



Wednesday, December 1, 2021

HFSC Throws Partisan Brickbats without Financial-Policy Impact

Client Report: **FEDERALRESERVE65**

Executive Summary

Continuing the partisan and often-acrimonious tone of the Senate Banking hearing ([see Client Report FEDERALRESERVE64](#)), HFSC today heard from Chairman Powell and Secretary Yellen. Much of the session was preoccupied by differing views of whom or what is to blame for inflation, with Members also squaring off on the benefit of the BBB and infrastructure bills. Many financial-policy priorities were sidelined by these big-picture battles, with the session omitting discussion of topics such as digital currency, bank consolidation, and even fair lending and diversity. And, although climate risk came up, Democrats failed to press specific actions and Mr. Powell and Ms. Yellen thus were pressed to promise any.

Analysis

Opening Statements

Chairwoman Waters (D-CA) urged the Fed not to prematurely withdraw accommodative policy, arguing that people of color, renters, and women have yet to fully recover. She also pushed for greater diversity in Fed leadership. Ranking Member McHenry (R-NC) congratulated Chair Powell for his renomination, urging the Fed to begin normalizing policy. Oversight Subcommittee Chair Green (D-TX) applauded the Fed's use of its 13(3) powers at the outset of the pandemic, but urged it to consider how to make better use of its lender-of-last-resort powers to advance maximum employment and price stability across all demographics.

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Testimony

Statements from Secretary Yellen and Chair Powell were identical to those delivered before Senate Banking on Tuesday.

Q&A

- **Climate Change:** Rep. Tlaib (D-MI) asked how best to address climate-related financial risk and if Chair Powell plans to follow the examples of Acting Comptroller Hsu and the ECB; Mr. Powell pointed to supervision and additional research, but said that the Fed will not now duplicate OCC or ECB policies. Rep. Ocasio-Cortez (D-NY) said FSOC's recent report ([see Client Report GREEN11](#)) failed to note the maximum warming goal set at COP26, asking if U.S. banking regulators are falling behind; Ms. Yellen said they do not have authority to require that institutions follow the Paris Agreement.
- **SAFE Banking Act:** Rep. Perlmutter (D-CO) asked if tax collection from legal cannabis businesses would be easier if they could utilize the banking system; Secretary Yellen agreed.
- **China:** Rep. Luetkemeyer (R-MO) asked if Mr. Powell is alarmed by the U.S. investing in Chinese bonds, securities and overall economy; Mr. Powell said his concerns and jurisdiction are domestic.