



MEMORANDUM

TO: Federal Financial Analytics Clients
FROM: Karen Petrou
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Although the quadrennial kerfuffle over appointment of the Federal Reserve chair gets a good deal of public attention, I cannot recall a time when anyone outside banking's inner circles cared much about who might be the next Comptroller or Vice Chair of Supervision. And, although they've garnered more attention of late in the diversity context, Federal Reserve presidencies were of even less public interest. Not only are all of these appointments now proving remarkably consequential, but they also pose a particularly thorny political equation for President Biden.

While all of these finance appointments are significant, that for Jay Powell as Fed chairman is of course the most important of them all. Although key lips are publicly zipped, Treasury Secretary Yellen would like to see Mr. Powell's reappointment as would a host of other high-impact Democratic influencers. The plethora of coverage suggesting global financial markets will collapse if Mr. Powell is deposed peddle patent nonsense, but nonetheless signify the stakes some assign to his cause.

Despite this formidable support, the Powell reappointment was still proving difficult even before the Reserve Bank stock-trading disclosures. As I noted [at the time](#), it's a lot easier to understand individual financial bets than monetary-policy complexities. It's thus unsurprising that Mr. Powell's latest concessions are proving far from satisfactory to an array of high-impact Democratic influencers very emphatically not to be found on Wall Street. One of Mr. Powell's strengths in the renomination battle has been divisions among Democratic progressives, making this resonant scandal particularly costly to his otherwise-strong position within the Biden Administration.

Mr. Powell doubtless recognizes this and thus did what he could at his most recent [press conference](#) to strengthen his hand. First, he committed to a new Fed ethics policy. And, asked about the pending vice-chair appointment, Mr. Powell went out of his way to distance himself from all things regulatory, saying to the skepticism of some listeners that he defers to whomever holds the supervisory gavel on all the rules in the Fed's remit. This comment not only implies he agreed to relax the rules about which Democrats are angriest only because Randy Quarles wanted to issue them, but also that he will allow a full-on regulatory rewrite under a Biden appointee. It's at best unclear if all this will assuage his critics even if the Biden Administration packages Mr. Powell's reappointment with that of Lael Brainer for a position many think may displease someone so recently a top candidate for either Treasury secretary or Fed chair.

And then there's the Omarova appointment [last Thursday](#). Professor Omarova is more than progressive and lacks the agency and industry credentials that strengthen other controversial appointees such as Gary Gensler and Rohit Chopra. This résumé gap makes confirmation still more questionable, but I doubt confirmation was the point here. Rather, it was to give progressives a very, very big win in hopes that this reconciles them to Mr. Powell's confirmation.

Will this work? Each senator who might be swayed by the confluence of all these events will not only weigh this constellation of commitments and appointments, but also his or her own political agendas.

We'll get some insight into these complex calculations when Mr. Powell joins Secretary Yellen later this week before the Senate Banking Committee. There, he will surely face withering criticism from Sen. Warren on matters ranging from the Reserve-Bank trades to recent mergers to Wells Fargo to CBDC and beyond. Will she seem more satisfied with his answers now than at the [last hearing](#) when she called for a change at the top? Will Chairman Brown similarly desist in his demands for a new Fed chairman?

The most important key to this complex political conundrum lies in Sen. Brown's hands. If he opposes Mr. Powell – and he clearly has up to now – then the White House cannot appoint Jay Powell because Sen. Brown will not schedule a confirmation vote in his committee and there is zero chance of circumventing his committee. Chairman Brown is clearly exacting a high price for possible confirmation given the promises and progressive appointments to date. We shall get the first public indication on Tuesday if it's enough. If it is, Mr. Powell's in; if not, then his chances drop dramatically.