

Statement of Janet L. Yellen
President and CEO of the Federal Reserve Bank of San Francisco
Before the Committee on Banking, Housing and Urban Affairs
United States Senate
July 15, 2010

Chairman Dodd, Senator Shelby, and members of the Committee, I am honored to appear before you as President Obama's nominee to serve as a Member and Vice Chair of the Board of Governors of the Federal Reserve System. If I am confirmed to these positions, I look forward to working with this Committee in the coming years. I am wholeheartedly committed to pursuing the Federal Reserve's congressionally mandated goals of maximum employment and price stability and to strengthening our program of supervision and regulation, building on the lessons learned during the financial crisis. We must work together, and in cooperation with central banks and governments around the world, to mitigate systemic risk in the financial and payments systems so that our country never again suffers such a devastating episode of financial instability. We have learned a harsh lesson about the dire consequences a financial crisis has for ordinary Americans in the form of lost jobs, lost homes, lost wealth, and lost businesses, and those of us charged with overseeing the financial system should always keep this human cost in mind.

I have served since 2004 as President and Chief Executive Officer of the Federal Reserve Bank of San Francisco and, before that, from 1994 through 1997, as a member of the Federal Reserve Board. Through this service, I have gained experience in every one of the Federal Reserve's areas of responsibility, including monetary policy, banking supervision and regulation, consumer and community affairs, and the operation of the payments system. I believe this extensive background equips me to work under Chairman Bernanke as a leader of the Federal Reserve System as we strive to carry out the missions Congress has assigned to us.

Over the next few years, the Fed must craft policies that ensure that our economy accelerates its progress along the recovery path it has begun to trace. With unemployment still painfully high, job creation must be a high priority of monetary policy. But we must also avoid any threats to price stability. That means that, when the appropriate time comes, we must withdraw the extraordinary monetary accommodation now in place in a careful and deliberate fashion. My approach going forward, as in the past, will be to bring a thoughtful and independent voice to Federal Open Market Committee deliberations on monetary policy, drawing on the insights of business and community leaders throughout the country, and thoroughly analyzing macroeconomic trends that affect the economic outlook and the risks to our forecasts.

In my view, Congress has wisely granted the Federal Reserve the freedom to make independent monetary policy decisions in pursuit of congressionally mandated goals, based on a forward-looking perspective and the best judgments of Federal Open Market Committee participants. I believe that experience in the United States and around the globe demonstrates that central bank independence in monetary policy produces clear societal benefits. When central banks are independent, economies perform better, inflation is lower and more stable, and long-term interest rates are lower and less volatile. In other words, an independent central bank is best equipped to promote both price stability and high levels of growth and employment. I should stress though that independence brings with it both responsibility and accountability. The Federal Reserve is fully accountable to Congress, and that's how it should be. That means the Fed must explain its actions, outlook and strategy, and provide the information necessary for Congress and the public to understand and evaluate its policy decisions. I strongly support Fed independence in monetary policy and I am committed to enhancing the transparency that is essential to accountability and democratic legitimacy.