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Statement by
Jerome Powell
Member
Board of Governors of the Federal Reserve System
before the
Committee on Banking, Housing, and Urban Affairs
United States Senate
March 13, 2014

Chairman Johnson, Senator Crapo 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. I have served as a member of the Board since May 2012. If I am confirmed to the new term for which I am nominated, I will continue to work to the best of my abilities to carry out the responsibilities of this office.

Over the past two years, I have been deeply involved in the work of the Board and of the Federal Open Market Committee. Important challenges lie ahead, and I am eager to play my part in meeting them.

Before joining the Board, I spent close to 30 years working in the financial markets as an attorney, as an investment banker, and as an investor. I believe that my practical experience of the private sector and the financial markets provides a valuable perspective in the work of the Board and the FOMC.

I also served as Assistant Secretary and then Under Secretary of the Treasury for Finance from 1990 to 1993. Throughout that period, I worked closely with this Committee, and appeared in this room many times as a witness in hearings and markups. More recently, I testified before this Committee on anti-money laundering and the Bank Secrecy Act on March 7, 2013.

The early 1990s were turbulent years for our economy and the markets. We faced the savings and loan crisis and the resulting bailout; a severe credit crunch, with some businesses and households unable to get credit on reasonable terms; the insolvency of the FDIC's Bank Insurance Fund; and the failure and near failure of several large financial institutions, which presented squarely the problem of too big to fail.

I was deeply involved in addressing these crises and in the major legislation that followed, including the Federal Deposit Insurance Improvement Act of 1991 (FDICIA). I also

led the Administration's efforts to address a very troubling episode involving market manipulation and the submission of false bids in Treasury auctions by employees of the investment firm Salomon Brothers. This scandal resulted in the Government Securities Reform Act of 1992, as well as revisions to Treasury's auction rules.

Today, our economy continues to recover from the effects of the global financial crisis, unevenly and at a frustratingly slow pace. The task for monetary policy will be to provide continued support as long as necessary, and to return policy to a normal stance over time without sparking inflation or financial instability. This will require a careful balancing, as there are risks from removing monetary accommodation too soon as well as too late.

The regulation and supervision of financial institutions and markets are as important as anything the Federal Reserve does. This is a time to continue to address the weaknesses that were exposed during the crisis and set the stage for another long period of prosperity. Working with fellow regulators in the United States and around the world, the Federal Reserve is engaged in a once-in-a-generation renovation of the financial regulatory architecture. There is much work to be done, both in the implementation of 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 the practice of protecting creditors and sometimes equity holders of large global financial institutions in extremis – too big to fail. There has been significant progress, but more work is left to do. Realizing this objective will take time and persistence. I am eager to play a part in that.

Thank you again for holding this hearing today. I would be pleased to answer your questions.