

JEROME POWELL: MYTHS AND FACTS

THE ETHICS CASE

MYTH: Jerome Powell isn't personally entangled in any of the trading scandals at the Fed.

FACT: Powell [sold his positions](#) in an index fund tracking the broad stock market on October 1, 2020. October became one of the worst months for stocks that year, largely due to government policy decisions and reports Powell would have known about ahead of time. It was the single largest stock trade Powell has made during his time at the Fed, for as long as we have records.

MYTH: It's not a problem for Fed governors to buy and sell index funds tracking the market.

FACT: That was true before the Fed embarked on unprecedented, direct interventions to keep the stock market afloat during the Covid-19 pandemic. That was the correct policy to pursue, but with Fed activity so central to any kind of liquidity in the financial markets, it becomes problematic for Fed officials to make any kinds of trades. Lael Brainard, notably, made no trades at all in 2020, following the standard set by Ben Bernanke during the 2008 crisis.

MYTH: Lael Brainard bears responsibility for the trading scandals in Boston and Dallas, since she ran the Board of Governors committee in charge of oversight of the regional banks.

FACT: Brainard cannot change any part of oversight policy without the Chair's sign-off, since the Chair is [the Fed's only executive officer](#). [All Brainard could do](#) was execute the oversight protocols already on the books — and those protocols regularly allowed regional bank presidents to be reappointed even if they hadn't yet submitted up-to-date financial disclosures.

MYTH: These cases aside, Powell has always followed strict ethical standards.

FACT: Powell comes out of the Carlyle Group, a private equity firm whose entire business model is predicated on insider access and the revolving door. He followed his old boss, George H.W. Bush, to Carlyle where they used connections to get first bids on government contracts. Michael Lewis called Carlyle's business model at the time (and today) "[access capitalism](#)."

MYTH: The Fed is pursuing an independent investigation into the trading scandals.

FACT: [Define "independent."](#) The inspector general looking into these trades was appointed by the Board of Governors, a majority of whom can vote to dismiss him without cause — and several Governors are already implicated in the scandal, including Chair Powell.