

## United States Senate

July 14, 2021

The Honorable Jerome Powell  
Chair  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue Northwest  
Washington, DC 20551

Dear Chair Powell:

As we discussed on June 22, I am deeply concerned about the growing size of the Federal Reserve's balance sheet and what I see as a lack of appropriate concern and response by the Federal Reserve on rising inflation.

For months, the Federal Reserve and the Biden administration have been playing down the threat of inflation as 'transitory.' However, with five consecutive months of price increases, that is clearly not the case. As inflation keeps pushing prices higher, families in Florida and across America are suffering – and it is our poorest families, like mine growing up, that are hurt the most. Recently, I met with small business owners in Miami and heard firsthand from them the strain that rising prices are placing on their operations. *Forbes* recently reported that 83% of Americans<sup>1</sup> are already tightening their budget due to inflation pressures. That means countless Floridians, like those I spoke with in Miami, are having a harder time making ends meet. This inflation crisis deserves immediate action to protect our families and small businesses.

Last year, I wrote to you outlining my concerns about the growing size of the Federal Reserve's balance sheet and ongoing purchases of U.S. Treasuries to finance U.S. federal deficits. Now, the Federal Reserve's balance sheet has exceeded \$8 trillion for the first time. I have been clear on the need for immediate action and spending reform, and have been calling for President Biden and the Federal Reserve to lay out a plan to address the threat our growing national debt poses to the U.S. economy. So far, there has been no action to acknowledge and address America's growing crisis. It is my hope that you will soon release a plan, and I write today to ask:

1. Are you concerned about the risk rising inflation poses to our economy and to families

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<sup>1</sup> <https://www.forbes.com/sites/walterloeb/2021/05/24/83-of-americans-are-belt-tightening-due-to-inflation-pressures/?sh=145811f93dfa>


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and small businesses across the nation?

2. Recently, you said that 5 percent inflation is “absolutely not” acceptable to you.<sup>2</sup> Yet, the most recent Consumer Price Index (CPI) data reported a 5.0% increase over the year in May with Core CPI rising by 3.8% compared to a year ago. How do you reconcile your comments and recent projections for higher inflation with the dilatory actions and announcements made by the Federal Open Market Committee (FOMC) to date?
3. In your testimony before Congress on June 22, 2021, you alluded to risking even higher inflation, which disproportionately hurts low and fixed-income families, to accommodate yet another new Federal Reserve target, now for inclusivity.<sup>3</sup> Isn't this at odds with the Federal Reserve's lawful mandate of price stability and maximum employment?
4. The M1 money supply has exploded recently, rising from \$4.3 trillion in March 2020 to \$18.9 trillion in April 2021, according to the Federal Reserve Bank of St. Louis<sup>4</sup>. How has the rapid increase in federal government spending contributed to this rapid increase and rising inflation?
5. This month, the Federal Reserve's balance sheet reached \$8 trillion for the first time ever, up from less than \$1 trillion in 2008. What is the FOMC's plan to shrink its balance sheet and reduce the level of assets it holds? Please provide a timeline or milestones for doing so.
6. What is the Federal Reserve's plan to unwind all of the historically expansive programs it started during the coronavirus pandemic?

I look forward to hearing from you on these important issues. I know you share my priority of keeping the American economy strong and sustainable, and I look forward to working with you as you continue to lead the Federal Reserve.

Sincerely,



Rick Scott  
United States Senator

CC:  
Members of the Federal Open Market Committee (FOMC)

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<sup>2</sup> Chairman Jerome Powell's testimony before the House Select Subcommittee on the Coronavirus Crisis on June 22, 2021. <https://coronavirus.house.gov/>

<sup>3</sup> Chairman Jerome Powell's testimony before the House Select Subcommittee on the Coronavirus Crisis on June 22, 2021. <https://coronavirus.house.gov/>

<sup>4</sup> <https://fred.stlouisfed.org/series/M1SL>