

United States Senate

February 5, 2024

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:

I am writing to ensure that the Federal Reserve and the Federal Open Market Committee (FOMC) uphold its promise to the American people and continue paying down its unprecedented balance sheet. The Federal Reserve must do everything in its power to combat President Biden's inflation crisis that continues to hurt American families with high prices that have skyrocketed 17 percent since he took office.¹

Under your leadership, the Federal Reserve has overseen a massive and unprecedented misallocation of capital and grown its balance sheet to an unsustainable \$7.68 trillion, adding \$4.6 trillion of that total between 2020 and 2022.² This, along with other mismanagement, has caused operating losses at the Federal Reserve of more than \$1.3 trillion of taxpayer money.³ It is a historic failure that shows a disturbing lack of accountability and proper fiscal stewardship at the Federal Reserve under your leadership.

Much of the irresponsible balance sheet growth you've overseen was caused by your decision to begin a Quantitative Easing program that added the equivalent of \$120 billion per month to the Federal Reserve's balance sheet.⁴ In May 2022, you stated your plans to reduce the balance sheet by up to \$95 billion per month.⁵ This means your balance sheet should have dropped by at least \$1.7 trillion since June 2022. Unfortunately, you have failed to meet your goals and have only rolled off about \$1.3 trillion of balance sheet assets. This is a \$400 billion miss.

¹ <https://budget.house.gov/press-release/families-crushed-as-bidens-total-inflation-breaks-17>

² <https://fred.stlouisfed.org/series/WALCL>

³ <https://www.federalreserve.gov/publications/2022-ar-overview.htm>

⁴ https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

⁵ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm>

Therefore, I write to ask the following questions:

- Why has the Federal Reserve failed to meet its planned balance sheet reductions since September 2022? Does the FOMC intend to meet its targeted caps for balance sheet reduction? If so, how?
- Given these shortfalls, will the FOMC revisit or change its targets for balance sheet reduction at your upcoming FOMC meetings? Does the FOMC plan to discuss moving away from capped targets to a more active process for reducing the balance sheet?
- What is the appropriate size of the Federal Reserve balance sheet long-term, in your opinion? How should the FOMC reach this goal? Please provide a timeline or milestones for doing so.
- Will you plan to stop the Quantitative Tightening program at the FOMC's March 2024 meeting?

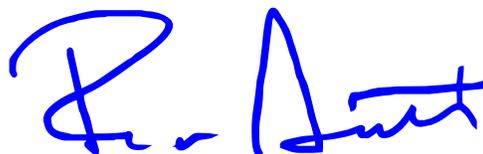
On top of these failures at the Fed, very serious issues still exist, such as inflation, that continue to plague the American people. Under your leadership, there has been almost three years of inflation above two percent. That means the Federal Reserve has consistently failed to meet its own inflation targets since 2021.

Looking forward, the Congressional Budget Office projects that all inflation metrics will stay above two percent at least through 2025, meaning the Federal Reserve's failures to meet its inflation targets will continue for at least two more years.⁶

After the most recent FOMC meeting, you stated that "we're planning to begin in-depth discussions of balance sheet issues at our next meeting in March."⁷ Therefore, I ask that you consider everything stated in this letter when you discuss the balance sheet at the March 19-20th, 2024 FOMC meeting.

It is imperative that you maintain strong monetary policy operations in order to tamp down inflation and get prices under control. I look forward to your response and hope we can work together to get the American economy back on track.

Sincerely,



Rick Scott
United States Senator

⁶<https://www.cbo.gov/publication/59840>

⁷<https://www.reuters.com/markets/us/fed-plans-in-depth-talks-balance-sheet-run-off-march-powell-2024-01-31/>