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**In Response to Maloney Question, Fed Chair Yellen Hints that the FOMC
Remains on Track to Raise Rates
~ Yellen also Commits to Serving through January 2018 ~**

WASHINGTON – In response to questions by Ranking Member Carolyn Maloney (D-NY) at a [hearing today](#) of the U.S. Congress Joint Economic Committee, Federal Reserve Chair Janet Yellen suggested that uncertainty in the post-election period likely would not affect possible plans by the Federal Open Market Committee (FOMC) to raise the federal funds rate at its the next meeting on December 13-14.

Ranking Member Maloney stated, “the election outcome introduced new uncertainties that the markets and the private sector had not expected and priced in.” She then asked “how do these uncertainties affect the Fed’s decision in the next meeting?” Chair Yellen suggested that the FOMC likely would base its decision on the most recent economic data. “We will be watching the decisions that Congress makes and updating our economic outlook as the policy landscape becomes clearer,” she replied.

Chair Yellen also made it clear that she plans to serve the remainder of her term. In response to Rep. Maloney’s question, “Can you envision any circumstances where you would not serve out your term?” Chair Yellen said “No, I cannot. I was confirmed by the Senate to a four-year term, which ends at the end of January of 2018, and it is fully my intention to serve out that term.”

Rep. Maloney also asked Chair Yellen her opinion on repealing the Dodd-Frank Wall Street Reform and Consumer Protection Act. Chair Yellen replied, “I certainly would not want to see all of the improvements that we have put in place—I wouldn’t want to see the clock turn back on those because I do think they’re important in diminishing the odds of another financial crisis.”

In her opening statement, Rep. Maloney also defended the Federal Reserve against attempts to undermine its independence: “In Congress, some have called for revolutionary changes for the Federal Reserve. Changes that would affect the very nature of the institution. Changes that in my opinion would lead to disaster.”

Rep. Maloney’s opening statement can be viewed [here](#).

Her Q&A session with Chair Yellen can be viewed [here](#).

The hearing can be viewed in its entirety [here](#).

The full text of Ranking Member Maloney's opening statement appears below:

**Opening Statement of Representative Carolyn B. Maloney
JEC Hearing with Federal Reserve Chair Janet Yellen
November 17, 2016**

This likely is the last hearing of the Joint Economic Committee in the 114th Congress. I'd like to thank Chairman Coats for his stewardship of the JEC, and for holding a number of very interesting hearings that have generated excellent discussion. I'd also like to thank my colleagues on both sides of the aisle.

I am particularly pleased that we are ending on a high note with Federal Reserve Chair Janet Yellen. Chair Yellen, I think it's fair to say that all my colleagues warmly welcome you to this hearing and look forward to hearing your thoughts at this critical time.

I'd like to begin by thanking you for your extraordinary and careful leadership of the Federal Reserve. The Fed has played a critical role in helping our country recover from the worst recession since the Great Depression. Your steady hand has built on the work of your predecessor and has guided the economy forward. Thank you.

Much has changed since you appeared before this Committee about a year ago:

- The economy has continued to strengthen.
- The labor market has continued to improve.
- Wage growth has been the strongest since the recession.
- Household income has had the largest annual increase since Census began tracking this data.
- Inflation has edged up, though it remains below the Fed's 2 percent target.

These are among the "tea leaves" of the economy – and everyone here is eager to find out how you read them.

Up until very recently, it was widely assumed that the Federal Open Market Committee would raise interest rates at its next meeting, less than a month from today. Some of your past statements have indicated that this is a possibility, or even a goal.

But then came a thunderbolt on November 8th. Many critical things about our country changed literally overnight. Our world has been turned upside down.

The question everyone would like to know is how the Federal Reserve will steer through the days ahead.

One particular challenge is that the President-elect has called for policies that may have countervailing effects.

History has shown us that the type of tax cuts candidate Trump has proposed disproportionately benefit those who don't need them and dramatically increase our national debt.

I'm also curious to see how President-elect Trump's infrastructure plan will be reconciled with the Republican Congress's past – and fierce opposition – to fiscal stimulus.

There is a great deal of uncertainty about fiscal policy and this leads to uncertainty for markets, businesses and the economy overall.

One constant that I hope we can count on is monetary policy that remains insulated from political attacks and attempts to meddle with Fed independence.

The critical role played by the Fed

The election could also have a direct effect on the Fed itself. The President-elect's comments on this subject have been somewhat contradictory – he has stated both that the current low interest rates are good for the economy and that the Fed was being political in keeping them at these levels.

In Congress, some have called for revolutionary changes for the Federal Reserve. Changes that would affect the very nature of the institution. Changes that in my opinion would lead to disaster.

For those who would like to restrict the independence of the Federal Reserve, I think it's important to briefly review that immense benefit of an independent Federal Reserve. We only have to look back a few years.

When President Obama took office, he inherited what former Fed Chairman Ben Bernanke called “[...] the worst financial crisis in global history, including the Great Depression.”

The Federal Reserve quickly acted to lower rates to almost zero and has held them there for about eight years. It instituted several rounds of quantitative easing to further stimulate the economy.

This action by an independent Federal Reserve was critical to our recovery. Economists Alan Blinder and Mark Zandi found that efforts by the Federal Reserve and the Obama administration—with support from Democrats in Congress—dramatically reduced the severity and length of the Great Recession.

Recent Attempts to Undermine Fed Independence

With control of the legislative and executive branches, past Republican efforts to limit the Fed's independence may gain momentum.

Last year, Republicans in the House passed legislation—the FORM Act—that would fundamentally hamper the Fed's ability to conduct monetary policy.

It would limit the Fed's independence by forcing it to determine target interest rates using a mathematical formula, while ignoring a broad range of important economic indicators.

Chair Yellen, as you have noted before, if the Fed had been forced to follow such a rule in recent years, quote "[...] millions of Americans would have suffered unnecessary spells of joblessness over this period."

Another proposal is to jettison the Fed's mandate to try to maximize employment, and instead focus solely on inflation. I'm not sure that people in Michigan, Pennsylvania and other states would respond well to that suggestion. But if that's the conversation my colleagues want to have, let's have it today.

Conclusion

The past nine + years, going back to the start of the recession in 2007, have been an extraordinary period in U.S. economic history. We should continue to study and learn from it.

We are not out of the woods by any stretch. When the next recession hits, as it surely will, what will the monetary response look like? Will the Fed have the tools to restore growth? Will it turn to quantitative easing? What other effective policy tools will the Fed have at its disposal?

I want to make one final point. The Federal Reserve has been at the center of the U.S. and global economic recovery. Efforts to hamstring the Fed are misguided. Just as efforts to politicize it are wrong-headed.

Chair Yellen, thank you for appearing before the Joint Economic Committee today. I look forward to your testimony.

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