Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
June 22, 2023 at 10:00 AM

Chair Powell, thanks for joining us today, such an important time. Your last appearance before this Committee was about four months ago, just days before the collapse of two banks. And while we continue to investigate those bank failures, it's important to examine the macro factors, such as rising interest rates, that contributed to the bank failures and the current economic stresses American families face every single day.

Looking through those [lenses], I want to turn to you in your role as Chairman of the Federal Reserve, a role that requires constant scrutiny because the American people deserve nothing less than the best we can offer them: the greatest opportunity to succeed, and the strongest tools to pave their path.

Unfortunately, the bank failures earlier this year shook confidence in our financial system, but thankfully, our healthy and well-managed institutions stepped up and we have been able to weather the storm. However, I have been consistently disappointed in your deputy, Vice Chair of Supervision, Michael Barr. Just yesterday, this Committee passed, as Chairman Brown just said, near-unanimous legislation to encourage good corporate governance. But not just that. We also wanted to focus on the supervisory failure that was a part of the legislation.

Those are not the same actions taken by Michael Barr. I asked him twice when he was here before the Committee if he would fire bad bank supervisors for the supervisory neglect that contributed to the epic failures of SVB and Signature. He would not commit to doing anything. And I would ask you, in your role as the "active executive officer," if you would take some action, firing those responsible for missing what was glaringly obvious, known to all of America, certainly should have been obvious to the supervisors.

I've said from the beginning that this has been a failure in three parts—SVB and Signature. It was a failure of the bank execs. The actions that we took 21 to 2 yesterday [reinforce] Congress is willing to take the lead and hold bank executives accountable.

Second failure was a supervisory failure, and that requires the Fed to hold folks accountable, just like Congress did. And third, the Biden inflationary economy that has [driven] prices really high and resulted in ten rate increases from you all. In the wake of Silicon Valley Bank's downfall, as the Vice Chair released his report on the failures, we heard directly from you that your role was to "announce it," to "get briefed on it," but not necessarily to be "involved in the work of it."

So my question is, as you watch Vice Chair Barr roll out higher capital standards, it seems like your very clear statements [are] that you will be supporting as well as working to implement Vice Chair Barr's recommendations. But as you know, that the other members of the Board and Governor Bowman has recently said that Mr. Barr wrote a report on Silicon Valley Bank's failure that provided "his conclusions" and went on to state that the report should be used "to help guide discussions among policymakers," not necessarily just the rush towards implementation of Vice Chair Barr's recommendations.

I'd love to hear your thoughts on that path forward if, in fact, your job is to rubber-stamp the decisions of Vice Chair Barr, or is your responsibility to take into consideration the Vice Chair's recommendations and then chart a path that seems to be consistent with what is in the best interest of our nation and frankly, of our financial institutions.

I do not believe that increasing significantly the capital standards is in the best interest of small businesses or people looking for loans. The more capital we put on the sidelines, the less capital there is for us to see our financial institutions loaning the money out. I look forward to continuing our discussion during the question and answer time.

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