizing redemption waves in 2008 and 2020, both of which placed extreme stress on the broader financial system, threatening its ability to function and support business activity and employment, and that ultimately required Government intervention backed by taxpayers. The Securities and Exchange Commission (SEC) has primary jurisdiction over money market funds and has recognized these risks. I defer to the SEC, as the primary regulator, to pursue the appropriate reforms.

Q.9. Do you support retaining the viability of open-end mutual funds as an investment vehicle?

A.9. As with money market funds, properly structured, open-end funds can play an important role in the financial system. Open-end mutual funds, particularly funds that hold fixed-income assets like bonds or loans, experienced unprecedented investor outflows during March 2020, and their large asset liquidations contributed to the distress in markets ranging from those for U.S. Treasury securities to those for municipal and corporate bonds that ultimately required Government intervention backed by taxpayers. The Federal Reserve, as a member of the Financial Stability Oversight Council (FSOC) and in the context of the Interagency Working Group for Treasury Market Surveillance (IAWG), continues to work with the SEC and other relevant agencies to better understand the events of March 2020. I would defer to the SEC as the primary regulator of open-end mutual funds, regarding the regulation of those types of investments.

Q.10. If confirmed, will you respect the SEC's jurisdiction to regulate money market funds?

A.10. Yes.

Q.11. Do you believe that the in-kind redemption mechanism for exchange-traded funds (ETFs) presents different liquidity concerns than cash redemptions from traditional mutual funds? If you believe there is a difference, please explain how that affects your views on how to regulate ETFs.

A.11. Exchange Traded Funds (ETFs) have different liquidity risks than open-end funds or money market funds, and my understanding is this does affect how the SEC approaches their regulation. Authorized Participants (APs), usually large financial institutions that are regulated by the Federal Reserve, typically create or redeem shares in ETFs, mainly in exchange for securities, rather than cash. As a result, the incentive to redeem early is usually not present in ETFs. However, it is important that APs understand and manage the risks of ETF transactions and that investors, shareholders, and others understand the role of APs.

Q.12. On July 12, 2016, former Federal Reserve Governor Daniel Tarullo described the term "shadow banking" as evoking a "sense of something hidden, furtive even" in a speech.

Do you believe this term should apply to open-end mutual funds registered with the SEC?

A.12. As I noted in my response to Question 5, properly structured, open-end funds can play an important role in the financial system.

Q.13. In 2018, the House of Representatives voted 406–4 in favor of the JOBS and Investor Confidence Act. Section 1501 of that legislation would have replaced the Dodd–Frank Act's stress test requirement applicable to SEC- and CFTC-regulated entities with an authorization to adopt rules requiring periodic analyses of financial condition, including available liquidity, of such entities under adverse economic conditions.

Do you support this modification that the JOBS and Investor Confidence Act would have made?

A.13. As you know, the Board's regulatory and supervisory authority is generally limited to activities conducted by depository institution holding companies, State member banks, and their nonbank affiliates. As required by the Dodd–Frank Wall Street Reform and Consumer Protection Act, certain large firms that we supervise are subject to company-run stress testing requirements. I would defer to Congress, and to the expertise of the relevant Federal financial regulatory agencies, on the appropriate scope of company-run stress testing requirements for financial companies not supervised by the Board.

Q.14. I am concerned about the FSOC's designations of Systemically Important Financial Institutions (SIFIs). A SIFI designation is troubling in part because it creates moral hazard: it formalizes an institution's "too big to fail" status and creates the expectation that the taxpayers will bail out a SIFI that falls into financial distress. Also troubling is FSOC's history of exercising its SIFI designation powers. Under the Obama administration, FSOC made overreaching SIFI designations of nonbanks in a nontransparent manner and without providing a clear path for de-designation. In 2019, FSOC issued a policy that made several improvements to the non-bank designation process. These included emphasizing that designation is a last resort, requiring cost-benefit analysis and an assessment not only of the impact of a risk but also the likelihood that it will be realized, as well as creating both predesignation and postdesignation "off-ramps" to help firms and regulators avoid or reverse SIFI designation by mitigating systemic risks.

Will you commit that, if confirmed, you will support ensuring that FSOC:

Continues to treat SIFI designation as a last resort;

Maintains a transparent process for SIFI designation;

Conducts robust cost-benefit analysis for all designations; and

Provides institutions with the opportunity to avoid designation and, if designated, a path to reverse such designation?

A.14. I agree that Systemically Important Financial Institution designation should be reserved for circumstances where the systemic risks posed by the entity cannot be appropriately addressed by relevant agencies under their existing authorities; that designation should be done transparently; that designation should be informed by the best possible analysis of the potential benefits and costs; and that designation should not be a one-way street.

Q.15. Under what conditions, if any, would you support the FSOC or the Financial Stability Board (FSB) designating mutual funds, ETFs, and money market funds as nonbank SIFIs?

In considering the systemic risks posed by mutual funds, ETFs, money market funds and other asset managers, I generally support the activities-based approach taken by the FSOC, SEC, and others. This approach prioritizes understanding and responding to the systemic risks of the activities undertaken by asset managers, such as maturity and liquidity transformation, rather than focusing on the entities themselves. Under this approach, the relevant agencies design regulations to limit the systemic risk of activities undertaken by all covered entities, rather than designating individual entities.

The Financial Stability Board (FSB) does not have a process for designating asset managers as systemically important. And of course, FSB decisions are not binding on U.S. supervisors and regulators, who follow U.S. law in determining the appropriate supervisory and regulatory treatment of U.S. institutions.

A.15. Asset managers provide investment advice to clients. They do not bear the risk of investments made by their clients because asset managers do not own those assets.

Should asset managers be designated by the FSOC or the FSB as nonbank SIFIs? If so, under what conditions?

As I noted in my response to the previous question, I generally support an activities-based approach to understanding and responding to the systemic risks posed by asset management. Under this approach, individual asset managers are not subject to designation; rather, the appropriate agencies consider systemic risk when designing regulations for classes of institutions.

Q.16. Over the past few years, there have been several disruptions in the U.S. Treasury market (both cash and futures), which is generally considered to be the deepest and most liquid market in the world.

Some Treasury market observers have expressed concerns about regulatory fragmentation, with responsibilities divided between five or more agencies. Others have called for specific regulatory reforms, including (1) mandatory central clearing, (2) amendments to bank capital rules, and (3) additional data collection.

Do you believe that the current regulatory framework for oversight of the Treasury market is adequate? If not, what changes do you believe should be made?

A.16. Given the importance of Treasury markets, it is incumbent upon the U.S. official sector to ensure that the structure of these markets can meet current and future needs. The Federal Reserve is an active participant in the IAWG, and within that context Federal Reserve staff are intensively analyzing a range of potential reforms and whether they could help to improve Treasury market functioning in an effective manner. Many of these reforms, if they are pursued, would most naturally fall under the remit of other agencies, such as the SEC or Treasury, and we expect that those agencies would take the lead in such circumstances.

While central clearing can have many benefits in terms of decreasing market risks, it also has the potential to impose certain costs on some market participants and to further concentrate risk in certain intermediaries. Any efforts to further encourage or mandate central clearing in the market for Treasury securities would require careful analysis in partnership with our agency colleagues.

We continue to examine the potential benefits and costs of expanded central clearing, which may differ across the various segments of the Treasury market.

The Federal Reserve is continuing to examine changes to our regulatory capital framework as we consider ways to improve Treasury market functioning. The Board has long preferred that leverage requirements be a backstop to risk-based capital requirements. When leverage requirements instead are a firm's most stringent capital requirement, it lowers incentives for the firm to hold low-risk assets, such as Treasuries. As noted in your question, responsibility for oversight of Treasury markets is divided across a number of agencies. While banks face a different regulatory environment than some other participants in Treasury markets, we believe that it is important to work with IAWG agencies in considering the regulatory environment for nonbanks as well and to seek to promote a consistent framework where possible.

As you know, the Board has approved a final rule that will require depository institutions meeting certain thresholds for activity to report their Treasury and Agency debt and mortgage-backed securities transactions through the Financial Industry Regulatory Authority's TRACE reporting system. This new requirement is scheduled to go into effect as of September 1, 2022, in order to ensure that the covered banks have adequate time to prepare for the new reporting requirements. The Federal Reserve has previously worked closely with the Office of Financial Research on its collection of centrally cleared Treasury repo market data, and we are supportive of collecting similar data for the non-centrally cleared segment of this market.

Q.17. On September 25, 2020, the FSOC released a statement on its activities-based review of the secondary mortgage market. FSOC's statement affirmed the overall quantity and quality of the regulatory capital required by the Federal Housing Finance Agency's (FHFA) June 30, 2020, proposed rule to establish a new regulatory capital framework for Fannie Mae and Freddie Mac (each, a GSE).[9] Specifically, FSOC stated that "risk-based capital requirements and leverage ratio requirements that are materially less than those contemplated by the proposed rule would likely not adequately mitigate the potential stability risk posed by the Enterprises."[10] FSOC also concluded "it is possible that *additional* capital could be required for the Enterprises to remain viable concerns in the event of a severely adverse stress." (emphasis added).[11] FSOC also committed to "continue to monitor . . . FHFA's implementation of the regulatory framework to ensure potential risks to financial stability are adequately addressed." On December 17, 2020, FHFA finalized a regulatory capital framework for the GSEs that included leverage ratio requirements that were identical to those in the proposed rule.[12]

[9] 85 FR 39,274.

[10] *https://home.treasury.gov/system/files/261/Financial-Stability-Oversight-Councils-Statement-on-Secondary-Mortgage-Market-Activities.pdf*

[11] Id.

[12] 85 FR 82,150.

FHFA has since proposed reducing the regulatory capital required by both the risk-based capital requirements and the leverage capital requirements of FHFA's final rule. [13]

In light of FSOC's commitment to monitor FHFA's implementation of the GSEs' regulatory framework, which includes the regulatory capital framework, did FHFA solicit input from the Board of Governors of the Federal Reserve System (the Fed) before proposing to reduce the aforementioned capital requirements? If yes, please provide a copy of those comments.

Did the FHFA ask the Fed whether the proposed amendments to the GSEs' regulatory capital framework would adequately address potential risks to financial stability? If yes, please provide a copy of the Fed's response on this question.

Has the Fed otherwise reviewed the proposed amendments to the GSEs' regulatory capital framework?

A.17. Board staff actively monitors potential developments in the financial markets, including proposed rules from other regulatory bodies that may have an impact on financial stability. As such, staff continues to assess the Federal Housing Finance Agency's (FHFA) proposed rulemaking. While Board staff and FHFA staff frequently interact on matters of mutual interest, FHFA did not seek the Board's input on the proposed amendment to its capital rule. Thus, there are no comments or responses to provide.

Q.18. FHFA's proposed amendments include a proposed reduction in the prescribed leverage buffer amount (PLBA). [14] If finalized as proposed, the amendments would reduce each GSE's PLBA by two-thirds (from 1.5 percent of adjusted total assets to approximately 0.5 percent) and its PLBA-adjusted leverage capital requirements by one-quarter (from 4.0 percent of adjusted total assets to approximately 3.0 percent).

A.18. As a participant in FSOC's secondary market review, would FHFA's proposed amendments, if finalized, result in "leverage ratio requirements that are materially less than those contemplated by [June 30, 2020] proposed rule"?

As noted in my response to Question 12, Board staff continues to assess FHFA's proposed amendments to its capital rule. It is important that the GSEs are subject to risk-based capital requirements and leverage ratio requirements that are adequate to mitigate the potential stability risk posed by the enterprises.

Q.19. FSOC stated that "a meaningful leverage ratio requirement that is a credible backstop to the risk-based requirements would address potential risks to financial stability by ensuring that the capital requirements are consistent with historical loss experiences during severe stresses while mitigating model, measurement, and related risks with a simple, transparent measure of risk." Taking into account the 20 percent risk weight floor on mortgage exposures (1.6 percent of the exposure amount), the floor on the stress capital buffer (0.75 percent of adjusted total assets), and the current sizing of each GSE's stability capital buffer (1.0 percent and 0.7 percent of adjusted total assets for Fannie Mae and Freddie

[13] 86 FR 53,230.
[14] 86 FR 53,230.

Mac, respectively), it appears exceedingly unlikely that a GSE's risk-based capital requirement could ever be less than the proposed leverage capital requirements of 3.0 percent and 2.9 percent for Fannie Mae and Freddie Mac, respectively, even if a substantial portion of a GSE's mortgage exposures were subject to the risk weight floor.

As a participant in FSOC's secondary market review, and in light of the apparently very remote prospect that the GSEs' risk-based capital requirements could ever be less than the proposed leverage capital requirements, would the proposed amendments to the PLBA result in "a meaningful leverage ratio requirement" and would the proposed leverage capital requirements be "a credible backstop to the risk-based requirements" within the meaning of FSOC's statement?

A.19. As noted in my response to Question 12, Board staff continues to assess FHFA's proposed amendments to its capital rule. It is important that the GSEs are subject to risk-based capital requirements and leverage ratio requirements that are adequate to mitigate the potential stability risk posed by the enterprises.

Q.20. As part of its rationale for the proposed amendments to the PLBA, FHFA noted that "Basel III standards require systemically important banks to hold a tier 1 capital leverage ratio buffer in excess of a 3 percent leverage requirement equal to 50 percent of a GSIB's higher loss-absorbency risk-based requirements." FHFA also stated that it intended to amend the PLBA "in a manner similar to the U.S. banking regulators' proposal to set the eSLR buffer to one-half of the GSIB surcharge" and that "a dynamic PLBA that is tied to the stability capital buffer would further align the [Enterprise Regulatory Capital Framework] with Basel III standards." Related to this, former Fed Vice Chair for Supervision Quarles recently said "[w]ith respect to the enhanced supplementary leverage ratio (eSLR) that applies to U.S. global systemically important banks (GSIBs), the best way to address this problem is the approach endorsed by the Basel Committee: recalibrating the fixed 2-percent eSLR buffer requirement to equal 50 percent of the applicable GSIB capital surcharge, with corresponding recalibration at the bank level." [15]

Importantly, a GSIB's eSLR buffer requirement is a percent of risk-weighted assets, while a GSE's stability capital buffer requirement is a percent of adjusted total assets. If the intent were to align FHFA's approach to the PLBA with the Basel Committee's approach to the eSLR buffer, would each GSE's stability capital buffer requirement first need to be converted to an equivalent that is expressed as a percent of risk-weighted assets (e.g., by dividing the stability capital buffer requirement by the average risk weight of the GSE's assets (currently around 33 percent))?

A.20. Board staff actively monitors potential developments in the financial markets, including proposed rules from other regulatory bodies that may have an impact on financial stability. As such, staff continues to assess the FHFA's recently proposed amend-

[15] Governor Randal K. Quarles, "Between the Hither and the Farther Shore: Thoughts on Unfinished Business" (Dec. 2, 2021), available at *www.federalreserve.gov/newsevents/speech/quarles20211202a.htm.*

ments to its capital rule. I believe it is important that the GSEs face risk-based capital requirements and leverage ratio requirements that are adequate to mitigate the potential stability risk posed by the enterprises. I would be happy to have my staff reach out to your staff to discuss the structure and calibration of the Federal Reserve's Global Systemically Important Banks surcharge framework, as compared to the FHFA's proposed framework.

Q.21. Most stablecoins are pegged to the U.S. dollar, and many are used in international markets. Could stablecoins contribute to the dollar's use internationally?

A.21. The impact of U.S. dollar-pegged stablecoins on the international use of the dollar depends on a range of factors. The U.S. dollar is widely used around the world because of the size of the U.S. economy, its deep and liquid financial markets, the strength of U.S. institutions, and the commitment of the United States to the rule of law. For these reasons, many stablecoins choose to peg their value to the U.S. dollar. In general, if users outside of the United States who previously would have held assets or conducted transactions in another currency begin to do so with dollar-pegged stablecoins, then this would likely increase the global use of the dollar. However, the use of dollar-pegged stablecoins internationally could instead represent a substitution out of other dollar-denominated assets, including cash rather than a net increase in global use of the dollar. The extent to which a dollar-pegged stablecoin adds to dollar use abroad would also depend on how the stablecoin is used (primarily as a store of value, a medium of exchange, or both) and the dollar reserve policies of stablecoin issuers and virtual asset service providers.

Q.22. The ability to freely transact with each other is a fundamental component of our society, and the ability to do so without Government oversight should be essential to the creation of a U.S. central bank digital currency (CBDC).

How important do you think individual privacy protections are in the design of a CBDC? What privacy measures do you think should be included in its design?

A.22. No decisions have been made on whether to pursue a CBDC in the United States, and the Federal Reserve does not intend to proceed with issuance of a CBDC without clear support from the Executive Branch and from Congress, ideally in the form of a specific authorizing law. I strongly believe that individual privacy is of fundamental importance in the design of any potential CBDC.

The Board will be releasing a paper in the near future as a first step in a public discussion between the Federal Reserve and stakeholders about CBDCs. Soliciting feedback on the best ways to protect individual privacy will be a key component of that discussion.

Q.23. If the Fed receives authorization from Congress for the creation of a CBDC, there will still be many crucial decisions that the Fed will have to make regarding its design and implementation. If a CBDC is not adaptable, poorly designed, or excessively manipulated by the Government, the public will have other options to secure their privacy and ensure low-cost payment services.

Could well-regulated, privately issued stablecoins serve as a check on the design and management of any American CBDC?

A.23. As noted in my response to Question 17, no decisions have been made on whether to pursue a CBDC in the United States. As the Federal Reserve evaluates whether a U.S. CBDC would be appropriate, one critical question is whether a CBDC would yield benefits more effectively than alternative methods. These alternative methods could include improvements to the existing U.S. payment system. Alternative methods could also include well-designed and appropriately regulated stablecoins.

Well-regulated, privately issued stablecoins could coexist with a CBDC. In the future, it is possible that CBDCs, stablecoins, and other forms of money could serve different needs or preferences. It is important for all forms of money to be well-designed and appropriately regulated. For that reason, the President's Working Group on Financial Markets, together with the other Federal banking agencies, has recommended that Congress act promptly to enact legislation that would ensure payment stablecoins and payment stablecoin arrangements are subject to a consistent and comprehensive Federal regulatory framework.

Q.24. Over the past year, there has been an increasing backlog of bank merger applications pending Fed review. In recent months, some have come to believe that a de facto moratorium on bank mergers and acquisitions was in place at the Fed. As this Committee has seen in another area under its jurisdiction, namely, the Committee on Foreign Investment in the United States (CFIUS) process, an informal moratorium could be put in place by regularly sending requests for additional information to applicants and claiming that the application is not yet complete.

Are you aware of any formal or informal effort at the Fed to delay the resolution of bank merger applications?

Do you believe that the Fed's current merger approval process provides clear instructions to applicants such that they can reasonably expect to submit a complete application without multiple rounds of revisions and additional questions?

Will you commit not to deliberately delay the bank merger application process, and to hold your staff accountable for doing the same?

Will you commit to consider each application on its individual merits?

A.24. The Board continues to process each application as expeditiously as possible and within the applicable statutory deadlines, while ensuring that decisions are based on a complete record. In December 2021, the Board approved three bank merger applications, and the Reserve Banks approved 17 additional bank merger applications under delegated authority.

The Board takes seriously its responsibility to review each bank merger and acquisition (M&A) proposal on its individual merits under the relevant statutory factors set forth in the Bank Holding Company Act and the Bank Merger Act. These factors include the financial and managerial resources of the organizations involved and of the proposed combined organization; the convenience and needs of the communities to be served by the resulting institution;

the Community Reinvestment Act performance of the involved depository institutions; the effectiveness of the parties in combatting money laundering; and the effects of the proposal on competition and financial stability.

The Board provides clear instructions to applicants regarding the merger approval process. For example, applicants file applications pursuant to section 3 of the Bank Holding Company Act using the Board's Form FR Y–3, which is accompanied by instructions detailing the specific informational requirements applicable to each proposal. Notwithstanding those forms and instructions, requesting additional information, both from applicants as well as from other regulators, is integral to the Board's development of a complete record upon which to evaluate each of the relevant statutory factors. Additional information may be requested from applicants for a number of reasons, including because the information in the initial filing is unclear or incomplete, or because the proposal raises legal, supervisory, or policy issues.

Q.25. Congress established a set of requirements for the Fed review of bank merger applications under the Bank Holding Company Act (BHCA) by establishing specific factors for consideration. The statute does not give the agency discretion to depart from them.[16] Further, BHCA sets a 91-day deadline for the Fed to approve or disapprove of the application after the record is complete.[17] To ensure the Fed cannot ignore this deadline, Congress structured the law to automatically grant any merger application the Fed fails to act on within that timeframe.[18] An express or de facto moratorium would appear to directly contravene the law.

Will you commit to review complete bank merger applications expeditiously, as required by law?

Will you commit not to deliberately delay the bank merger application process, and to hold your staff accountable for doing the same?

Will you commit to consider each application on its individual merits?

A.25. My response is yes to all three parts of you question. The Board carefully considers each M&A application on its individual merits in view of the relevant statutory factors. The Board acts, and will continue to act, on bank merger applications as soon as it completes its review within the statutory deadlines. As I noted in my response to Question 19, the Board continues to process each application as expeditiously as possible.

Q.26. Please describe with particularity the process by which you answered these questions for the record, including identifying who assisted you in answering these questions along with a brief description of their assistance.

A.26. My responses reflect contributions from a large number of colleagues across many divisions within the Federal Reserve Board. The answers represent my views, and I submit them to you as my own.

[16] See, Bank Holding Company Act, 12 U.S.C. §1842(c)(1).
[17] Id. §1842(b)(1).
[18] Id. §1842(b)(1).

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM JEROME H. POWELL

Q.1. Both nominal and real wage growth grew slowly during much of our recovery from the Great Recession. However, nominal wage growth was robust in 2021, with production and nonsupervisory workers seeing the strongest gains.

As supply chain disruptions and inflation ease, won't monthly, nominal wage growth similar to what we saw in the second half of 2021 lead to robust real wage growth?

A.1. Although end-of-year values have not yet been released for a number of wage measures, the Bureau of Labor Statistics' (BLS) measure of average hourly earnings for private industry workers rose sharply over the second half of 2021, increasing at an annual rate of 5.8 percent. Several other wage measures appear on track to post gains of around 4.5 percent to 5 percent for 2021 as a whole. Some measures point to even larger gains. These are aggregate statistics, however, and with the Consumer Price Index (CPI) up almost 7 percent over the past year and the Personal Consumption Expenditures (PCE) price index up about 5.5 percent, price increases have likely outpaced wage gains for many workers.

Recent rapid price increases are in part related to supply and demand imbalances that have emerged as a result of the pandemic; as these imbalances are resolved, we and many other forecasters expect consumer price inflation to step down this year. Were wage gains to continue at their recent pace, and were inflation to diminish significantly, real wages would indeed increase robustly for the average worker.

It is important to note, though, that part of the pickup in wage growth that we have seen is itself likely attributable to the effects of the pandemic. In particular, significant and persistent labor shortages have emerged. Pandemic-related factors that have contributed to these shortages include caregiving needs and ongoing fears of the virus, both of which have weighed on labor force participation. And these labor shortages, in turn, have put upward pressure on wages.

As the pandemic wanes and more workers return to the labor market, we would expect nominal wage gains to moderate. Whether wages will decelerate more quickly than prices—or vice versa—is difficult to predict. How these dynamics play out will determine what happens to real wages going forward.

Ultimately, real wage gains will be influenced by fundamental factors such as the rate of growth of labor productivity. Again, however, the experience of the average worker or household—which is essentially what many commonly cited aggregate statistics measure—will not fully capture the experience of every group of workers or households.

Q.2. Corporate profits rose to historic levels as a percent of GDP in the 2nd and 3rd quarters of 2021. Profit margins are also reportedly at historic highs. Will wider profit margins better enable companies to increase wages without raising prices and creating a wage-price spiral?

A.2. Wages are the single largest component of business costs, but the relationship among wage growth, price inflation, and markups or profit margins is difficult to tie down empirically. In particular, the economywide corporate profit share, as a share of gross domestic income, tends to fluctuate over the course of a business cycle, though not in a regular or predictable fashion. Moreover, measures of economywide price-cost margins appear to have followed slow-moving trends over the past several decades, though the ultimate driver of these trends is not well understood.

In general, wage growth can be a source of upward pressure on price inflation when higher wages are not matched with gains in labor productivity, as this situation will tend to erode firms' price-cost markups. When markups or profit margins are already relatively high, firms can absorb some of these increases in labor costs before passing them through to prices. But firms might also be more likely to pass increases in labor costs through to prices when demand for their products is high, or if they are facing additional sources of cost pressure. In addition, even if aggregate measures of profit margins are relatively high, profit margins in particular sectors could be tighter and so cost shocks in those sectors could add to overall inflation.

A key driver of a wage-price spiral is a situation where high inflation at a given point leads households and firms to expect high inflation in the future, with workers then demanding faster nominal wage gains to keep ahead of the rise in the cost of living and firms boosting prices in response to the faster growth in their labor costs. While we currently see little evidence that such a dynamic is present, it is an important risk and we are closely monitoring the data for any signs that it is emerging.

Q.3. The Dodd–Frank Act requires the Federal Reserve to set a maximum interchange rate that is "reasonable and proportional" to the cost for a card issuer to authorize, clear, and settle a debit transaction. In 2011, issuer costs were around 8 cents per debit transaction and the Federal Reserve set the maximum rate at 21 cents with 1 cent for fraud prevention and 5 basis points for fraud losses. A Federal Reserve survey released in 2021 found that issuer costs have fallen to 4 cents as of 2019. In light of this survey, will the Federal Reserve reconsider whether the maximum interchange rate remains "reasonable and proportional" to issuers' costs?

A.3. Pursuant to the Federal Reserve Board's (Board) responsibilities under section 920 of the Electronic Fund Transfer Act (EFTA), as amended by section 1075 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, the Board has collected data on a biennial basis from debit card issuers subject to Regulation II's interchange fee standards (covered issuers). The collected data include information on covered issuers' debit card volumes and values, fraud losses, and authorization, clearing, and settlement costs. The Board has also released summary information to the public from those data collections on a biennial basis with the most recent report, covering data for 2019, released on May 7, 2021. The Board is in the process of conducting an updated data collection, collecting data for 2021 from covered issuers.

The Board will continue to review the parts of Regulation II that directly address interchange fees for certain electronic debit transactions in light of the most recent data collected by the Board pursuant to section 920 of the EFTA and may propose revisions in the future.

Q.4. The markets for trading Treasuries have proven susceptible to disruptions that have undermined their stability and integrity. Please discuss what steps you intend to take to improve these markets in each of the following areas:

Improving timely access to market information.

Reducing risks of trade processing and settlement failures.

Reducing conflicts of interests and ensuring integrity of trading venues.

A.4. Given the importance of Treasury markets, it is incumbent upon the U.S. official sector to ensure that the structure of these markets can meet current and future needs. The Federal Reserve is an active participant in the Interagency Working Group on Treasury Market Surveillance, and within that context Federal Reserve staff are intensively analyzing a range of potential reforms and whether they could help to improve Treasury market functioning in an effective manner. Many of these reforms, if they are pursued, would most naturally fall under the remit of other agencies, such as the Securities and Exchange Commission (SEC) or Department of the Treasury, and we expect that those agencies would take the lead in such circumstances, although we stand ready to offer our support.

With regard to the timely access to market information, the Board has approved a final rule that will require depository institutions meeting certain thresholds for activity to report their Treasury and agency debt and mortgage-backed securities transactions through the Financial Industry Regulatory Authority's TRACE reporting system. This new requirement is scheduled to go into effect as of September 1, 2022, in order to ensure that the covered banks have adequate time to prepare for the new reporting requirements.

The Federal Reserve System plays an active role in helping to ensure sound market practices through the Federal Reserve Bank of New York's sponsorship of the Treasury Market Practices Group (TMPG). That group has issued a number of best-practice recommendations that have helped to reduce the number of settlement failures in Treasury and agency debt markets. The TMPG has also conducted important work detailing settlement practices in secondary Treasury markets and their potential risks. The Federal Reserve is supportive of the SEC's consideration of proposals to extend to Treasury-market trading venues the operational access, disclosure, and regulatory oversight provisions of Regulation Alternative Trading Systems (ATS) and the system integrity provisions of Regulation Systems Compliance and Integrity (SCI).

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM JEROME H. POWELL

Q.1. I've spoken to you before about the lack of diversity among Fed Bank presidents and the need to ensure that minority candidates are fairly considered in the search for the new presidents of the Boston and Dallas Fed Banks.

(a) Has the Board of Governors communicated with the regional bank directors to consider minority candidates?

(b) How was that communication made and what, if any, response has the Board received from the regional bank directors?

A.1. In response to parts (a) and (b) of your question, the Board of Governors (Board), through our Committee on Reserve Bank Affairs, is involved in ongoing communication with the search committees at the Federal Reserve Banks of Boston and Dallas about the recruitment process, including public engagement strategies. We share the goal of having as broad and diverse a candidate pool as possible for each of the searches. The search committees have underscored the importance they attach to a process that actively seeks to identify and include qualified minority candidates, and their commitment to their full consideration.

Q.2. Do you know if minority candidates have been considered for either position? If so, how many?

A.2. At this stage in the process, the search committees are doing broad outreach to identify candidates. The Federal Reserve Banks of Boston and Dallas launched their president searches in October and November 2021, respectively. These Banks have both articulated strong commitments to conduct nationwide searches for highly qualified candidates from a broad, diverse slate of backgrounds from inside and outside the Federal Reserve System. Both Banks formed diverse search committees and hired national search firms to help identify candidates. In addition, the directors of the Board's and the Reserve Banks' Offices of Minority and Women Inclusion (OMWI) have been serving as advisers to the search committees. The Banks are also using diverse interview panels to ensure that different points of view and opinions are part of the hiring decision. Additional search committee efforts include outreach to stakeholders and the public for feedback and input through public websites and townhalls, and both Banks have invited the public to submit potential candidates for nomination. Most recently, on January 13, the Federal Reserve Bank of Dallas hosted a virtual town hall that was open to the public to discuss and answer questions about the presidential search process. Panelists included the cochairs of the presidential search committee, and a representative of the global search firm Egon Zehnder that is assisting in the search for candidates. Participants were able to submit questions during the moderated discussion, and the recorded discussion is available on the Bank's public website. [1]

Q.3. Has the Board of Governors interviewed any minority candidates for either position?

A.3. Both searches are ongoing and have not reached the point in the process for Board interviews of candidates.

Q.4. What specific steps have you taken to ensure the regional banks consider a diverse pool of candidates?

A.4. The appointment of a Reserve Bank president is formally an action of eligible Class B and C directors of the Bank's board, with the approval of the Board of Governors. The Federal Reserve Banks of Boston and Dallas launched their president searches in October and November 2021, respectively. These Banks have both

[1] See, *https://www.dallasfed.org/fed/presidentialsearch.*

articulated strong commitments to conduct nationwide searches for highly qualified candidates from a broad, diverse slate of backgrounds from inside and outside the Federal Reserve System.

Experience in recent years has delivered a number of clear lessons, all of which are incorporated into the process for the searches currently under way. Most importantly, diverse boards and diverse search committees tend to consider and appoint diverse leaders. Relevant research also underscores the importance of diversity—background, experience, and profession—on boards and search committees. Such diversity has been achieved in recent years in the Federal Reserve System, as the Board of Governors through its direct appointment of Class C directors has fostered appreciable new diversity in Reserve Bank boards, including those in Boston and Dallas.

Q.5. We know that diverse leadership helps bring about better outcomes at every institution from corporate boardrooms to universities to Congress, and the Fed is no different.

If confirmed for a second term, what concrete steps are you going to take to improve minority representation, particularly Latino representation, in leadership roles at the Fed?

A.5. I fully agree that the Federal Reserve and other organizations make better decisions with a diverse group around the table, and I remain committed to working with Reserve Bank directors and presidents to further our engagement with various communities throughout each of the twelve districts to develop pipelines for future leadership roles at the Federal Reserve.

To foster diversity, we must develop an overall culture of inclusion at all levels, starting at the top. As Chair, I have internally and externally stated my strong personal belief in and support for a diverse and inclusive environment, and I have taken a number of steps to work towards achieving greater diversity and inclusivity that is also part of the Board's 2020–23 Strategic Plan. I have led quarterly meetings with staff at many levels from within the Board and the System to discuss and assess our progress in advancing diversity and economic inclusion. These meetings are a priority for me and my colleagues on the Board.

I also speak regularly with staff about the importance of fostering diversity and inclusion. I meet with the Board's Director of the Office of Women and Minority Inclusion on a quarterly basis, and I have met with the chairs and cochairs of each of the Board's seven Employee Resource Groups [2] on a number of occasions. To see where the Board could learn from others, we have also hosted business and nonprofit leaders who served on Reserve Bank boards of directors to discuss what has worked well in developing a culture of diversity and inclusion at their organizations.

I have encouraged and strongly supported the considerable outreach we do to diverse candidates in our recruiting of staff. This includes participating in minority recruitment events at Historically Black Colleges and Universities, Hispanic-Serving Institu-

[2] The Board's employee resource groups include: Advocacy for the Diverse Abilities, Needs, and Contributions of Employees (ADVANCE) Employee Resource Group; African American Employees Resource Group; Asian American Pacific Islander Employee Resource Group; Hispanic Employee Resource Group; LGBTQA Employee Resource Group; Veterans Employee Resource Group; and Women's Employee Resource Group.

tions, and Hispanic professional conferences and career fairs. Our outreach is particularly notable as we hire recent college graduates as full-time research assistants, a position which can be an important step towards a career in economics. I would note that the Board has shown a significant increase in Hispanic hiring from 4 percent in 2020 to 10 percent in 2021. To build on this success, we will work to strengthen outreach and networking initiatives with organizations such as American Society of Hispanic Economists, Association of Latino Professionals for America, National Hispanic Corporate Council and Prospanica.

We are also reviewing our recruiting and hiring practices to identify and implement ways in which we can further increase the pool of diverse qualified candidates. As a result of our ongoing review, we have started to broaden the research specializations within economics from which we have typically hired economists. Recruiting from a broader set of research areas not only may draw more diverse candidates, but also better supports our mission by giving us broader skill sets and perspectives.

Under my leadership as Chair, the Board has leveraged its award-winning internship program to offer students on the job experience and learning and to create a diverse job candidate pool for our entry-level positions. The Board has also implemented job board and resume database access to expand diversity sourcing initiatives with the National Black MBA Association and the National Society of Black Engineers.

Over the past 4 years, my colleagues and I have worked to develop the pipeline of economists from under-represented groups, including through outreach to students at many levels. We have welcomed diverse groups of high school, undergraduate, and graduate level students to the Board, both in person and through online events, to discuss career opportunities, the work that we do, and diversity in the profession. We are collaborating closely with the American Economic Association (AEA) and with Howard University, including by committing staff resources over the next 5 years to teach an Advanced Research Methods class to undergraduate and masters level students at the AEA Summer Training Program, which is being hosted by Howard University.

If confirmed, I look forward to continuing to support these and other efforts.

Q.6. While Class C directors are getting more diverse, B directors, who are selected by member banks to represent the public, remain predominantly White and male. An analysis by the Brookings Institution recommended that the Fed Banks implement a set of best practices for selecting of directors to help guide member banks through the process.

Would you commit to working with me to encourage and coordinate efforts among the Federal Reserve banks to develop and implement such guidelines and best practices?

A.6. The nomination and election of Class B directors are prescribed in detail in the Federal Reserve Act. In particular, these directors are elected by the banks within the District, with a mandate to represent the public. While these directors are not selected directly or indirectly by the Board of Governors, we do engage on a continuous basis with Reserve Banks and members of their boards in an effort to encourage the recruitment of more diverse Class B directors. Indeed, we take a similar approach with the Class A directors, who are also elected by the banks within the District. If confirmed, I look forward to continuing our dialogue on this important matter.

Q.7. Fed watchers have also suggested that the appointment process for regional Fed Bank presidents be open to greater public input.

Do you agree that that Fed would benefit from greater public participation in the Presidential and Director selection processes?

A.7. The Federal Reserve System serves all Americans, and the selection process for Bank presidents and directors benefits from input from a wide range of stakeholders. That is why the ongoing searches for new presidents for the Federal Reserve Banks of Boston and Dallas include broad outreach to stakeholders and the public for feedback and input, and opportunities for the public to submit potential candidates for nomination. Search committees have been sharing information about the search and soliciting questions and input from the public through public events, such as town halls, and dedicated websites and social media channels. We continue to leverage advancements in technology and adopt other best practices in creating new ways for public input.

Q.8. According to the Federal Reserve Act, Class B and C Directors are supposed to represent the interests of the public, and should be selected with "due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers." Currently, one in ten directors are CEOs of Fortune 500 companies. 75 percent of Fed Directors are from banking or business. Of the directors that represent the business sector, only 24 percent come from small businesses. A mere 5 percent of bank directors are from labor.

If confirmed, how would you work to improve sectoral representation in leadership roles at the Fed?

A.8. Reserve Bank boards of directors provide valuable insights into a range of sectors, including healthcare, manufacturing, entertainment, restaurant, retail, hotel, agriculture, transportation, education, labor, small businesses, construction, technology, consumer goods, and financial services. The directors work through their own networks to understand and represent different perspectives within their own sectors when providing regional and sectoral inputs to the Bank and the Board. If confirmed to a second term as Chair of the Federal Reserve Board, I am committed to continue working with Reserve Bank directors and presidents in further engaging with various sectors in their regions to develop pipelines for future leadership roles at the Federal Reserve.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM JEROME H. POWELL

Q.1. As you know, we are currently witnessing the widespread effects of ongoing supply chain disruptions that have led to shortages of many industrial and consumer products, including price inflation. Much of this has been attributed to the COVID–19 pandemic. If confirmed, how will you utilize what you have learned in your time leading the Fed during the pandemic to promote greater pricing stability for essential consumer and industrial goods?

A.1. The recent upturn in price inflation reflects a combination of supply- and demand-related developments. On the demand side, there has been a large and rapid shift in consumer spending toward goods—particularly durable goods—as the pandemic has made spending on many services more difficult or less desirable. On the supply side, the availability of a range of goods has been curtailed by production issues in the U.S. and abroad, often because key inputs cannot be obtained or because goods cannot be transported to U.S. markets as easily as before. In addition, labor shortages in some sectors have restricted the supply of goods as well as services.

We continue to believe that many of the factors pushing up inflation are related to the pandemic and will pass with time, although the timing and extent of the decline remains highly uncertain. No matter how these factors evolve, the Federal Open Market Committee is committed to using its tools to ensure that elevated inflation does not become entrenched.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM JEROME H. POWELL

Q.1. Chairman Powell, in your testimony before this Committee last week, you stated that "We [The Federal Reserve] increased capital and liquidity requirements for the largest banks—and currently, capital and liquidity levels at our largest, most systemically important banks are at multidecade highs."

You have stated numerous times in congressional testimony and correspondence that the level of capital in the banking system is about right—a view that you held prior to the COVID–19 pandemic and increases in capital over the past 2 years. In September 2018, in response to a letter from me, you stated that, "overall capital for our largest banking organizations is at about the right level."

In each of your semiannual appearances before this Committee last year, you noted the high levels of capital and liquidity in the banking system. Governor Quarles, in his departing remarks last month, cautioned that, " . . . implementing the remaining elements of Basel III could result in a material increase in capital levels, perhaps up to 20 percent for our largest holding companies." and pointed out that current high capital standards constrain the banking system from providing credit and ultimately cost jobs and living standards.

Do you continue to believe there is sufficient capital in the banking system?

Given the temporary nature of the Fed's COVID interventions and the resulting inflation of capital charges, do you anticipate measuring capital neutrality at pre-COVID levels as the Fed normalizes policy and works to implement Basel III finalization?

A.1. Yes, I believe that there is sufficient capital in the banking system, particularly for the largest firms. Robust capital and liquidity requirements for the banking system, with a particular focus on the largest and most complex banks, are fundamental to financial stability. The regulatory capital framework introduced since the financial crisis has required financial institutions to significantly strengthen their capital levels over the last decade. Consistent with their systemic importance, global systemically important banks (GSIBs) are subject to the most stringent standards, including additional capital requirements such as the GSIB surcharge and the enhanced supplementary leverage ratio. As a result, the banking system was well capitalized at the onset of the COVID–19 pandemic and financial institutions were well positioned to deal with the challenges of the COVID–19 event. As I mentioned during my testimony before the Committee, capital levels at our largest and most systemically important banks are currently at multidecade highs.

With respect to our work to implement the outstanding Basel III capital reforms in the United States, we are working actively with the FDIC and the OCC on that proposal.

We will of course continue to evaluate the resiliency of large banks and monitor financial and economic conditions to ensure our capital framework functions as intended.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KENNEDY FROM JEROME H. POWELL

Q.1. Chair Powell, it is my understanding that the Federal Reserve's treatment of subordinated debt of Subchapter S and Mutual banks under the Emergency Capital Investment Program (ECIP) will severely limit their participation in the program to only a fraction of the amount they are eligible to receive under ECIP.

Out of 101 program recipients, Louisiana had 13 ECIP recipients, 10 of which are Subchapter S banks.

If the Federal Reserve does not exclude ECIP capital from bank debt calculations, Subchapter S and Mutual banks risk scrutiny from their regulators.

Will the Federal Reserve commit to excluding the ECIP from the calculation of the debt-to-equity ratio and the double leverage ratio for Subchapter S and Mutual banks?

A.1. Since the creation of the Emergency Capital Investment Program (ECIP), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (together, the agencies) have been working with the U.S. Department of the Treasury (Treasury) to facilitate ECIP investments in regulated financial institutions. Throughout this process, the agencies have been taking steps to ensure that regulated financial institutions receive an appropriate capital treatment for ECIP instruments that is consistent with safety and soundness considerations.

Most notably, we issued an interim final rule to allow instruments issued under ECIP to qualify as regulatory capital under each agency's capital rule. Under the interim final rule, preferred stock issued through ECIP is counted as additional tier 1 capital and subordinated debt issued through ECIP is counted as tier 2 capital. These treatments are broadly in line with the agencies' treatment of similar types of capital instruments under the capital rule.

I appreciate the concern that some financial institutions are structured in a way that prevents them from issuing preferred stock under ECIP; such financial institutions would instead issue subordinated debt to Treasury. While taking additional action to provide favorable treatment for ECIP subordinated debt may increase the ability of some S-Corporations and mutual banking organizations to participate in ECIP, ECIP subordinated debt is an obligation that must be repaid. As we consider these issues, we are mindful of the balance between facilitating participation in the program and increasing risk to the safety and soundness of the participating financial institutions due to increased leverage. We continue to evaluate these issues actively and carefully.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CRAMER FROM JEROME H. POWELL

Q.1. Under current law, banks are required to enable all debit cards to be processed over at least two unaffiliated networks. For the last decade, Regulation II has applied to in-store transactions. However, as online transactions increase, only 6 percent of online debit card transactions are being processed over competing networks, meaning merchants are paying more or retailers are having to swallow the cost.

A clarification of "Reg II" proposed by the Federal Reserve last May said the routing choice requirement applies to online, as well as in-store transactions, and would require that banks allow competing networks a chance to handle debit transactions. However, this rule has not yet been finalized. Can you provide clarity as to when this rule will be finalized?

A.1. On May 7, 2021, the Federal Reserve Board (Board) issued proposed revisions to Regulation II for public comment.[1] The proposed revisions specified that, pursuant to section 920 of the Electronic Fund Transfer Act as amended by section 1075 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, debit card issuers should enable, and allow merchants to choose from, at least two unaffiliated networks for card-not-present debit card transactions, such as online purchases. The Board sought comment on all aspects of the proposed revisions. On June 22, 2021, the Board extended the comment deadline from July 12, 2021, to August 11, 2021, to allow interested persons more time to analyze the issues and prepare their comments.[2]

The Board received nearly 2,700 comments on the proposal. A wide variety of industry stakeholders submitted comments and presented diverse perspectives on the proposal and other issues related to the regulation and the debit card market. The Board is carefully considering these comments as it evaluates final revisions to the regulation on this matter.

Q.2. While COVID–19 has presented a number of unusual circumstances, the world is far more aware now of the lack of trans-

[1] See, *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210507a.htm.*
[2] See, *https://www.federalreserve.gov/newsevents/pressreleases/bcreg20210622a.htm.*

parency of the Chinese Government, run by the CCP. Chair Powell, how do you assess the risks posed by China to our short, medium, and long-term economic stability and strength? What tools are at the Fed's disposal and what is the Fed considering when it comes to addressing China?

A.2. The economic and financial stability risks posed by China have increased of late. To a large extent, these increased risks are centered in its property sector. Chinese authorities have substantial potential resources to manage these risks, in principle, but we cannot rule out the possibility of an abrupt and persistent slowdown in their economy. With China now the world's second largest economy, any sharp downturn there would have global repercussions. The U.S. economy could be adversely affected through trade channels as well as through negative sentiment effects on U.S. and global financial markets, though the degree to which this would occur is uncertain.

Moreover, China also plays a large role in global supply chains, and COVID–19 has brought to the forefront associated fragilities. More immediately, at a time of high global demand, short-term disruption to Chinese output from COVID restrictions and power rationing have contributed to upward pressure on prices around the world.

Even if very adverse outcomes for the Chinese economy were to materialize, with spillovers to the U.S. through macroeconomic and financial channels, they are unlikely to materially threaten the stability of the U.S. financial sector because our financial system has only limited direct exposures to China. In addition, U.S. banks are well-capitalized and able to respond to severely adverse global scenarios, as our stress tests have repeatedly shown. That said, we continue to monitor economic and financial risks stemming from China, to analyze possible spillovers to the U.S., and to take these considerations into account in our micro- and macro-prudential financial risk assessments.

Q.3. Many banks have grown frustrated with the glacial pace of merger approvals. My view is that regulators should approve proposed transactions that result in a combined company with a strong and resilient capital base and the ability to make long-term investments in the communities and customers. There is no need to pause merger transactions in order to do this. Can you speak to why the extended delays are happening and when an uptick in approvals could be expected? Are you supportive of instituting any form of moratorium on bank mergers?

A.3. The Board carefully considers each merger and acquisition (M&A) application on its individual merits in view of the relevant statutory factors. The Board continues to process each application as expeditiously as possible and within the applicable statutory deadlines, while ensuring that decisions are based on a complete record. In December 2021, the Board approved three bank merger applications, and the Reserve Banks approved 17 bank merger applications under delegated authority.