Press Release

Waters Touts Fed's Effectiveness, Cautions Congress on "Reform"

December 12, 2013

WASHINGTON, D.C. – Today, at a hearing to examine the mandates of the Federal Reserve, **Congresswoman Maxine Waters**, Ranking Member of the Financial Services Committee, underscored the success of the Fed in stabilizing markets and reducing unemployment in the wake of the financial crisis. She also cautioned lawmakers seeking to make legislative changes to the Fed or its mandate that Congress should allow it to finalize the important reforms included in the Dodd-Frank act that reduce the likelihood of future financial crises.

Her full remarks are below.

As prepared for delivery:

"Thank you, Chairman Hensarling for holding today's hearing to discuss the mandates of the Federal Reserve on its 100 anniversary.

At critical inflection points such as this, it is important to take stock of the lessons of the past – and reflect on whether the Fed has been effective in meeting its charge to keep inflation in check, financial markets stable, and maximize employment.

Although there have been ups and downs in its history, the Federal Reserve has learned from the lessons of the past. Today, it plays an important role in fostering the conditions necessary for both stability and growth in the American economy.

One of the many truths over the last century that holds today is the interdependency between a stable economy and a stable financial system. And in this sense, the Fed's mandate to reduce systemic risks and promote financial stability compliments its monetary objectives.

The Fed's regulatory shortcomings in the years prior to the most recent financial crisis were significant. But since the crisis began, the Federal Reserve has been one of the most effective policy making bodies in stabilizing the financial sector and continuing to support the recovery.

When the first signs of crisis emerged in 2007, the Fed responded swiftly to address the weak economy. It cut the discount rate, extended credit to banks, and brought the federal funds rate to its lower bound. When this wasn't enough, the Fed took extraordinary steps to provide emergency liquidity directly to institutions and foreign central banks around the globe.

However, the severe nature of the crisis forced the Fed to enter unchartered territory. Recognizing the need to act, it took unprecedented steps by engaging in large-scale asset purchases—a policy

In this Section

Press Releases

Videos

Search Bill & Summary Status

example H.R. 176

Word/Phrase Bill Number

Search

E-mail Updates

Sign up to get e-mail updates from the Committee

E-mail Address:

E-mail Address

Your Name:

First Last

Signup

Unsubscribe from the E-Newsletter

Watch previous Video Archives

known as "quantitative easing"— that lowered long-term interest rates and has provided a needed boost to our recovery.

As a result of the Fed's stimulus, economists estimate that the economy is three million jobs stronger than it would have been without the Fed's courageous efforts.

Further, the drop in interest rates triggered by quantitative easing has spurred improvements in the housing sector and, by extension, the larger economy. This housing recovery has been accompanied by a rise in home prices that has reduced the number of borrowers underwater on their mortgages and expanded the pool of homeowners who are eligible to refinance.

Though the economic outlook for our nation continues to improve, we still have a long way to go until we can say that maximum employment has been achieved and the economy has fully recovered from the trauma of the Financial Crisis.

With close to 11 million Americans still out of work, it is astonishing to me that members of this body would even consider striking the employment aspect of the Fed's dual-mandate.

What kind of signal does this send to hard working Americans across the country?

Of course, Congress should do its part too. I am hopeful that members will come together to pass a budget that moves away from the anti-growth austerity policies enshrined by the Sequester – in favor of a responsible budget that puts our long-term spending on a sustainable path.

Mr. Chairman, I believe it's worth noting that before we contemplate legislative changes to the Fed or its mandate, Congress should allow the Fed to finalize the important reforms included in the Dodd-Frank act that reduce the likelihood of future financial crises. The Fed is making important progress on this front. Just this week, the Fed approved the final Volcker rule, a critical rule which will make our financial system safer. We should not rush into reform merely for the sake of doing so.

I look forward to the discussion and to hearing and again thank the Chairman for scheduling today's hearing."

###

Committee on Financial Services • B301C Rayburn House Office Building • Washington, DC 20515 • (202) 225-4247

Connect with us on Twitter: Twitter