Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
March 3, 2022

Thank you, Mr. Chairman.

Chairman Powell, welcome. I hope we process your nomination soon. In the meantime, I'm confident that you and your fellow FOMC members are fully able to do your job to fight inflation.

Obviously, there's much work to be done. January's inflation reached a forty-year high of 7.5 percent. Inflation like that harms average Americans.

Even though wages are growing, inflation is growing faster and causing workers to fall further and further behind. Savers are earning virtually zero on their savings while inflation erodes their value. Our current, zero interest rate monetary policy would be appropriate for a period of economic crisis – not a period of multi-decade high inflation.

Of course, the profligate fiscal policy of the last year has also contributed to inflation. Democrat supporters of blowout, deficit spending bills like the American Rescue Plan and Build Back Better have looked to blame others for the consequences of their misguided policies.

First, they blamed global supply chains. Now they have shifted their blame to "greedy corporations."

Actually, inflation is pretty easy to understand. It results from more money chasing fewer goods.

The Administration's policies, such as over-regulation and a war on American energy, have limited the production of goods. And reckless spending has resulted in more money chasing those goods.

Meanwhile, the Fed's accommodative monetary policy has further stimulated demand. For many years now, I've warned that it could be extremely difficult to put the inflation genie back in the bottle. Well, the genie is out, and the Fed is behind the curve. We must act with urgency to get inflation under control.

I’m also deeply troubled by what appears to be a growing urge to use financial regulators, including the Fed, to tackle complex political questions outside the financial system.

Questions like: how (and how quickly) to transition to a lower carbon economy? How to address racially charged social issues? Or even how can we improve primary and secondary education?

No doubt, these are important issues. But, they’re wholly unrelated to the Fed’s limited statutory mandates and expertise. And yet the Fed has been weighing in on every one of these issues.

Some intend to use the Fed’s recently developed climate scenario analysis to steer capital away from carbon intensive industries. All 12 Reserve Banks have hosted a “Racism in the Economy” series where invited speakers advocated for racial reparations and defunding the police, among other far-left proposals. And the Minneapolis Fed is actively lobbying to change Minnesota’s constitution—on the issue of K-12 education policy.

Does anyone truly think these activities are within the Fed’s statutory mandates? Of course not.

They are challenging and complex issues that require difficult tradeoffs. And in a democratic society, those tradeoffs must be made by elected representatives who are directly accountable to the American people.

Consider some tradeoffs associated with addressing global warming. If we limit domestic oil and gas production, Americans will pay more at the pump. How much more is appropriate?

If we suddenly limit domestic production without feasible energy alternatives, our nation and the world will become more reliant on fossil fuels coming from autocratic nations. When does that reliance present an unacceptable national and global security threat?

There are an unlimited number of equally challenging tradeoffs for each of these politically charged topics – none of which should be decided by unelected and unaccountable central bankers. And yet, some of the Reserve Banks are diving right in.

When I’ve requested additional information about their activities, the Reserve Banks stonewall me. When I ask the Board to address the issue, everyone passes the buck. The Fed Board says it's up to the Reserve Banks, even though the Board oversees the Reserve Banks. And except through the Fed Board, the Reserve Banks are unaccountable to Congress.

From this state of affairs, I can only conclude that the Fed requires reform. Any Fed reform should preserve and strengthen monetary policy independence; develop mechanisms to enforce the existing statutory limits on the Federal Reserve's actions; and strengthen Congressional oversight by increasing transparency.

Here are three reform ideas. First, unlike the Fed Board, the Reserve Banks are not subject to FOIA. That should change.

Second, we should consider subjecting the Reserve Bank heads to presidential appointment and Senate confirmation.

Third, we should examine the historical 12 Reserve Bank structure. For example, it may make sense to consolidate them into 5 banks, making each a permanent voter on the FOMC. Or perhaps we should eliminate the Reserve Banks entirely by having the Board assume their responsibilities.

To be clear, I do not present these ideas lightly. The Fed was given independence to insulate monetary policy from politics. Congress has a responsibility to ensure that the Fed does not become a political actor.