



The Fed Is Out of Touch on Climate

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On Jan. 10, Federal Reserve (Fed) Chair Jerome Powell explained that if the U.S. central bank is to maintain its independence, it cannot “and will not be, a climate policymaker.” While California suffers in the wake of unprecedented flooding, estimated to cost over \$30 billion in losses, Powell insists “it would be inappropriate for us to use our monetary policy or supervisory tools to promote a greener economy.” This is a narrow, short-sighted interpretation of the Fed’s mandate, and a potentially dangerous and misguided view on what the Fed’s independence means.

The Fed’s independence is intended to ensure independence from political cycles — it does not absolve the Fed of its duties to serve the public interest. All of the Fed’s functions and core responsibilities are deeply intertwined with and impacted by the climate crisis. By feigning independence, the Fed seems to be caving to reportedly false arguments made by financial institutions, the fossil fuel industry and its political allies — actors with strong incentives to thwart the clean energy transition.