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January 23, 2019

The Honorable Jerome Powell
Chairman
Federal Reserve Board of Governors
Constitution Ave and 20th Street NW
Washington DC, 20551

Dear Chairman Powell:

I am writing to request information regarding the impact of the federal government shutdown on the Federal Reserve's (Fed) ability to make monetary policy decisions. President Trump's shutdown is now the longest in United States history, and although the Federal Reserve is funded independently from the congressional appropriations process, you rely on data from other agencies that are currently closed to make monetary policy decisions and for other purposes, and have indicated that you and other Fed officials "would have a less clear picture into the economy if [the shutdown] were to go on much longer."¹ Given the crucial role that Federal Reserve decision-making plays for the economy, I am writing so that I can fully understand the difficulties facing the Fed and the implications of the prolonged and ongoing government shutdown on economic policy decisions.

The Fed is responsible for providing the country with "a safer, more flexible, and more stable monetary and financial system."² The central bank helps to maintain low unemployment, control inflation, and preserve stable prices for consumers via changes to interest rates, reserve requirements, and other open market operations.³ The Fed relies heavily on economic data that give the bank insight into the economy and allow it to make monetary policy decisions that impact millions of American families and large and small businesses.

While the Fed is not funded through the traditional appropriations process, the current partial government shutdown appears to have impacted the bank's ability to obtain vital and up-to-date economic information. For example, the Department of Commerce, responsible for collecting and reporting the gross domestic product (GDP), one of the "broadest measure[s] of economic

¹ CNBC, "Fed chief Jerome Powell says an extended government shutdown could start to show in economic data," Jeff Cox, January 10, 2019, <https://www.cnbc.com/2019/01/10/fed-chief-jerome-powell-says-an-extended-government-shutdown-could-start-to-show-in-economic-data.html>.

² Board of Governors of the Federal Reserve System, "FAQs," https://www.federalreserve.gov/faqs/about_12594.htm.

³ Board of Governors of the Federal Reserve System, "About the Fed," <https://www.federalreserve.gov/aboutthefed.htm>.

activity,” is closed due to the shutdown.⁴ Updated figures are scheduled to be released on January 30, 2019, but if the shutdown continues, the agency will be unable to produce the data.⁵

The Commerce Department has not been able to prepare and release numerous other economic reports this month, including reporting on factory orders, home construction, and retail sales.⁶ And you have expressed concern that the shutdown will prohibit the gathering of “pretty important data” that the Fed relies heavily on, and that you will “have a less clear picture into the economy if it were to go on much longer.”⁷

In addition to clouding the Fed’s ability to fulfill its dual mandate, the prolonged shutdown also threatens to damage the economy. Recent reports suggest that if the shutdown continues, first-quarter economic growth could come “close to or even below zero.”⁸ And some analysts believe the shutdown is “no longer just a political sideshow, it’s a real recession risk.”⁹ If the shutdown continues, consumer spending and business investment could plummet amid concerns over the stability of the government and the economy.¹⁰

As the shutdown continues, you will likely face increased difficulty making informed decisions that will have a major impact on the American economy. The Federal Open Market Committee (“FOMC”), responsible for adjusting open market operations that influence interest rates and steer the economy, is set to meet January 29-30, 2019.¹¹ The January meeting may be especially crucial if the economy is beginning to face headwinds and uncertainty caused by the shutdown. Given the importance that the Fed plays in the lives of all Americans, I want to better understand the impact of the shutdown on the Fed’s operations moving forward. I request answers to the following questions prior to the next meeting of the FOMC, no later than January 28, 2019.

1. What data or economic reports have the Federal Reserve not received due to the partial government shutdown? Please list all reports and other sources of data that have not been released to the Fed on schedule since December 22, 2018.
2. What data are the Federal Reserve set to receive through the end of February that could be put at risk by the partial government shutdown? Please list all reports and other

⁴ CBS News, “Shutdown means Fed has no idea how GDP is really doing,” Irina Ivanova, January 11, 2019, <https://www.cbsnews.com/news/government-shutdown-means-federal-reserve-has-no-idea-how-gdp-growth-is-really-doing/>.

⁵ *Id.*

⁶ *Id.*

⁷ Economic Club of Washington D.C., “The Honorable Jerome H. Powell discusses recent Fed policy and shares his views on the future economy,” Jerome H. Powell, January 10, 2019, https://www.economicclub.org/sites/default/files/transcripts/Jerome_Powell_Edited_Transcript.pdf.

⁸ Politico, “Recession warnings pile up as shutdown wraps up fourth week,” Ben White, January 17, 2019, <https://www.politico.com/story/2019/01/17/government-shutdown-recession-economy-1092089>.

⁹ *Id.*

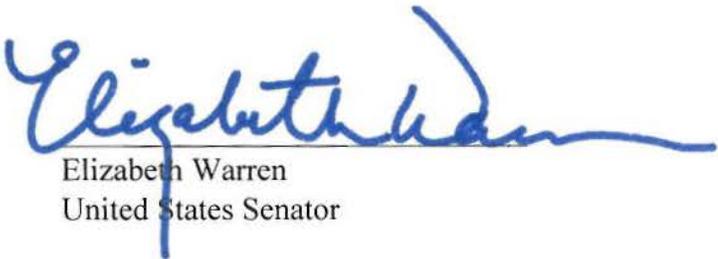
¹⁰ *Id.*

¹¹ Board of Governors of the Federal Reserve System, “Federal Open Market Committee: About the FOMC,” <https://www.federalreserve.gov/monetarypolicy/fomc.htm>; Board of Governors of the Federal Reserve System, “Federal Open Market Committee: Meeting calendars, statements, and minutes (2014-2019),” <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>.

sources of data that are scheduled to be released to the Fed between now and February 28, 2019.

3. How will the lack of data impact the upcoming FOMC meeting on January 29-30, 2019, if the partial federal government continues?
4. What impact will the shutdown have on the Fed's ability to make economic decisions if the government is re-opened prior to the next meeting of the FOMC on January 29? Please describe any backlog of data, any potential delays in regaining insight into the economy, and all other potential issues with recovering from shutdown-induced problems.
5. What other Fed functions are inhibited by shutdown?
6. Recent reports suggest a prolonged shutdown could move the United States toward a recession. Is the Federal Reserve preparing for this possibility and working to ensure it does not happen? How will the Federal Reserve determine if this is happening? Will the shutdown affect the tools available to the Federal Reserve to prevent and respond to such an economic slowdown?

Sincerely,



Elizabeth Warren
United States Senator