

Donald L Kohn: Nomination as Vice Chairman to the Board

Testimony by Mr Donald L Kohn, Member of the Board of Governors of the US Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, United States Senate, Washington DC, 8 June 2006.

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Chairman Shelby, Senator Sarbanes, and members of the Committee, I am honored to have been nominated by President Bush to be the Vice Chairman of the Board of Governors of the Federal Reserve System and grateful to this Committee for scheduling this hearing so expeditiously. I have enjoyed a long and productive relationship with the Banking Committee and its staff over the years, working together to determine how the Federal Reserve can best contribute to the economic well-being of our citizens. As a governor and, if you confirm me, as Vice Chairman, I look forward to continuing to be a part of the shared pursuit of that goal.

The Board's Vice Chairman has a very limited role under the Federal Reserve Act--to preside over the Board in the absence of the Chairman. By tradition and practice, however, the Vice Chairman has played a leadership role within the System. He or she has acted as the Chairman's deputy or alternate in important international groups, has headed ad hoc committees within the Board, System, or Federal Open Market Committee to help develop policy alternatives for consideration by the larger group, has helped the Chairman to lead the Board, and has worked closely with the Chairman in a variety of circumstances, including when responding to disturbances in the financial sector that had the potential of affecting the broader economy.

The Federal Reserve faces considerable challenges today in meeting the responsibilities that you have given us: for fostering price stability and maximum employment at a time of rapid change in the U.S. and global economies; for helping maintain a safe and sound banking system and stable and efficient payments and financial systems in the face of innovations in financial instruments and institutions; and for protecting and educating consumers as they take advantage of the greater variety and sophistication of financial instruments available to them. I believe that my long and wide experience within the Federal Reserve--at a Reserve Bank and at the Board, on staff and as governor--along with my close working relationship with Chairman Bernanke will enable me to make even greater contributions to the work of the Federal Reserve as the Board's Vice Chairman should you choose to confirm me to this position.