ELIZABETH WARREN
MASSACHUSETTS

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15 NEW SUDBURY STREET
BOSTON, MA 02203
P: 617–565–3170

1550 MAIN STREET
SUITE 406
SPRINGFIELD, MA 01103
P: 413–788–2690

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February 22, 2022

Greg Feldberg
Director of Research, Yale Program on Financial Stability
Yale School of Management
165 Whitney Avenue
New Haven, CT 06511-3729

Dear Mr. Feldberg:

Following the onset of the COVID-19 pandemic in March 2020, the U.S. economy has undergone one of the most rapid recoveries in recent history. A record 6.6 million jobs were created over the last year, while the unemployment rate during 2021 experienced the largest single-year drop on record.[1] The ongoing impacts of the pandemic, however, continue to weigh on the economy. Inflation has accelerated to a 40-year high as global supply chains struggle to keep up with strong consumer demand.[2] As the Federal Reserve confronts elevated inflation for the first time in more than a decade, reports suggest that global financial markets are on edge amid expectations that the Fed will sharply raise interest rates over the coming months.[3] Turmoil in financial markets have previously served as an early warning for a broader economic downturn.[4]

The Office of Financial Research (OFR) recently identified higher inflation as a "key vulnerability" which "increases the risk of an economic slowdown" and "could lead to a faster-

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than-expected rise in interest rates and, potentially, a repricing of risky assets."[5] OFR also identified credit risks to the economy, including from "whether leveraged nonfinancial corporations can continue to shoulder their high debt burdens if interest rates rise or economic growth decelerates."[6]

The Dodd-Frank Act created the role of the Federal Reserve's Vice Chair for Supervision to "develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board" and "oversee the supervision and regulation of such firms."[7] To that end, the Vice Chair for Supervision serves as the "Fed's top banking cop," and is charged with regulating some of the largest financial institutions in the country.[8] This position has been vacant since October 2021, despite growing risks to the financial system.[9]

Given your expertise on these subjects, I ask that you respond to the following questions by February 24, 2022:

1. In your view, do current economic conditions – including elevated inflation, potential interest rate increases, the threat of additional COVID-19 variants, and geopolitical instability – present heightened risks to financial stability today? Please describe your assessment of the vulnerabilities currently facing the financial system and economy.

2. Given current economic conditions, why would it be helpful to have a Vice Chair for Supervision in place?

3. What steps could a Vice Chair for Supervision take to help mitigate heightened macroeconomic and financial stability risks today?

4. Do you believe it is appropriate for Congress to delay the confirmation of a Vice Chair for Supervision?

Thank you for your attention to this matter.

Sincerely,

Elizabeth Warren
United States Senate

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SPRINGFIELD, MA 01103
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February 22, 2022

Dr. Simon Johnson
Ronald A. Kurtz (1954) Professor of Entrepreneurship
MIT Sloan School of Management
100 Main Street
Cambridge, MA 02142

Dear Dr. Johnson:

Following the onset of the COVID-19 pandemic in March 2020, the U.S. economy has undergone one of the most rapid recoveries in recent history. A record 6.6 million jobs were created over the last year, while the unemployment rate during 2021 experienced the largest single-year drop on record.[1] The ongoing impacts of the pandemic, however, continue to weigh on the economy. Inflation has accelerated to a 40-year high as global supply chains struggle to keep up with strong consumer demand.[2] As the Federal Reserve confronts elevated inflation for the first time in more than a decade, reports suggest that global financial markets are on edge amid expectations that the Fed will sharply raise interest rates over the coming months.[3] Turmoil in financial markets have previously served as an early warning for a broader economic downturn.[4]

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The Dodd-Frank Act created the role of the Federal Reserve's Vice Chair for Supervision to "develop policy recommendations for the Board regarding supervision and regulation of depository institution holding companies and other financial firms supervised by the Board" and "oversee the supervision and regulation of such firms."[7] To that end, the Vice Chair for Supervision serves as the "Fed's top banking cop," and is charged with regulating some of the largest financial institutions in the country.[8] This position has been vacant since October 2021, despite growing risks to the financial system.[9]

Given your expertise on these subjects, I ask that you respond to the following questions by February 24, 2022:

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2. Given current economic conditions, why would it be helpful to have a Vice Chair for Supervision in place?

3. What steps could a Vice Chair for Supervision take to help mitigate heightened macroeconomic and financial stability risks today?

4. Do you believe it is appropriate for Congress to delay the confirmation of a Vice Chair for Supervision?

Thank you for your attention to this matter.

Sincerely,

Elizabeth Warren

Elizabeth Warren
United States Senate

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February 22, 2022

Michael Barr
Joan and Sanford Weill Dean
Gerald R. Ford School of Public Policy
735 S. State St. #4320
Ann Arbor, MI 48109

Dear Dean Barr:

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4. Do you believe it is appropriate for Congress to delay the confirmation of a Vice Chair for Supervision?

Thank you for your attention to this matter.

Sincerely,

Elizabeth Warren
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SUITE 406
SPRINGFIELD, MA 01103
P: 413–788–2690

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February 22, 2022

Dr. Adam Posen
President
Peterson Institute for International Economics
750 Massachusetts Avenue, NW
Washington, DC 20036

Dear Dr. Posen:

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Thank you for your attention to this matter.

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United States Senate

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