

Nomination Hearing for Sarah Bloom Raskin, Lisa Cook, and Philip Jefferson  
Senate Committee on Banking, Housing, and Urban Affairs  
February 3, 2022

**Opening Statements**

**Chairman Brown (D-OH)** noted that the committee has received a record-level of support from the public for these three nominees. He discussed the economic growth that has taken place in the first year of the Biden Administration, noting that the economy grew faster than China's. Brown attributed this to putting workers at the center of the economy. He told the nominees that it is their job to deal with the current inflation and emphasized Powell's statements saying that getting over the pandemic is the most important thing for the economy. Brown noted that it has been almost a decade since the Fed has had seven board members and stressed that the nominees' confirmations are urgent. Brown emphasized that Governor Bloom Raskin, Dr. Cook, and Dr. Jefferson understand the importance of empowering workers through full employment, and the need to combat inflation. Brown was confident that the nominees would preserve the Fed's independence and understand the Fed's mandate. Brown remarked that no one is better equipped than Ms. Raskin to protect Americans from risks that could bring down financial markets and institutions and wreck people's savings — from cybersecurity threats to climate financial risk. Brown referred to the comments made about Raskin, that she is radical but noted that she was confirmed by the Senate unanimously twice before. He continued that she understands that we need to think about all the financial risks our economy faces, including the possible economic impact of severe weather and climate change. On Cook and Jefferson, Brown stated that they are highly respected and experienced economists with sterling credentials. Brown went on to say that they understand how monetary policy can contribute to economic growth and strengthen the economy. He emphasized the diversity in the nominees and the differences in perspectives and beliefs. Brown urged support for these nominees.

**Ranking Member Toomey (R-PA)** stated that today's hearing is not just about vetting the nominees but is also a referendum on the Fed's independence. He continued that some in the Biden Administration want to use the Fed to support their social agenda that goes beyond the Fed's limited mandate. Toomey believed that elected representatives should decide policy like global warming instead of unelected bankers. He discussed the oil and gas industry and rhetorically asked how much more people should pay at the pump. Toomey was worried about Fed overreach and said that the Fed is already doing this in the states. He referred to Raskin's comments about allocating capital away from energy companies and excluding the fossil industry from emergency lending facilities. Toomey believed that her beliefs would have devastating consequences for consumers and workers. He noted that we still have not seen a bank failure due to climate and believed that banks are capable, saying that the real risk here is political. Toomey turned to Cook referring to her role at the Chicago Fed but said that Cook has only been in that role for two weeks. He also noted Cook's extreme left-wing political advocacy

and stated that she blocked the Senate Banking Committee Twitter account. Toomey was concerned that Cook would further politicize an apolitical organization. He enjoyed his conversation with Jefferson and believed he was well suited for his nominated role. Toomey emphasized the Fed's independence and that the difficult decisions should be left to elected representatives.

### **Witness Testimony**

**The Honorable Sarah Bloom Raskin**, *Vice Chairman for Supervision and Member Designate, Board of Governors of the Federal Reserve System*, reflected on her childhood and the times she went to the bank with her mom every Saturday. She was proud of her work at the federal and state levels. Raskin learned that to be effective, bank supervisors must ensure that the safety of banks are never compromised and be attentive to risks everywhere. She continued that the Vice Chair of Supervision does not allow loans to be made to certain sectors over others and understood that anyone in this position must act with humility. On inflation, Raskin believed reducing inflation is a top task for the Fed.

**Dr. Lisa DeNeen Cook**, *Member Designate, Board of Governors of the Federal Reserve System*, remarked that the depth and breadth of her experience has prepared her for her role at the Fed and agreed with Powell that the most important task is tackling inflation. She committed to keeping inflation expectations well anchored and said that her approach to difficult problems is rooted in facts. Cook noted that she has worked within Republican and Democratic administrations. She reflected on growing up in Georgia and how her parents were active in desegregation. Cook stated that she chose to live in the industrial Midwest so she could see for herself how economic policy affects the people around her and this is why she dedicated her career to preventing future financial crises. She stated that there is still much to learn to make the Fed even better and emphasized the importance of having diverse perspectives at the Fed. Cook committed to fulfilling the mandates of the Fed set by Congress.

**Dr. Philip Nathan Jefferson**, *Member Designate, Board of Governors of the Federal Reserve System*, said he would draw upon his background and skills to contribute positively to the wellbeing of the American people by helping the Federal Reserve to adhere to the dual mandate set for it by Congress: promotion of maximum employment and stable prices. He went on to describe his childhood, educational background, and various relevant experiences. Jefferson noted that he is a Ph.D. economist with an unusual combination of specializations: macroeconomics and monetary economics, poverty and economic inequality, and applied econometrics. He went on to describe the two major challenges the economy faces: the pandemic and inflation. Jefferson then described how the dual mandate of the Fed serves the American people well and provides a critical foundation for monetary policy in challenging times.

## **Member Questions**

**Chairman Brown (D-OH)** turned to Raskin first on her work on cybersecurity and the importance of protecting Americans from risk and asked how she would approach evaluating all the risks to the financial system. Raskin replied that regulators are concerned with the management of risk in the banking system which has been subject to numerous risks throughout history. She continued that banking regulators need to prepare for risks to the system and emphasized resiliency in the face of potential risk. Raskin then discussed three basic principles to her approach. First, it is inappropriate for the Fed to choose winners and losers and she did not believe that was the role of the Fed. Second, regulation is best achieved when it is collaborative and Raskin believed in bringing experts in before making important decisions. Third, supervisory and regulatory actions must stay within the bounds of the law and the Fed's mandate. She understood Congress's authority. Raskin reaffirmed that she has never deviated from these principles. Brown turned to Cook and asked how growing up in the south and living in the Midwest shaped her view of monetary policy. Cook responded that her experiences shaped her belief in the Fed's mandates and reflected on her time teaching macroeconomics in the midst of the 2008 financial crisis. She talked about how this focused her devotion to eliminating risk during financial and economic crises. Cook was keenly aware of the challenges that everyday Americans face. Brown turned to Jefferson on the pandemic's devastating impact and asked him to discuss how the Fed can minimize the pandemic's lasting impact on low-wage workers. Jefferson replied that the Fed can improve the recovery of the pandemic by sticking to its mandate and focusing on maximum employment and stable prices. He touched on the long-run expansion we experienced prior to the pandemic and emphasized that it is inclusive so the Fed can create the macroeconomics to promote long-term growth.

**Ranking Member Toomey (R-PA)** started with Jefferson reflecting on the conversation they had and how Jefferson said that the Fed has no role in the allocation of capital. Jefferson stood by this. Toomey turned to Raskin on her beliefs on climate change and asked if it is appropriate for the Fed to allocate capital away from certain industries. Raskin replied that it is inappropriate for the Fed to choose winners and losers and that banks choose their borrowers, not the Fed. Toomey understood but said that the problem is her previous statements on this issue. Raskin defended that it is not the role of the Fed to direct credit allocation and explained how supervision looks at risk wherever it arises. She continued that you have to ask yourself if there is correlation between the risk and how it affects a financial institution. Raskin affirmed that her views have been consistent. Toomey countered that her statements still reflect that she wants to allocate capital away from the energy industry. He turned to Cook on the importance of getting inflation under control and referred to their phone call and whether Cook supported the Fed's decision to ease monetary policy or tapering. Cook responded that she would like to look at the data to make a decision and while she said that her answer was somewhere in between, she would look at data to finalize her decision. Toomey said there was a lot of data out there and that it seems like Cook has shifted her answer. He was confused and asked her to give him some

sense of her thoughts on the Fed's recent decisions and how to get inflation under control. Cook understood that everyday Americans are suffering from inflation. She was motivated by seeing the suffering of businesses and workers facing inflation and while there is a lot of data available, she does not have access to Fed deliberations at the moment.

**Sen. Reed (D-RI)** asked about the risks the banking sector is concerned about. Raskin reflected on past discussions she had on this and said the banks have talked to her about cybersecurity as the biggest risk. She continued that banks have spent quite a bit of money on protecting against cyber risks and this matters because it could destabilize the financial system. Raskin said that cyber was the hallmark of her work at Treasury where she attempted to put a five-pronged approach to help the financial sector defend itself against cyber-attacks. Raskin emphasized having one voice here and that the regulators must speak consistently on this to avoid any confusion in the banking sector. She added that she also hears about climate risk when talking to banks. Reed looked forward to supporting Cook and Jefferson along with Raskin.

**Sen. Scott (R-SC)** associated himself with Toomey's comments about the harmful views of Raskin and thought it was dangerous to use the power of a regulator to pick winners and losers. He continued that Raskin's comments to politicize the Fed are more than a concern and turned to inflation and how it is eroding Americans' paychecks. Scott was concerned that the nominees want to make life even harder for Americans and stated that in 2020, the Fed published a study on making small dollar loans. He asked if Raskin was familiar with this study. Raskin was not familiar with the study. Scott said that one of the findings of the study was that APR rate caps at 36% would eliminate lenders' ability to extend consumer loans under \$3,000 and the impact of eliminating these loans for marginalized communities would result in them turning to an unregulated market. Scott stated that Raskin supported a federal 36% rate cap and stated his opposition to a national APR rate cap because it eliminates small dollar loans for people who need access. He talked about a real concern for Americans who lose access to the market because regulators decide what is good for them. Scott questioned if Raskin supported the predatory loan industry or if she does not understand low-income Americans. Raskin replied that Scott is right and thought that small dollar loans are an important line of credit for those who need timely access to credit. She looked forward to looking at the report Scott referred to and emphasized safe credit and thought more could be done to provide access to these loans. Scott thanked Raskin for her response.

**Sen. Menendez (D-NJ)** followed up on this conversation and questioned how to eliminate payday lenders. While it is important to provide access to credit, he did not understand why low-income Americans should be subject to such high interest rates. Menendez turned to diversity and thought there was more to be done for Latino representation and asked the nominees if they are committed to bringing Latino voices to the Fed. The nominees replied yes. Menendez asked if the nominees were committed to diverse candidates. The nominees replied yes. Menendez

reflected on the 2008 financial crisis and his provision in Dodd Frank on executive pay and asked Raskin if she was committed to working on a strong incentive-based rule with other agencies. Raskin stated that there is still no rule and committed to working on this. Menendez asked if she would work to finalize a rule by the end of this year. Raskin replied that she would look into this. Menendez emphasized having leadership here and turned to Jefferson and the hard decisions he will have to make on monetary policy, including inflation. He asked if Jefferson agreed that the inflation levels are driven by supply chain bottlenecks. Jefferson replied that the current inflation has multiple drivers including the pandemic and the supply bottlenecks puts upward pressure on prices. He continued that monetary policy and the Fed's mandate is clear that the Fed has to be mindful of maximum employment and be aware of price stability. Jefferson stressed that the Fed must take steps to bring inflation in line with its targets.

**Sen. Kennedy (R-LA)** read about Cook and Jefferson and stated that Davidson, where Jefferson teaches, is the best place to earn a liberal education. He complimented Cook on being a Marshall Scholar and asked Cook and Jefferson to preserve the independence at the Fed and warned against being caught up in group think. Kennedy turned to Raskin and referred to her May 2020 comments about letting the oil and gas companies go broke. Raskin replied that the subject of the op-ed was saying that the Fed is not in the business of picking winners and losers and rejected recommending that. She stressed the proper role of the Fed and while she wrote the editorial, she wrote it in the context of the Fed's emergency lending facilities. Raskin repeated the context of the article and how it had nothing to do with supervision and regulation. Kennedy moved on to allocating capital and disagreed with Raskin's mission to politicize the Fed. Raskin agreed that the Fed should not be politicized and that it should not get involved with allocating credit.

**Sen. Warner (D-VA)** believed that the Fed should look at financial risks and highlighted cyber risk and how it is not limited to a specific area. He asked if Raskin had anything to add on cyber risk. Raskin replied that cyber threats are evolving quickly and stated that it is a type of warfare and that the defensiveness of the financial sector is at stake here. She continued that it is not the role of the Fed to stop these attacks but that the financial sector should feel like it could defend itself. Warner asked if a cyber-attack would be a systemic risk. Raskin said yes. Warner asked about CDFIs and MDIs and their critical role and asked how the Fed can do more to shore up that part of the financial sector. Cook sat on the board of a CDFI and thought that the Fed is beginning to engage around CRA reform and ensuring that the fund gets to where capital does not go. She believed that this is important to the Fed mandate.

**Sen. Hagerty (R-TN)** stated that Cook's publications are more related to social science than economics and asked about her economic experiences. Cook was proud of her academic background. She explained that she has a PhD. in economics from UC Berkeley. Hagerty asked if she would underscore her academic experience and how it is related to monetary policy. Cook discussed her work in preventing and managing financial crises and that she has publications

related to banking reform that recognize systemic risk. Hagerty countered that he would have expected someone with more experience. He turned to Raskin about the events that happened at the FDIC in December regarding Chair McWilliams. He wanted to ensure that something like this does not happen at the Fed and asked if Raskin commits to ensuring this does not happen. Raskin committed. Hagerty asked if high gas prices are good or bad for America. Raskin replied that gas prices are at \$3.39 in her neighborhood, and it hurts Americans' pocketbooks. Hagerty was concerned about inflation and the policies Raskin supported to weaponize the oil and gas industry. He underscored the fact that it is highly inappropriate to weaponize the Fed in pursuing issues outside its mandate.

**Sen. Cortez Masto (D-NV)** asked if any member of the Fed could weaponize the entire agency. The panel all replied no. Cortez Masto asked how Cook's previous roles have prepared her for this position. Cook reflected on her time at the Minneapolis Federal Home Loan Bank and the importance of community banks in allocating capital. She discussed her board position on a CDFI and the importance of capital that CDFIs allocate. Cook believed these roles prepared her for the nominated role at the Fed. Cortez Masto highlighted the diversity at the table and having diversity at the Fed. She talked about the importance of passing the CARES Act, American Rescue Plan, and the bipartisan infrastructure bill. Cortez Masto asked Raskin about the lessons from the last financial crisis and how it helped with addressing the financial crisis during the pandemic. Raskin replied that we do not know all the lessons as we have not completely emerged from the pandemic but saw that the financial sector held up during the initial blow of the pandemic suggesting the resilience the financial sector had pre-pandemic. She thought that the question was evolving but is one that policy makers should always think back on.

**Sen. Lummis (R-WY)** asked Raskin about the Fed master account access. She stated that many non-banks in Wyoming have applied and failed to get a Fed master account. She also commented that Reserve Trust in Colorado did get a master account and that Raskin served on the Reserve Trust board. Raskin explained that she joined the Reserve Trust board in 2017. Lummis noted that the Fed granted Reserve Trust the master account in 2018 and did not understand how dozens of other fintechs have been denied. She questioned how Reserve Trust got its SPDI so quickly and asked if Raskin communicated with the Fed about its application when it was first denied. Raskin said that if Lummis was suggesting anything improper, Raskin was mindful of the rules regarding departure in all of her official roles. Lummis had significant questions about her involvement with Reserve Trust's application. Raskin clarified that the Fed has approved plenty of master accounts. Lummis countered that the master accounts have not been approved for many fintechs. Lummis did not think this added up correctly and stated that Wyoming fintechs have been working with the Fed on this for two years. She thought this deserved further scrutiny by the committee.

**Sen. Warnock (D-GA)** acknowledged Cook's childhood in Georgia and believed that it is clear that her nomination to the Fed will continue to show that the economy can work for all Americans. He added that her nomination is an inspiration to all black women and was proud of her nomination. Warnock discussed current inflationary prices and how the Fed will work to address inflation. Jefferson replied that inflation impacts Americans' outlook for the future and that the Fed can think about the full menu of prices Americans are dealing with and work to make sure that prices are consistent with its target. He continued that, if confirmed, he would keep the Fed's focus on its mandate and trust that other agencies will look at issues related to concentration. Warnock asked about tools the Fed can use to address inflation. Jefferson replied that its tools cannot work on industry concentration as it is not something that Fed policy can address directly. Warnock asked Cook the same question. Cook thought that inflation is largely outside the purview of the Fed, however, it deserves more study and if there is any threat to financial stability, it would deserve more attention at the Fed.

**Sen. Cramer (R-ND)** wanted to explore Raskin's comments on the oil and gas industry. He stated that there was no ambiguity in her statements. Cramer was very concerned and appreciated reiterating that the Fed does not pick winners and losers. He worried about the increased power Raskin would have if confirmed. Cramer asked about risks banks consider around energy and energy sources around different parts of the country. Raskin underscored that the Fed is not looking to expand its power and stressed its clear mandates provided by Congress. She believed that the Fed always needs to act within its set parameters. Raskin stated that banks are making decisions on who to lend to and it should never be a Fed decision. She believed that banks are in the best position to know who to lend to and appreciated the principle that the Fed does not exist to favor certain sectors.

**Sen. Tester (D-MT)** thought it was critically important for the Fed to get all the information it can when it comes to risk and believed that climate change has to be a part of that data. He reflected on his experience as a farmer and how climate change has impacted the farming industry. Tester emphasized that banks are important and that we do not want banks to go under. He stated that there has been a lot of discussion on what the Fed should and should not be doing and asked Raskin if she believed that we should be discouraging banks from lending to carbon based fuels. Raskin replied no. Cook and Jefferson agreed with Raskin. Tester thought the Fed's independence was critical and saw former President Trump try to influence the Fed for personal gain and was happy that the Fed and Chair Powell continued to uphold the Fed's independence. Tester asked why it would be a mistake to allow politics to influence monetary policy. Raskin replied that the Fed's independence is sacrosanct and cannot be compromised by any political forces. She believed this is critical to the Fed's function. Cook talked about her experience in other countries where the central bank is not independent. Jefferson emphasized Americans' trust in the Fed and how independence is at the core of trust.

**Sen. Moran (R-KS)** was interested in the responses from Raskin. He wanted a Fed that would not pick winners and losers and stated that the Fed is not the entity to decide how the country moves forward regarding the oil and gas industry. Moran wanted greater assurance that Raskin would not use the Fed to diminish or promote the role of any sector. Moran was troubled that Powell would defer to Raskin on this and was troubled by any of the nominees' belief that you can regulate any existing business and thought that was the job of Congress. Raskin defended her record as a bank commissioner in Maryland, a previous Fed Governor, and Deputy Secretary at the Treasury. She stressed her belief that the Fed should not favor one sector over another. Raskin viewed the Fed favoring any sector as going beyond its mandate. Moran asked if there is any path for Raskin to accomplish favoring an industry at the Fed. Raskin replied no and that she has not explored any such path. She stressed that she has no desire to do so.

**Sen. Warren (D-MA)** read a series of statements by Powell regarding climate change and banks' responsibility to be aware of any financial risks that could affect resilience, noting that Powell is supported by many Republicans. She asked if the panel agreed with Powell's statements. The nominees agreed. Warren asked if the nominees agreed if climate stress scenarios would be an important tool going forward. The nominees agreed. Warren stated that she did not support Powell's renomination but stressed that even he agrees about climate risk. She emphasized that this view is widely held and questioned what is going on here and why Republicans are so stirred up by a mainstream position. She questioned why it is okay for Powell to hold these views but not for Raskin to have these views. Warren thought the real problem here is that Raskin is not allowing big oil to get in the way of the Fed doing its job but asking the Fed to ignore climate risk is asking the Fed to defy its congressional mandate. She mentioned that she has long advocated for rewriting ethics rules to close the revolving door. Warren looked forward to the nominees' confirmations.

**Sen. Tillis (R-NC)** asked about the use of the asset cap and how it is a penalty for growth. He asked the nominees what the conditions are to lift the asset cap, when it will be used again, and if a bank needs to be perfect to get the cap lifted. Jefferson responded that he does not have expertise here, but looked forward to learning more about this, and welcomed the opportunity to work with Tillis on this. Tillis talked about the need for a healthy ecosystem and thought that the caps erode the system. Cook viewed this as assessing the risk to the system and making sure that the financial system remains resilient. Tillis asked if we could look at rules of the road to remove this cap. Cook was not as familiar with this and looked forward to studying it with an open mind. Raskin thought that if there is a way to improve a regulation through clarity it is positive and would be open to looking at this. Tillis referred to comments Cook has made on the black unemployment rate as a better indicator for the health of the overall economy over other metrics and asked if she still stands by this. Cook replied that there are many unemployment rates and believed that we should use as many metrics as possible to measure unemployment rates. She did not believe in the primacy of one indicator over another.

**Sen. Smith (D-MN)** supports all three Fed nominations and appreciated the conversations she had with all of them. She appreciated Raskin's comments on community banks and said that Raskin has been clear that she believes that the Fed has no role in picking winners and losers among industries. Smith commended Cook and Jefferson on their different and expertised perspectives. Smith emphasized the Fed having diverse perspectives as well. She wanted to further understand Cook and Jefferson's research and how it will help them in their role at the Fed. Jefferson looked at the history of expansions in the US and one thing we see when looking at history is that long, non-inflationary expansions are highly inclusive. He continued that if confirmed, he would want to advocate for policies that would lead to long expansions that are non-inflationary. Smith stressed that fairness in the economy is good for opportunity. She appreciated Cook's approach to complex problems and how she pointed to Volcker as an inspiration. Cook believed that her experiences abroad have allowed her to appreciate the mandate at the Fed because not all central banks value independence. She believed that broadening participation helps everyone.

**Sen. Van Hollen (D-MD)** thought that all of the nominees would bring great value to the country. He focused on Raskin and the support she has from many organizations and praised her for her work as Maryland's top banking regulator in the past. He asked her to talk about how her experience as Maryland's top banking regulator informs her view of the role she is nominated for. Raskin replied that her role in Maryland during the successive waves of foreclosures and weakening of non-bank entities required an approach that was collaborative and one that became the hallmark of how you go about regulation and supervision. She stressed that supervision and regulation cannot be done by one person and requires collaboration from experts and bankers. Raskin emphasized that community banks are among the best features of our financial system. Van Hollen advocated for Raskin's good judgment and urged support for all three nominees.

**Ranking Member Toomey** believes that Jefferson is qualified to be on the Fed and urged his renomination. He was disappointed with Cook's answers to many questions. Toomey said that if Raskin is confirmed, there is going to be an effort at the Fed to do climate scenarios and turn into allocating capital away from oil and gas industries. He entered into the record letters of opposition to Raskin and Cook.

**Chairman Brown** commented that the opposition letters come short of the thousands of support letters he received for Raskin and Cook. He continued that there has been a lot of hyperventilation around this nomination hearing and repeated that Raskin has been twice confirmed by the Senate already. Brown called the attacks on Cook abhorrent and emphasized that she has a PhD in economics and was disappointed in his Republican colleagues' comments. He talked about having an economy for everyone and stressed the importance of having all seven seats of the Fed board filled.