Statement of Jerome H. Powell
Nominee to be a Member of the Board of Governors of the Federal Reserve System
Before the Committee on Banking, Housing and Urban Affairs
United States Senate
March 20, 2012

Chairman Johnson, Senator Shelby and members of the Committee, I am honored and grateful to President Obama for the privilege of appearing before this Committee today as a nominee to the Federal Reserve Board. If I am confirmed, I will work to the best of my abilities to carry out the responsibilities of this office.

Most of my career has been in the private sector, including close to 30 years working in the financial markets as an attorney, an investment banker and finally as an investor. I believe that my practical experience of the private sector and the financial markets would provide a valuable perspective in the Federal Reserve Board's deliberations.

I also served as Assistant Secretary and then Under Secretary of the Treasury for Finance from 1990 through 1993. Throughout that period, I worked closely with this Committee, and appeared in this room a number of times as a witness in hearings and markups. Since I left public service in 1993, it has been my highest aspiration to serve again. It means a great deal to me to have the possibility to do so.

My earlier service also occurred during a period of great economic turmoil. I arrived at Treasury in June 1990 at the beginning of the saving & loan cleanup. A year later we faced the insolvency of the Bank Insurance Fund. We also faced multiple failures of large financial institutions as well as a severe "credit crunch", with businesses and consumers unable to get credit on affordable terms.

I was deeply involved in addressing these serial crises and in the major legislation that followed, including the FDIC Improvements Act of 1992, or "FDICIA". I also led the Administration's response to a major bidding scandal in the Treasury markets in 1991 – 92, which eventually resulted in the Government Securities Act of 1992, as well as revisions to the Treasury's auction rules.

Since leaving Treasury in 1993, I have remained a careful student of economic policy and events, always with the thought that I might have the opportunity to return to public service. Like many others, over the years I have grown increasingly concerned about our ever more unsustainable fiscal position, the performance of our economy, and most of all our collective failure to come together around a plan of action.

In 2010, I left the private sector with the intention of spending the rest of my career working on those issues. Since then, I have worked full time as a Visiting Scholar at the Bipartisan Policy Center, focusing on federal and state fiscal issues. Last summer I authored a widely distributed study of operation of the federal debt ceiling. After that, I put together a public simulation of the failure of a large, global financial institution under the new rules of Dodd-Frank. In 2010, I also led another simulation of the financial collapse of a large, fictitious American state, among other projects.

Economic policy makers, including those at the Fed, will be working in the shadow of the financial crisis for some time. There are enormous challenges on every front. This is a time to apply the lessons we have learned from the crisis, and set the stage for another long period of prosperity.

In monetary policy, the task will be providing support for the still weak economy but exiting the current highly accommodative policies in time to avoid higher inflation. Along with other governments and central banks around the world, the Fed is also in the middle of a once in a generation refashioning of the global financial regulatory architecture. There is much work to be done in implementing the decisions Congress has made, and in finalizing and implementing international accords such as Basel III.

At the heart of these broad reforms is the project of ending our practice of protecting creditors and sometimes equity holders of large global financial institutions in extremis – too big to fail. What we have long needed is a mechanism to handle an orderly resolution of a large, failing institution. Realizing this objective will be the work of many years. And I would like to play a part in that.

Thank you again for the honor of this hearing. I will be happy to respond to your questions.