Nomination Hearing for Jerome Powell to be Chair of the Federal Reserve
Senate Committee on Banking, Housing, and Urban Affairs
January 11, 2022

Opening Statements

Chair Brown (D-OH) remarked that in an attempt to return to normalcy, the American people elected Joe Biden to be President and believed that normalcy is what the federal government is delivering. Brown continued that in a year's time there has been progress with COVID vaccines, jobs to the economy, and Powell's renomination is a step in the direction of progress. He discussed the fiscal legislation that Congress passed with Powell's help and talked about the economic growth throughout the last year. Brown stated that workers are finally getting more bargaining power and wages are increasing faster than inflation. He continued that wages are still far from keeping up with corporate profits despite progress and clarified that the Fed must not allow for just Wall Street to recover from the pandemic. He stated that the Fed must do more to stop bank consolidation as well as recognize the systemic risks like cryptocurrency and climate change. Brown noted the Fed's work with the OCC and FDIC on updating the Community Reinvestment Act and expected increased diversity at the Fed. He emphasized that the Fed's history has not been diverse but appreciated Powell's effort to further diversify the Fed. Brown noted the Fed scandals with stocks and said that it was up to Powell to regain Americans' trust in the Fed. He believed that Powell has shown the leadership necessary to be in this position.

Ranking Member Toomey (R-PA) stated that he would vote to approve Powell's renomination and discussed the decisions Powell made to stabilize the economy throughout the pandemic. Despite the progress, Toomey expressed concern about the Fed's expansion of its balance sheet along with increased inflation. He was relieved that the Fed has acknowledged this inflation and how it is running longer than expected and was concerned with the Fed's actions going forward. Toomey continued that the Fed is still buying securities today and thought this was a mistake leading to lower economic growth. Additionally, he was concerned about the Fed's new monetary framework and expressed worry regarding the Fed's regional banks that are engaging in a liberal agenda. Toomey was troubled by this politicization and emphasized its independence to be effective. He clarified that if this politicization continues to be unchecked, the Fed will face consequences and hoped Powell would address this. Toomey stated that the crisis we are dealing with now is inflation and emphasized the role of the Fed within its mandate.

Witness Testimony

The Honorable Jerome Powell*, Chairman Designate, Board of Governors of the Federal Reserve System,* said that on the eve of the pandemic, the U.S. economy was enjoying its 11th year of expansion, the longest on record, but that changed overnight as the virus swept across the globe. Powell said that the immediate challenge at the beginning was staving off a full-scale depression, which required swift and strong policy actions from across government. He continued by saying that policy actions provided by Congress cushioned blows from the pandemic and reported that now the economy is growing despite that ongoing pandemic, giving rise to persistent supply and demand imbalances and bottlenecks, and thus to elevated inflation. Powell acknowledged the toll of inflation and reiterated the Fed's commitment to maximum employment and price stability. He then pointed to the Fed's decision to increase capital and liquidity requirements for the largest banks and how they worked to improve the public's access to instant payments and intensified their focus and supervisory efforts on evolving threats such as climate change and cyberattacks. Powell emphasized the independence and the responsibility of the Fed to keep the public informed in an honest and transparent way. He stated that he has made this a priority during his tenure and committed to continuing this if confirmed again. Powell concluded that the Fed works for all Americans and emphasized the Fed's mission as well as his commitment to the mission.

Member Questions

Chair Brown (D-OH) talked about rising prices and believed that President Biden's renomination of Powell displays his trust in Powell. Brown asked if higher prices could be traced back to the pandemic. Powell replied yes. Brown moved on to the FSOC report on climate-related financial risk and asked if the Fed is planning to follow the FSOC report's recommendations, including implementing climate stress tests for the biggest banks. Powell replied that the Fed is looking into climate stress tests and clarified that these are different from monetary stress tests. Brown asked if Powell would make this a priority, if confirmed. Powell said yes, within the bounds of supervision. Brown continued that we need strong financial safeguards in place to protect American workers and discussed the Fed's refocus of employing all people. He asked Powell if it is important for the Fed to understand and address gender and racial disparities. Powell replied that as the labor market tightened last year, we saw more benefits going to the lowest income Americans and those usually left out of the financial system and emphasized the widespread benefits of a strong labor market. Brown said that his answer suggests that people on the margins only benefit when there is a strong demand for labor and asked if the Fed has responsibility to ensure this. Powell replied that the Fed has responsibilities in bank supervision and fair lending, but the Fed can use monetary policy to foster a strong employment market. Brown asked if part of that is a more diverse workforce. Powell said that the Fed works hard to ensure diversity and thought that having a diverse workforce makes the Fed better.

Ranking Member Toomey (R-PA) pointed to the tapering and asked Powell to comment on the inflation and if it's realistic to bring back inflation to the target level if real rates are negative. Powell explained the current mismatch between supply and demand and to better align them, part of this will be through the return to normal supply throughout this year. He said that a return to normal supply conditions will affect Fed policy and the Fed will use its tools, including raising interest rates, to get inflation under control. Powell emphasized the need for a long expansion and stated that high inflation is a threat to price stability and maximum employment. Toomey understood the need for quantitative easing (QE) but worried about the Fed using policies it used at the peak of the pandemic during the recovery. He did not want this to become routine and asked Powell how to ensure this does not happen. Powell replied that the last two economic downturns have been historic, referring to the 2008 financial crisis and the beginning of the pandemic, and discussed how the Fed would cut interest rates as well as look at asset purchases as the next tool in line, but would not use that tool automatically. Toomey hoped that there would be a high threshold for the use of asset purchases since it distorts the allocation of capital. He again mentioned his concern about the Fed regional banks engaging in a liberal agenda and how he has been asking regional Fed banks about their political activism, which they have refused to reply to. He asked for Powell's commitment to getting Toomey a response that he is entitled to through FOIA. Powell replied that the request is being processed.

Sen. Reed (D-RI) believed that President Biden had made two excellent choices with the nominations of Powell and Brainard and supported both nominations. He turned to rising wages and was concerned if an increase in interest rates would slow or reverse this wage growth. Powell replied that wages moving up is generally a good thing and noted that the Fed is watching this growth to prevent further inflation. He acknowledged that inflation is running far beyond target and stated that the Fed will be moving toward a normal policy over the course of this year. Powell did not think moving away from the emergency measures would have a negative effect on the employment market. Reed acknowledged the 11 straight years of economic growth when Powell came to the Fed but noted that this was not inclusive economic growth, so he hoped and knew that Powell would be sensitive to this going forward. He turned to the current supply issues, like with used cars and microchips, and asked to what extent dealing with demand help supply. Powell replied that the Fed cannot directly affect supply-side conditions and noted that spending levels have overwhelmed the supply chains. He explained that the Fed can affect the demand side but that what we are experiencing is a combination of the two. Reed turned to climate change as an economic issue and stated that he does not think Powell wants to see any banks owning property that is literally underwater. He hoped the Fed is responsive to this.

Sen. Shelby (R-AL) discussed the surging inflation and was concerned that the Fed missed the mark on addressing inflation sooner. He thought that the Fed has lost credibility as a result and asked why the Fed initially forecasted inflation as transitory and if Powell's view on the threat of inflation has changed and what assurances the Fed can provide to prove that they have a greater grasp on inflation. He also asked about price stability. Powell replied that price stability is half of the Fed's mandate. On inflation, Powell explained that the Fed saw it as transitory due to the supply chain bottlenecks and they thought the bottlenecks would be resolved quicker than it appears. He continued that the supply chain issues have been durable and long-lasting so we are not seeing the progress that the Fed and forecasters originally thought we would see. Powell thought they did foresee a spike in demand, but not so focused on goods. He noted that people want cars, but there are no semiconductors, so they cannot be manufactured. Shelby asked what Powell had learned to get a grasp on inflation. Powell answered that the Fed has to achieve price stability and was confident that they will. He referred to the road to normalizing policy that the Fed plans to take during this year by alleviating tools used in the pandemic and addressing the Fed's balance sheet. Powell clarified that getting supply and demand back at the same level will take some time.

Sen. Menendez (D-NJ) reiterated a point he has made multiple times and concluded that there is a serious diversity problem at the Federal Reserve and was outraged that Latinos have no representation in Fed leadership. He referred to a letter sent to Powell in late October about filling the open Fed President jobs and said that the response letter was very generic and vague. Menendez moved on to the strong recovery and asked how Powell will continue to balance the Fed's dual mandate to keep price increases manageable while not dampening strong job and wage growth. Powell replied that the jobs available are at an all-time high as well as the percentage of quits so there is no lack of demand for work, but a supply problem as a result of the pandemic and other factors. He said that unemployment for those in the job market is at an all-time low, so there is a labor supply problem, and stated that the threat of price stability is the biggest threat to this growth. Powell said that to achieve maximum employment, it is going to require price stability which requires the use of Fed's tools that work on the demand side. Menendez asked if Powell expects the supply issue to subside as vaccinations increase and supply chains are repaired. Powell replied yes and that this will happen over time as we get past the pandemic. Menendez said that the Northeast was hit particularly hard by the pandemic at certain points and asked how closely the Fed looks at differences in regional performance when making decisions. Powell said that they make decisions by focusing on the national level, but they do look at regional performance carefully.

Sen. Crapo (R-ID) asked about an expected Fed report on digital currencies and asked for an update on the status of the report and if there were issues with sharing it with Congress and the public. Powell replied that the report is ready to go, and it will be dropped in the coming weeks. He added that the report is more of an exercise in asking questions and asking for public comment more than the Fed taking positions. Crapo turned to inflation and referred to a question he asked Powell last November on inflation and asked Powell what he expects inflationary pressures to look like this year. Powell replied that not much has changed since his answer in November and he expected inflationary pressures to continue well into the middle of the year. He repeated that the Fed will respond accordingly if the inflationary pressures go beyond the first half of the year. Crapo asked if consumer price inflation were to persist during the next four months combined with the current employment rate, what tools would the Fed use and what Powell would expect interest rates to look like. Powell answered that we are at a place where unemployment is very low with inflation well above target, so the economy does not need the Fed's accommodative policy and repeated that the Fed is taking steps toward normalization. He stated that COVID has stayed longer than expected and, despite having vaccines which have helped, we are still experiencing peak infections and hospitalizations. Crapo asked if the pandemic continuing to be persistent and problematic would impact timing of Fed decisions regarding the federal funds rate. Powell discussed the multiple variants we have experienced and thought that the economy would continue to stand strong against outbreaks. He reiterated that according to experts, Omicron is supposed to be short-lived and the forecasts for the next quarter are very positive. Crapo asked how this would impact the Fed's decision on the federal funds rate. Powell stated that interest-rate increases are expected this year, but it will depend on quarterly data, the progress on the supply side and the progress on inflation. He emphasized attentiveness to what's happening in the economy and willingness to adapt.

Sen. Tester (D-MT) referred to Powell's mention of the Fed addressing cyber-attacks and climate change. He hoped that Powell would continue to gather information on what needs to happen as the climate situation gets worse with time and asked Powell to compare the economy of pre-pandemic, pandemic (a year ago), and now. Powell replied that pre-pandemic there was an 11-year expansion and growth around 2% during each of those years and noted labor participation going up. He continued that the pandemic up ended everything, and we are only beginning to see the recovery now while we are still dealing with the pandemic. Powell said that the recovery in the labor force has been slow and talked about remote work and how wage increases are skewed to the lower end of the income spectrum, but we do not know if this will persist. Tester asked Powell to speak about the importance of the independence of the Fed. Powell answered that it is essential that the Fed work for all Americans and do that without regard for political considerations. He emphasized focusing on the Fed's job as mandated by Congress.

Sen. Rounds (R-SD) looked forward to supporting Powell's renomination. He turned to inflation and the rise in the consumer price index (CPI) in November and asked Powell to talk about his analysis on how much the Fed can impact inflationary trends with monetary policy. Powell explained that the Fed cannot affect the supply-side, a big contributor to the overshoot of inflation, and this includes goods like food, cars, and gas. Rounds stated that the supply-side is an important part of inflationary demand and asked what percentage of the inflationary trend the Fed can impact with the demand side of the monetary policy that the Fed can impact. Powell answered that it would be hard to break it down that way, but the Fed's policy is highly accommodative and encourages demand. Rounds said that it is economic in nature to say that the inflationary trends from the ability of consumers to pay a higher price along with bottlenecks in the supply side. Rounds pointed to how cows outnumber people in South Dakota and producers are not seeing an increase in what they receive for livestock, but consumers are seeing huge increases in the price of meat. He pointed to how four meat packers control the market and said that this needs to be dealt with via policy, not at the Fed. Powell agreed and said that this was a competition policy. Rounds asked if there are the same type of challenges with petroleum products. Powell agreed, saying that gas prices are high and affect those living on the edge or on a fixed income. Rounds said Powell could not deal with this at the Fed even though it impacts inflation and thought this needs to be addressed within today's regulatory environment. Powell replied that they can have marginal effects on demand and stressed that when it comes to energy and food, those are influenced by supply-side issues. Rounds touched on potential permanent adjustments to the supplementary leverage ratio (SLR) to account for the influx of consumer cash and he hoped that Powell would look at these considerations when looking at changes to the SLR so banks can accept those deposits in the future. Powell replied that we will return to that, and they want risk based capital to be binding, not the leverage ratio. He said that they want to make adjustments without reducing capital requirements on the largest firms and that the Fed can do some things with the SLR that honor that first principle.

Sen. Warner (D-VA) asked about the differences the Fed will take into account when dealing with the post-pandemic economy as well as any economic indicators. Powell replied that we are just emerging from the fog of the pandemic and stated that the supply chains pre-pandemic were very efficient yet fragile, so coming out of the pandemic, businesses are making their supply chains more resilient. Powell added that the Fed wants labor force participation to rise but it is slow and thought that a long expansion is needed over time to draw people back in. Warner asked about childcare being a factor and the effect it has on women's participation in the labor market. Powell agreed that childcare weighs on participation. Warner thought Congress needed to act due to our dependence on other countries for critical goods and then talked about minority communities. He discussed the impact of the pandemic on minority-owned businesses and stated that challenges remain here. Warner talked about investing in MDIs and CDFIs and thought there is needed regulatory review for non-emergency discount windows modeled after seasonal discount windows. He asked how the Fed can further work with Congress on this and eliminate regulatory barriers for CDFIs and MDIs. Powell answered that the Fed is focused on ensuring that MDIs and CDFIs flourish and under the Emergency Capital Investment Program (ECIP) are working with agencies so that these loans give attractive capital and foster investment in CDFIs and MDIs. Warner said that private capital should be able to flow into institutions without triggering the change in control requirements.

Sen. Tillis (R-NC) talked about the extraordinary inflation pressures and the tools the Fed has to deal with it including raising rates or reducing the balance sheet and shrinking the asset portfolio. He asked to what extent the Fed is considering a faster taper in lieu of a rate increase. Powell replied that no decisions have been made but this will be discussed at the next meeting. He continued that the economy is in a very different place from when the Fed stopped asset purchases previously. Powell believed that the Fed will be in the position of providing guidance in the coming meetings and acknowledged that the Fed is well-aware of the balance sheet being well above where it needs to be. Tillis asked about factors that would get the Fed to taper faster. Powell replied that the Fed does a lot of analysis, it takes a number of meetings to work through this, and it will be a part of further discussions. Tillis added that he would support Powell's renomination and turned to bank mergers and how they were addressed in S. 2155. He said that bank mergers are some of the most highly regulated transactions that banks can go through, and he got the sense that, moving forward, it may be more difficult for super regionals to move through the merger process. Tillis asked for assurance that there is not increasing bias of regulators to make it more difficult for regional and small banks to go through the merger and acquisition process. Powell answered that the law and their practices have not changed and that the Fed is still working through current applications. Tillis said he would submit a QFR on the Fed payments system.

Sen. Warren (D-MA) talked about the record-level of jobs the Biden Administration has added and stated that addressing inflation is one of the Fed's most important jobs and thought that the reason for inflation needed to be further explained. She asked if companies' profit margins are generally likely to stay low in competitive markets. Powell replied that all things held equal, you will compete down to your marginal cost. Warren asked if corporations could raise prices and increase profit margins in markets with greater concentration. Powell said that the connection between concentration and market power is not as clean as we think it is and some concentrated industries have resulted in lower costs, such as retail. Warren then asked if you are a corporation that has eaten up competition, is it easier to raise prices and maximize profits. Powell said that in principle and if you are a monopolist, you can raise prices. Warren said that we know prices have risen due to supply chain problems, shifts in demand, and labor costs, but if corporations were just passing along these costs, would profit margins have changed much. Powell said that in principle she could be right, but a lot of things impact the calculation of profit margins. Warren said that the biggest publicly traded corporations are reporting fatter profit margins which suggest that some corporations might be passing along increased cost and charging more at the same time. Powell replied that could be, but that companies can also raise prices due to demand. Warren continued that the consumer pays more because companies can charge more, and she did not want to overlook the role of concentrated corporate power in creating the conditions for price gouging. Warren turned to climate change and asked why it is important for the Fed to look at the risks of climate change to fulfill its mandate. Powell replied that while limited, the Fed does have a responsibility to look at the risk of climate change in terms of risk to the financial system and financial stability. Warren believed that the Fed has an important role to play here and referred to a letter she sent to the Fed regarding the Fed's ethics scandal and wanted a response by next Monday. Powell said he would look into this.

Sen. Kennedy (R-LA) thought it was fair to say that Powell will continue to be one of the most powerful people in the world, if confirmed. He asked that above all else, that Powell uphold the independence of the Fed and said that the politicization of the Fed is the last thing the world needs right now. Kennedy hoped that Powell would remain blissfully ignorant of the current polarization in Congress and stated that while political fads come and go, the dollar does not. He warned the Fed to politicize the dollar at its own risk. Kennedy referred to a chart he made looking at public debt from 1990-2021 and asked how much is too much and at what point are we going to hit the point that we cannot do anymore because it is hurting the country. Powell replied that we do not know when that is and that demand for the dollar as the world's reserve currency is very high. He added that the US is not having trouble borrowing either and acknowledged that the current path is unsustainable and needs to be focused on again.

Sen. Van Hollen (D-MD) talked about stabilizing the economy through the American Rescue Plan (ARP) and the improved employment numbers. He turned to inflation and asked why Powell is confident the country can hit the 2.6% target inflation rate while pushing for full employment. Powell replied that is the median of individual expectations and it is conditioned on a number of assumptions including relief on the supply side, such as more semiconductors to manufacture cars again, and said this is a big part to getting inflation back down. He added that part of it is also moving away from accommodative policy. Van Hollen asked about the supply-chain issue and recent reports of improvements. Powell replied that inventory has moved up and delivery time has shortened, but Omicron can disturb the supply-chain again, especially if China sticks to a no COVID policy, but hopefully more briefly this time. Van Hollen was pleased that when Biden renominated Powell, he said that he saw the economic risks of climate change as a top priority and asked how Powell planned to address the financial risks of climate change during his next term. Powell replied that the Fed has a narrow role to play within the mandate of supervising financial institutions and they are focusing on the largest institutions. He added that they are also looking at financial stability in relation to climate.

Sen. Hagerty (R-TN) asked if Powell has ever embellished his resume. Powell said no. Hagerty turned to QE and asked if it should be temporary and rare. Powell stated that it should not be used unless it needs to be and went on to say that we have been in a low-interest environment even in good times, so we do not have a lot of ammunition to support the economy. Hagerty remained concerned with the Fed's balance sheet and its continuing growth and asked about the process of normalizing the balance sheet and the possibility of selling securities. Powell replied that this was a topic at the December FOMC meeting and will continue to be and stated that more clarity is coming soon. He added that a decision is yet to be made with selling assets, but they will be looking at that. Hagerty referred to the five-member board at the FDIC and how it overturned decades of tradition with Biden appointees forcing out the chairman due to partisan reasons and he worried about this happening with new leadership at the Fed. He asked if the Fed is vulnerable to similar political hijackings and what could Congress do to prevent this. Powell had no comments on the recent events of the FDIC. Regarding the Fed, Powell replied that monetary policy is conducted by the FOMC, and regulatory policy is the business of the Board of Governors and that there is a history of working collaboratively at the Fed and he intended for this to continue.

Sen. Cortez Masto (D-NV) referred to a question by Tester about the economy before the pandemic, during the pandemic, and after the pandemic, and she thought it was important that Powell said that we are still in the pandemic. She asked if reducing COVID-19 infections will still have the best impact on inflation, supply chains, and the economy. Powell answered yes, but it is proving more difficult than originally thought to end the pandemic. Cortez Masto turned to the housing shortage, especially of affordable housing, and asked if increasing the supply of housing would also influence current inflationary prices. Powell replied yes and stated that the housing market was tight before the pandemic and remains tight. Cortez Masto turned to the Fed ethics scandal and asked what Powell had done to improve ethics and training on this. Powell replied that the Fed has improved guidance on this, including giving 45-days' notice before selling a trade, and that there previously was no supervision of this, but there will be now. He took the need to protect the Fed's integrity very seriously.

Sen. Lummis (R-WY) read off the Fed's website which said that the Fed will ensure the provision of payment services to all depository institutions on an equitable basis, but she disagreed stating that the Fed uses substantial discretion in providing master accounts to depository institutions or denies them by delay. Lummis said that this is true, despite every federal court that has looked at this issue disagreeing with the Fed's assertion of substantial discretion. She pointed to the Federal Reserve Act of depository institutions and was concerned by the manner in which Wyoming's Special Purpose Depository Institutions (SPDIs) are being treated by the Fed. Lummis said that they have discussed this and asked for Powell's reaction to this. Powell replied that there are novel charters, including SDPIs, and that the Fed has been looking at this carefully. He thought progress will be made on this and they could talk about this more offline. Powell pointed to how it is hugely precedential and has implications for safety and soundness. Lummis stated that Wyoming has been stone-walled for over a year on this. She asked the Fed for an update on this last week and has not received a response yet. Lummis was profoundly disappointed and frustrated with this and asked Powell to throw her a lifeline so she could support his nomination.

Sen. Smith (D-MN) thought that Powell and Brainard would make a great team at the Fed. She wanted to ask about where we are with employment and how this impacts Fed decision making. Smith asked how the Fed should consider certain factors, such as unbundling aggregate numbers, to view employment rates. Powell replied that the Fed looks at multiple indicators to see if labor market conditions are consistent with maximum employment and this includes looking at employment rates of minority populations. He added that labor participation is another key aspect of maximum employment and they saw participation hold up against demographic decline. Smith thought it was important to look beneath the aggregate numbers and turned to community banks. She shared her own family's history with community banking and its eventual acquisition by a larger bank. Smith talked about the harm these acquisitions and mergers can have and asked Powell what he thought about mergers and the impact of consolidation. Powell pointed to the various factors that go into a merger and said that more broadly there has been a steady decline in banks over the past 30 years, especially in rural areas. He attributed this to demographic changes, fixed costs, and regulatory costs going up. Powell stated that community banks are part of the fabric of America, so the Fed does not want to do anything to harm community banks.

Sen. Cramer (R-ND) asked if Powell's job is to lead the economy. Powell replied that he is in charge of an agency with narrow mandates. Cramer associated himself with Kennedy's statement for the Fed and Powell to remain independent. He asked if price stability naturally leads to a strong economy which naturally leads to maximum employment. Powell replied that most of the time monetary policy works for price stability and full employment, but on rare occasions, the two goals are not complementary, which happened at points during the pandemic. Cramer worried most about mission creep impacting the Fed and stated that climate risk is really regulatory risk. He thought that climate risk was more a global risk over a domestic one. Cramer talked about transferring the country's climate guilt and worried about the mission creep should we keep adding things for the Fed to deal with. Powell emphasized independence and stated that climate will be addressed as it fits into the Fed's existing mandate. He stated that the broader answer to climate change must come from legislators and the private sector. Cramer stated that he would support Powell's nomination.

Sen. Ossoff (D-GA) asked if Powell was ready to act with agility if inflation risk to the upside manifests in the coming months and quarters. Powell said yes. Ossoff asked what Powell assessed to be the level of risk inflation surprises to the upside this year. Powell believed that the relief of supply chain issues will subside as the year goes on, but if this does not happen, the risk of inflation becoming entrenched increases to which the Fed would respond. Ossoff pointed to the difficulty in anticipating labor shortages and supply chain bottlenecks and asked how the Fed can improve it's modeling for future crises. Powell responded that this is a unique situation because we do not have other pandemics to look back on and he did not place blame on the models. He stated that material relief on the supply side and a greater return to the workforce was expected, but this did not align with reality. Powell said that the supply chain issues have been more persistent than assumed. Ossoff stated that he is in favor of banning stock trading for Members of Congress and their spouses and announced his plan to introduce legislation on this and referred to the resignation of another Fed official due to this. He asked how widespread the practice of managing one's own portfolio at senior levels in the Fed was and if he agreed that this undermines public trust in the institution and asked if Powell would work with the Committee and comply with any lawful requests for information on these trades. Powell replied that the Fed would follow any lawful request and discussed the new system of governing to address these ethics scandals and trading. He repeated the 45-day nondiscretionary notice which eliminates the ability to time the market. Powell thought this new system rises to the current situation and emphasized the importance of the public's faith in the Fed. Ossoff wanted to see further details on this new system.

Sen. Daines (R-MT) echoed the continued concerns on inflation and was not surprised by the persistent inflation due to the continual warnings from Republicans when Democrats passed the ARP. He moved on to address the Fed's dual mandate and said that the Fed has its hands full already with its current mandate. Daines emphasized the Fed's independence and worried about this being undermined. He asked for Powell's commitment to uphold the dual mandate and not expand it beyond the law. Powell replied yes. Daines moved to the CBDC and the Fed's report on this and asked about the FSOC deeming climate change as a threat to financial stability. Daines asked what series of climate events would cause a financial crisis. Powell replied that a financial stability disruption does not happen from physical climate risk and that it is more of a transition risk that would disrupt the financial system. He said this could happen through government policy or a public event related to climate. Powell clarified that this event is not so immediate as it is over time. Daines talked about a potential attempt to breach hydropower dams and asked if the rolling blackout due to a lack of power poses a more tangible threat to the financial system. Powell had to think about this and to transition away from carbon, we will need to rely on more traditional forms of power. Daines stated that we have sources of energy that do not emit carbon like nuclear energy or hydropower, but there is a movement to bar these types of energy and he thought this posed a risk to the grid and the financial system.

Ranking Member Toomey underscored that workers are falling behind due to inflation growing faster than wage gains even though we all want to see wage gains. He said that it is necessary for the well-being of working families to have price stability. Toomey turned to the CBDC and said that there is nothing to show that the Fed can be a retail bank. He asked if that was a fair observation. Powell said yes. Toomey continued that he is looking forward to the Fed report on this and asked if a Fed digital dollar should preclude well-regulated, privately issued stablecoins from coexisting with a Fed digital dollar. Powell said no.

Chair Brown referred to the Fed ethics scandals and the announcement of stricter trading rules by the Fed. He said that he has not seen them and asked when the rules will be put in place. Powell replied that the Fed has been hard at work on this since October and the rules will be enforced imminently. Brown referred to Powell's comment about banks having a profitable last year and stated that banks should scale back their stock buybacks. He thought that this capital should be used to enhance communities and believed that the Fed should strengthen, not weaken capital requirements. Brown planned to support Powell's confirmation.