Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Nomination Hearing
February 3, 2022

Thank you, Mr. Chairman.

Ms. Raskin, Professor Cook, and Professor Jefferson, welcome.

We're here today to consider three Fed nominees. But today's hearing is not just about vetting them. It's a referendum on the Fed's independence.

There are people on the left, including in the Biden administration, advocating that the Fed use its supervisory powers to resolve complex political issues, like what to do about global warming, social justice, and even education policy. These are important issues, but they're wholly unrelated to the Fed's limited statutory mandates and expertise.

Addressing those kind of issues requires political decisions involving tradeoffs. In a democratic society, those tradeoffs must be made by elected representatives, who are accountable to the American people, not unelected central bankers. The question is not about the merits of specific policies, but rather who should decide if they should be put into place.

Let's take global warming. If we limit domestic oil and gas production, energy prices will rise. Americans will pay more at the pump to accomplish the stated goal of decreasing emissions. How much more is appropriate?

If we move aggressively to limit energy production but other countries don't, global warming won't significantly slow. Should we do it anyway? How much reduction in global warming should we seek?

Let me be clear: this isn't about whether one believes addressing global warming is important, or any one person's answer to these questions. The point is these are difficult choices, which must be made by accountable representatives through a transparent and deliberative legislative process.

My concern about Fed overreach is not hypothetical. The Fed is already exceeding its mandates and engaging in political advocacy. For example, the Minneapolis Fed is actively lobbying to change Minnesota's constitution—on the issue of K-12 education policy.

Does anyone truly think such activity is within the Fed’s mandate? If activism by a supposedly independent central bank is accepted, the potential for abuse—by both parties—is limitless.

Don’t accept my word about the politicization of the Fed. Ms. Raskin and Prof. Cook’s many past statements tell us exactly what they think the Fed should do.

Let’s start with Ms. Raskin. She’s repeatedly, publicly, and forcefully advocated for using financial regulation—including the Fed—to allocate capital and de-bank energy companies. While other like-minded regulators have been careful to say their goal is simply to assess risk, Ms. Raskin has said the quiet part out loud.

In a 2020 report from a progressive organization, Ms. Raskin urged financial regulators to adopt policies that will “allocate capital” away from energy companies. In a 2021 speech at the “Green Swan” conference, she proposed “portfolio limits or concentration limits” on banks’ lending to energy companies. And, in May 2020, at the height of the pandemic, she specifically called in a New York Times op-ed for excluding a single industry—the fossil energy sector, which she called a “dying industry”—from the Fed’s emergency lending facilities.

Ms. Raskin’s proposals would have devastating consequences not just for energy workers, but also consumers, who’d pay much more for energy. On what basis could she justify this idea that the Fed exercise these extraordinary powers? Ms. Raskin sees two categories of climate-related financial risks: physical and transition.

Now the actual data shows that “physical risks”—that is, severe weather events—don’t threaten financial stability. Economic damage from weather-related events as a percentage of GDP has actually trended down over the past 30 years, and we still haven’t found a single bank failure caused by any weather event, thus proving banks are perfectly capable of managing physical risk.

We’re also told that banks need regulation that quantifies “transition risk” from changing consumer preferences. Bankers know how to manage changing consumer preferences better than regulators do. The real risk here is political, as Fed Chair Powell acknowledged last month.

Unelected officials like Ms. Raskin want to misuse bank regulation to impose environmental policies that Congress has refused to enact. Ms. Raskin has repeatedly and specifically advocated that the Fed allocate capital away from the fossil fuel industry as a way to combat climate change. She says the quiet part out loud.

Now turning to Prof. Cook. The administration cites her role as a director of the Chicago Fed as a main qualification—a position she held for only two weeks before being nominated.

She has a PhD, but no academic work in monetary economics. And the few times she's said anything about monetary policy, its cause for major concern.

Despite unemployment below 4% and inflation above 7%, in our conversation on Tuesday Prof. Cook refused to endorse the Fed's pulling back its easy money policy. But, keeping monetary policy loose is accelerating inflation that is rising faster than wage growth. High inflation is a tax that makes everyone poorer—but especially low-income workers.

Also important is Prof. Cook's extreme left-wing political advocacy. She has supported race-based reparations, promoted conspiracies about Georgia voter laws, and sought to cancel those who disagree with her views, such as publicly calling for the firing of an economist who dared to tweet that he opposed defunding the Chicago police.

And after we highlighted these tweets for the public's attention, yesterday, Prof. Cook blocked the Banking Committee Republican Twitter account. Apparently Prof. Cook realizes how inflammatory her partisan tweets are.

The Fed is already suffering from a credibility problem because of its involvement in politics and departure from its statutorily proscribed role. I'm concerned that Prof. Cook will further politicize an institution that must remain apolitical.

Prof. Jefferson, thank you for coming to my office on Tuesday. I appreciated our discussion and your decades of work on macroeconomic issues central to the Fed's important work. Based on Prof. Jefferson's academic credentials, written work, and our conversation, I believe Prof. Jefferson is well-suited to the position for which he has been nominated.

My Democratic colleagues—you've spent the past several months talking about how passionately dedicated you are to democratic principles and values. Certainly one of those principles is that the unelected governors of America's central bank shouldn't be responsible for dealing with difficult issues like global warming, social justice, and education policy.

This isn't about the importance of those issues. It's about keeping the Fed apolitical and independent and ensuring that elected, accountable representatives make difficult decisions. And if that doesn't convince you, remember that one day the shoe will be on the other foot.