Senator Sherrod Brown
Opening Statement
"The Semiannual Monetary Report to Congress"
Federal Reserve Board Chair Jerome Powell
March 1, 2018

Chairman Crapo, thank you for holding this hearing.

Chair Powell, welcome back to the Committee, and for the first time in your new role. You are leading the Federal Reserve at a crucial time, as the Fed normalizes interest rates and shrinks its balance sheet.

The country is in its ninth year of economic recovery, though 2017 marked the worst year for job creation since 2010. And the recovery has not reached everyone. Wage growth has been slow and labor force participation has barely improved since 2014. Nine years of job growth have still not done much to narrow income inequality or address employment disparities.

Nationwide, the unemployment rate for black workers is double that for whites—equal to the gap at the start of the civil rights movement. Looking more broadly, labor force participation is down for all minorities.

Statistics show that large pockets of people are waiting to share in the benefits from the recovery. Instead of addressing their problems, Republicans are working hard to help Wall Street banks that are raking in profits.

Despite the fact that we are nine years removed from the recession, this Administration has embarked on a substantial fiscal stimulus, permanently slashing the corporate tax rate and providing the largest benefits to the wealthiest Americans.

Of course, Wall Street, which is making record profits, will do well.

Instead of fighting for workers and making sure labor market opportunities are shared among those who have been struggling, Republicans would rather push for tax cuts for corporations and the wealthy.

Those tax cuts are not free—they will add over a trillion dollars to the deficit. The once and future deficit hawks on the other side of the aisle were more like marshmallow Peeps when confronted with tax cuts for the wealthy.

The ink was barely dry when we began to hear calls for spending cuts that will hurt families across the country—the so-called "entitlement reform" that everyone should understand means cuts to Medicare, Medicaid, and Social Security.

The claim was that it would all be worth it, because workers would benefit.

I'm happy for any Ohioan who gets a raise, but we have seen how banks and corporations have responded to the tax cuts, and the numbers are staggering. In January, Wells Fargo announced a $22.5 billion stock buyback—288 times what it will spend on pay raises for its workers.

This year, companies will start disclosing CEO-to-worker pay ratios, as required under the Wall Street Reform Act. Honeywell, which announced an $8 billion stock buyback in December, just disclosed that its CEO is getting a 61 percent pay raise and makes 333 times the average worker's pay.

It's pretty simple – for each pay raise or bonus for workers, companies are often spending a hundred or two hundred times as much on stock buybacks and executive compensation.

It gets worse.

While the biggest banks lavish pay raises and stock giveaways on their executives, they continue to violate the law and abuse their customers. The Fed recently imposed an unprecedented–if belated–penalty on Wells Fargo following several scandals, including the opening of millions of fake accounts and improperly charging borrowers for auto insurance they didn't need.

The Fed told Wells Fargo it can't grow until it demonstrates that it has improved board oversight and risk management. It sounds like the Fed has come to the conclusion many of us on this Committee reached a year and half ago—Wells Fargo is "too big to manage". I'll be closely watching to make sure the new team at the Fed doesn't lift these penalties, without the bank making real changes.

And, it's not just Wells Fargo. Last week, Citigroup announced it illegally overcharged nearly two million credit card accounts for over five years, and that it will refund $335 million to customers.

Though Wall Street can't seem to go a month without a new scandal, the Senate is set to take up a bill that would roll back critical financial stability protections and limit watchdogs' ability to police the largest banks.

We can expect the banks to spend any savings from less oversight the same way they spent their tax cuts—more dividends, share buybacks, and mergers.

Chair Powell, Wall Street may be focused on whether there are three or four rate hikes this year, but I think your focus needs to be on ensuring the Fed doesn't once again permit the buildup of risk in the market and hubris at the Fed. The Great Moderation turned out to be not so great, and we forget that lesson at our peril.

The Fed needs to take the side of consumers—making sure the financial system stays strong and regulations are enforced.

Chair Powell, I look forward to your testimony.

Thank you, Mr. Chairman.