

# BACHUS QUESTIONS NEW FED CHAIR AT HEARING

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WASHINGTON – Congressman Spencer Bachus (AL-6) today questioned Federal Reserve Chair Janet Yellen about regulatory policy and Fed stimulus initiatives during her first appearance in front of the House Financial Services Committee.

Bachus, who is Chairman Emeritus of the Committee, has expressed concerns about the impact that the recently-issued Volcker Rule could have on the financial health of small and medium-sized banks. He asked whether a clarification of the rules exempting some institutions from new rules governing certain financial securities (CLOs) can be expected and, if so, when.

“This is something that has some sense of urgency to address,” said Bachus, who has noted the products have existed for almost 20 years and have a near-perfect performance record.

Chair Yellen said she did not know what response a working group of regulators might propose, but said she hoped a decision would come “reasonably soon.”

Congressman Bachus also questioned the employment assumptions that the Fed has relied on to justify its stimulative “quantitative easing” program. He cited a recent study by the Philadelphia Fed suggesting that 80% of the decline in workforce participation since the first quarter of 2012 has had more to do with permanent structural factors, like retirements and disability, than cyclical joblessness caused by weak growth. Bachus says the Fed’s recent stimulus policies are less likely to affect structural changes in the economy and could be more inflationary than anticipated.

Referring to the study, Bachus said, “The likelihood of those that have left the labor force due to retirement or disability rejoining the labor force is small and has been largely insensitive to business cycle conditions in the past suggesting at least to me that the decision to leave the labor force for those two reasons is more or less permanent.”

After the hearing, Bachus again expressed his concern about the expansion of programs like Social Security Disability that are permanently removing able-bodied individuals from the workforce.

Bachus commended Chair Yellen for her commitment to break with recent policy and remain in front of the committee until all Members had a chance to ask questions during her first official testimony on monetary policy. She is the third Federal Reserve Chair to have appeared in front of Congressman Bachus during his service on the Financial Services Committee, following Alan Greenspan and Ben Bernanke.

*To view a video excerpt, [click here](#).*