

## Cabinet News and Views

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### FRB Chair Powell Speaks on Central Bank Independence



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Federal Reserve Board (“FRB”) Chair Jerome Powell spoke at a symposium hosted by the Swedish Central Bank on Tuesday. In his [speech](#), Chair Powell highlighted three main points: (1) that Federal Reserve monetary policy independence “is an important and broadly supported institutional arrangement that has served the American public well”; (2) “the Fed must continuously earn that independence ... by providing transparency to facilitate understanding and effective oversight by the public and their elected representatives in Congress”; and (3) “stick to our knitting.”

Regarding monetary policy independence, he noted that “[t]he absence of direct political control over our decisions allows us to take these necessary measures [e.g., raising interest rates] without considering short-term political factors.” He went on to note that “grants of independence to agencies should be exceedingly rare, explicit, tightly circumscribed, and limited to those issues that clearly warrant protection from short-term political considerations,” and most public policy decisions ought to be made in most cases by the elected branches of government in a well-functioning democracy. Chair Powell also noted that the Federal Reserve’s dual mandate of maximum employment and price stability is a good example of where the goals of the Federal Reserve are not independent of the elected political branches, but rather are set and subject to oversight by Congress. The Federal Reserve’s independence in how it conducts monetary policy is an example of “operational or instrument independence.”

Chair Powell’s comments on sticking to the Fed’s knitting are the parts of the speech that seemed to make the most [news](#), particularly the closing of his speech that “[w]e are not, and will not be, a ‘climate policymaker.’” Chair Powell compared the Fed’s mandate to those of some of the other central banks at the symposium and noted that the Fed’s mandate is narrower than many other central banks, and the Fed should “resist the temptation to broaden our scope to address other important social issues of the day” lest it risk the Fed’s case for independence. He

went on to note that “[d]ecisions about policies to directly address climate change should be made by the elected branches of government and thus reflect the public's will as expressed through elections.”

Notwithstanding, Mr. Powell's comment that, without a Congressional mandate, the Fed should not be a climate policymaker did draw a distinction between being a climate regulator vs. supervising banks' management of their climate-related financial risks. He noted that “in my view, the Fed does have narrow, but important responsibilities regarding climate-related financial risks” as a bank supervisor.

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