

# United States Senate

October 30, 2023

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

Dear Chair Powell:

I have, on numerous occasions, spoken to you and the Board of Governors about my concerns with the size of the Federal Reserve's balance sheet. To date, the Federal Reserve has not only shown a shocking lack of appropriate concern and response to right-size it, but a complete unwillingness to acknowledge the unprecedented risk that it poses to American taxpayers. Today, I write you once again to request your immediate action to address the massive size of the Federal Reserve's balance sheet and request further information on the Federal Reserve's unacceptable failure to meet its own plans to shrink it.

In May 2022, the Federal Open Market Committee (FOMC) announced very modest goals and targets to begin reducing its holdings of Treasury securities as well as agency debt and mortgage-backed securities (MBS), as described in the *Plans for Reducing the Size of the Federal Reserve's Balance Sheet*.<sup>1</sup> Based on these plans, the Federal Reserve's balance sheet should have fallen from around \$8.822 trillion in September 2022 to \$7.492 trillion today. That hasn't happened. Today, the Federal Reserve balance sheet currently sits at \$7.933 trillion, nearly half a trillion dollars higher than it would have been had you met your runoff goalposts.<sup>2</sup> This is further proof that the FOMC has completely failed to achieve its *own* very modest goals for balance sheet reduction.

It is clear that your current plan to reduce the balance sheet is insufficient, and that it would never solve the problem of your massive balance sheet. I also believe that you and the FOMC have shown that you have no interest in complying with your own goals and targets, meaning that the public and Congress are being misled about your intentions to solve this grave problem. It makes no sense to me why you cannot reduce the balance sheet at the same rate you have increased it.

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<sup>1</sup> <https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm>

<sup>2</sup> <https://www.federalreserve.gov/releases/h41/>

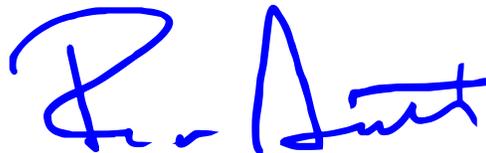
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With record inflation and rising federal debt and deficits, we must take further steps to combat the massive size of the Federal Reserve's balance sheet. Therefore, I write to you today to ask the following questions:

1. 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?
2. 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?
3. 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.
4. I am proposing legislation to establish a presidentially-appointed and Senate-confirmed inspector general for the Federal Reserve System. Would you support adding this much-needed level of accountability?

I look forward to hearing from you and FOMC members 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,

A handwritten signature in blue ink, appearing to read "Rick Scott". The signature is stylized and written in a cursive-like font.

Rick Scott  
United States Senator