

Statement of Randall S. Kroszner
Nominee to the Board of Governors of the Federal Reserve System
before the
Committee on Banking, Housing, and Urban Affairs
United States Senate
February 14, 2006

Chairman Shelby, Senator Sarbanes, and Members of the Committee, I am pleased to have the opportunity to appear before you today as one of President Bush's nominees to serve on the Board of the Governors of the Federal Reserve System. I am honored that President Bush has nominated me to serve on the Board. If I am confirmed by the Senate, I will work to the best of my abilities to fulfill the significant responsibilities of this office.

After studying economics as an undergraduate at Brown University, I earned M.A. and Ph.D. degrees in economics from Harvard University. I then joined the faculty of the Graduate School of Business of the University of Chicago, where I am professor of economics and have been teaching Money & Banking since 1990. I have researched and published on topics including domestic and international banking and financial regulation, corporate governance at both financial and non-financial firms, international banking and financial crises, debt defaults, and monetary economics. I am Editor of the Journal of Law and Economics and have been Associate Editor of a number of scholarly journals, including the Journal of Financial Services Research.

I have had extensive and regular contact with the Federal Reserve System as a visiting scholar and consultant to regional Federal Reserve Banks including Chicago, New York, Kansas City, Minneapolis, and St. Louis, as well as to the Federal Board in Washington. I also

serve on the Academic Advisory Committee of the Federal Reserve Bank of Chicago. I have visited and consulted for many central banks and finance ministries around the world, including Central Bank of Argentina, Bank of Sweden, Swedish Finance Ministry, Bundesbank (Germany), and the European Central Bank. I have also visited and consulted for international financial institutions, including the Bank for International Settlements, the International Monetary Fund, World Bank, Inter-American Development Bank, and Asian Development Bank.

As a Member of the President's Council of Economic Advisers (2001-2003), I have had policy experience in a variety of areas including banking and financial regulation, international financial crises, and macroeconomic forecasting. In this capacity, I witnessed first-hand the importance of having accurate and timely economic statistics in order to make sensible policy judgments and decisions. I spearheaded an initiative to improve the quality of government statistics and enhance the protection of confidential data reported to the government, resulting in the Confidential Information Protection and Statistical Efficiency Act of 2002. After returning to the University, I was delighted to be appointed by the Secretary of Labor to the Federal Economic Statistics Advisory Committee (FESAC) which meets regularly with the major official statistical agencies to discuss how to improve measurement of economic activity. If confirmed, I would be devoted to further enhancement of the quality of economic statistics.

Monetary policy is a fundamental responsibility of the Federal Reserve. Long-run price stability is crucial to achieving maximum employment and overall economic stability. Under Chairman Greenspan and Chairman Volcker before him, the Federal Reserve has achieved much success in reducing and stabilizing inflation and inflation expectations. This success has helped to contribute to a tendency for the fluctuations in employment and output to be lower than in the

past and a reduction in the frequency and severity of recessions. If confirmed, I would look forward to working with Chairman Bernanke and the other members of the Federal Open Market Committee (FOMC) to continue to underscore the role of long-term price stability in achieving prosperity and maximum employment. I also applaud the increase under Chairman Greenspan in monetary policy transparency, which helps to reduce uncertainty for households, entrepreneurs, and investors, and thereby contributes to economic stability and growth.

The Federal Reserve also has a fundamental responsibility for protecting the stability of the country's banking and financial system. Much of my research and work with central banks has been devoted to analyzing banking and financial regulation as well as banking and financial crises. The safety and soundness of the U.S. banking and payments systems is critical to achieving economic growth, maximum employment, and general economic stability, and the Federal Reserve works closely with other regulators to achieve this goal. The Federal Reserve also has an important role to play in responding to and mitigating the impact of financial crises and shocks. If confirmed, I would work vigorously to protect and promote the safety and soundness of the system.

The Federal Reserve has an additional important responsibility to consumers and users of the banking and financial system. Discriminatory or abusive lending practices should not be tolerated, and the privacy of individuals and their financial data must be protected. The Federal Reserve is active in promoting financial literacy and, as an educator, I believe that financial literacy is fundamental to the proper functioning of the financial system. If I am confirmed, I will place a high priority on these responsibilities and look forward to being actively involved in promoting financial literacy.

Thank you once again for holding this hearing, and I look forward to your questions.