Ranking Member Maxine Waters Statement on Monetary Policy and the State of the Economy

July 16, 2014

As prepared for delivery

"Thank you, Mr. Chairman and welcome back, Chair Yellen.

Chair Yellen, it's been five months since you last appeared before this Committee. And in that time, much has changed. Absent major changes in our economic outlook, the Federal Reserve's program of large-scale asset purchases, known as "quantitative easing" is set to end in October – and many are looking to see what the Fed will do once this program subsides.

The challenges are significant. Although employment levels for many sectors have continued to rise, stable and consistent growth is uneven, and not a given.

In a surprise turn, GDP dropped substantially in the first quarter.

Unemployment remains unacceptably high, particularly for minority groups. African Americans face an unemployment rate of 10.7 percent, 7.8 percent for Latinos.

So let's be clear: while we've made much progress, the long-term effects of the financial crisis – the worst since the Great Depression – still can be felt by working people, and people still looking for work, in every one of our communities across the country.

Of course, the problem of unemployment has only been made worse by Republican intransigence on any number of measures – from refusing to invest in our country's job-creating infrastructure, to cutting investments in education that will fuel the next generation of American leaders, to their refusal to extend benefits for our friends and neighbors suffering from long-term unemployment.
And other important programs that create jobs and economic growth – such as the Export-Import Bank and the Terrorism Risk Insurance Act – remain needlessly tied up in a Republican ideological war, creating widespread uncertainty for our nation's job creators.

In the wake of legislative uncertainty and fiscal recklessness, some of my colleagues on the other side of the aisle are likewise attempting to stop the Fed from taking action to jumpstart our economy and preserve economic stability. They recently proposed harmful legislation that would take unprecedented steps to virtually eliminate the Federal Open Markets Committee's role in shaping monetary policy.

Instead, Republicans prefer to put decisions related to inflation and employment on 'auto-pilot' – determined arbitrarily based upon a rigid set of factors.

If enacted, this proposal would undercut the Fed's ability to respond to emerging threats – through rules and requirements designed to paralyze Fed rulemaking and to curtail monetary policy discretion. This would include concerns emanating from areas like social media – which the Fed noted just yesterday appears to be "substantially stretched."

Quite simply, the straight-jacket approach taken in the Republican bill would leave the Fed with few options, powerless to deal with such an emerging area of concern, even if it were to pose a danger to our economy.

Whether emerging threats to financial stability come from social media or elsewhere, this shortsighted legislation would be a recipe for disaster.

Chair Yellen, I am eager to hear your views on how our economy would have fared during the crisis – and in the future – with such a regime in place.

Finally, I'm very interested to hear about the Fed's progress in meeting the heightened regulatory policy mandate entrusted to the institution under the Wall Street Reform Act. In particular, I want to urge the Fed to expeditiously implement the unfinished provisions of the Act, and to faithfully enforce the provisions of the law – provisions like robust living wills and a strong Volcker Rule – that provide the tools for preventing the next 2008 crisis.

Thank you, I yield back."