Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
May 19, 2022 at 10:00 AM

Thank you, Mr. Chairman.

We're here today to consider three nominations: Michael Barr to be Fed Vice Chair for Supervision, and Mark Uyeda and Jaime Lizárraga to be SEC Commissioners.

These nominations remind us of the importance of financial regulators abiding by their respective statutory mandates. This principle should be nonpartisan.

A fundamental aspect of a properly functioning democratic society is that important public policy decisions should be made by elected, accountable representatives. Otherwise, what's the point of the elections?

Unfortunately, I'm deeply concerned that financial regulators, including the Fed and SEC, are increasingly straying into contentious political issues wholly unrelated to their mandates and expertise. These include issues like what to do about global warming, social justice, and even education policy.

No doubt, these are important issues. But, they're wholly unrelated to the limited statutory mandates and expertise of financial regulators.

The Fed, for instance, has been weighing in on every one of these contentious issues. Some intend to use the Fed's expected climate scenario analysis to steer capital away from carbon intensive industries.

All 12 Reserve Banks have sponsored a "Racism in the Economy" series where invited speakers advocated for race-based reparations and defunding the police. And the Minneapolis Fed has been 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.

In February, we held a hearing to consider Sarah Raskin's nomination to be Fed Vice Chair for Supervision. At that hearing, I cautioned that the hearing was not just about vetting Ms. Raskin. I noted that it was a referendum on the independence of the Fed in the face of pressure from the left to use the central bank to allocate capital to address global warming.

Addressing contentious issues like global warming requires political decisions involving tradeoffs, like how expensive should credit be for drillers in order to make gas scarcer and costlier for motorists? And if we limit domestic oil and gas production, causing energy prices to rise and consumers to pay more, how much more is appropriate? And if we limit production but other countries do not, warming won't slow—but should we do it anyway?

In a democratic society, those tradeoffs must be made by elected representatives, who are accountable to the American people—not unelected central bankers.

Ms. Raskin's prior advocacy that unelected financial regulators should misuse their powers to address global warming led to the Senate's bipartisan rejection of her nomination. That rejection sends a powerful message to Fed nominees like Professor Barr: all Fed Governors must commit to not exceed the Fed's limited statutory mandates and by doing so help to ensure the continuing independence of the Fed.

The need for a Fed that's focused on its mandates is especially critical with inflation at a 40-year high. Even though wages are rising, prices are rising faster, which is causing workers—especially lower-income workers—to fall further and further behind.

I hope Professor Barr will acknowledge that inflation is severe and commit to doing "whatever it takes" to bring inflation back down.

Professor Barr certainly has an impressive background and relevant experience to serve as the Fed Vice Chair for Supervision. However, some of his previous work raises some concerns about his views on financial regulation.

He strongly opposed the bipartisan S. 2155 bill that Senators Tester and Warner helped craft, which merely enacted modest and sensible reforms to Dodd-Frank. For example, Professor Barr was critical of a provision meant to relieve financial institutions from having to retain capital on deposits at central banks. But, after all, central bank deposits are risk free.

He has also argued that "climate change presents severe long-term risks to the economy and financial stability that must be urgently addressed today." As I've discussed, there is no systemic risk to the banking system posed by gradual changes in the earth's average temperature.

I'll be interested in hearing Professor Barr describe the actions he believes the Fed should take to address these supposed risks.

Keeping financial regulators apolitical and independent is as important now as it has ever been. To my Democratic colleagues who favor using financial regulators to address contentious political issues, I ask: how would you feel about a future Republican administration, under the pretense of "financial stability" risk, using the Fed to allocate capital toward defense spending, financing a border wall, or offshore oil development?

But once the precedent is set, the potential for further abuse—by both political parties—is limitless.

In addition to Professor Barr, today, we'll also hear from two nominees for the SEC. Mr. Lizárraga has worked on financial services issues on Capitol Hill for many years. I commend him for his longstanding commitment to public service.

And, in a few moments, I will introduce Mr. Uyeda, who is exceptionally well qualified to serve as an SEC Commissioner. I look forward to hearing from both of them.