



Wall Street Demands Its Fed Nominees

Mark Calabria | May 14, 2012

Back in March the Senate Banking Committee voted out President Obama's latest nominations to the Board of Governors of the Federal Reserve System, Jeremy Stein and Jerome Powell. Since then these nominations have remained in limbo because Senator Vitter has objected to moving them by unanimous consent and it appears Majority Leader Harry Reid does not want to devote any floor time to these nominations (what, bother to debate important economic nominations?).

It has recently come to light, as [reported](#) by the *Wall Street Journal*, that both Goldman Sachs and JP Morgan, have been pressuring Senator Vitter to release his hold and let these nominations move without any floor debate. As I've written [elsewhere](#), Presidents of both parties have in recent years behaved as if Wall Street owned a certain number of seats at the Fed. It appears Wall Street has now come to collect.

Perhaps the real reason is that the Fed cannot use its [13-3 bailout powers](#) without the support of 5 of its governors. The current number of governors is 5, which leaves little room for those seeking a rescue. One governor, Duke, has actually been serving beyond her term and is expected to leave. If she leaves without a replacement, the Fed cannot invoke its 13-3 powers. Of course Wall Street would like a few pro-rescue governors on board. Given that both Stein and Powell have served in bailout sympathetic administrations, it is a safe bet that they will come to the rescue of Wall Street when called.

Before some apologist for the administration starts to complain about Vitter "holding up the President's nominees" remember that Harry Reid can call up these nominations anytime he likes, and Senator Vitter can do little to stop him. Doing so however would force a floor debate on these nominations (and perhaps the policies of the Fed), something I suspect Reid is hoping to avoid.