

MONEY

Fed nominee says 'gradual' rate hikes are the way to go

Powell also seeks to roll back some regulations

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Federal Reserve chairman nominee Jerome Powell told Congress the case for a December interest rate hike is "coming together," and he supports legislation that would roll back some of the sweeping banking regulations enacted since the 2008 financial crisis.

In his confirmation hearing before the Senate banking committee Tuesday, Powell found himself in several testy exchanges with Democrats over his willingness to ease some rules on banks without toughening any of them. And he largely deflected Democrats' questions about the merits of the Republicans' controversial tax-cut plan and its long-run impact on the national debt.

Powell, 64, is widely expected to be confirmed as Fed chairman by the Senate and take the helm in February when Janet Yellen, a Democrat, steps down.

Powell, who was nominated by President Trump this month, is considered a middle-ground pick who largely would maintain Yellen's strategy of gradual rate increases so as not to disrupt the U.S. economy's 8½-year-old recovery. But analysts have said he seems to be somewhat more receptive to loosening bank oversight.

"I think the case for raising interest rates at our next meeting is coming together ... I think the conditions are supportive of doing that," Powell said.

The Fed has hiked its benchmark short-term rate twice this year to a



Jerome Powell is expected to be confirmed by the Senate and will likely take over as Fed chair in February. SAUL LOEB, AFP/GETTY IMAGES

range of 1% to 1¼% and signaled a third, quarter-percentage-point increase is likely at a mid-December meeting.

But with annual inflation still below the Fed's 2% target, Powell has been among the core Fed policymakers arguing there's little need to bump up rates rapidly and risk disrupting the recovery.

"I expect that will continue," he told committee members.

Powell said he backs a Senate bill that would relieve large regional banks of heightened Fed oversight and allow banks with less than \$10 billion in assets to make potentially risky trades with their own money. Asked by Sen. Jon Tester, D-Mont., if he's concerned about any of the legislation, Powell said, "I really don't see anything."

And Brian Schatz, D-Hawaii, pressed Powell on why it makes sense to dial back oversight when banks are already making record profits. "Doesn't it make sense to err on the side of caution?" he asked.

Powell agreed but said some of the rules were unnecessary and made financial institutions less efficient.

Powell said he strongly supported the Fed's independence from the White House and Congress and opposes Republican proposals to audit the Fed's monetary policy decisions.