

U.S. Senator Elizabeth Dole
Committee on Banking, Housing and Urban Affairs
Hearing on: “The Semiannual Monetary Policy Report to the Congress”
Thursday, February 28, 2008
Opening Statement

Thank you, Chairman Dodd and Ranking Member Shelby for holding this very important hearing today. Chairman Bernanke, I join my colleagues in extending you a warm welcome.

Since last August, our financial markets have experienced tremendous uncertainty. Credit and capital markets around the world have struggled to comprehend the ramifications of the U.S. subprime lending and housing crisis. Fortunately, the Federal Reserve has been quick to act, lowering the federal funds rate from 5.25 percent to 3 percent. Congress also is working to help boost our economy.

Several recent reports have highlighted ongoing economic challenges. Such as last week, the *Wall Street Journal* said that the “leading economic indicators” fell for the fourth straight month. Since its July 2007 high, the index has fallen by two percent, which is the largest six-month drop since 2001. Additionally, for the week ending on February 16th, the four-week average of initial unemployment claims rose by 10,750 to 360,500, pointing to a softening of the labor market.

Furthermore, by the third quarter of 2007, household debt rose to \$13.6 trillion from \$7.2 trillion in 2001, a ten percent annual increase. Over this same time period, mortgage borrowing more than doubled. As a result, one out of every seven dollars of disposable income earned by Americans goes towards paying down debt.

Fears loom of higher inflation and more “pain at the pump.” The price of a barrel of oil has hovered around the \$90 mark and recently closed above \$100 per barrel. If these higher gas prices and inflationary pressures continue, coupled with the well-known weakness in across our housing sector, I – like many folks I hear from – am very concerned that future economic growth could be hindered.

No question, the health of our economy is influenced by many complex issues and expected and unexpected events. That said, I would like to highlight a few areas where I am focused to help spur growth and job creation.

I strongly support Trade Adjustment Assistance, which helps ensure that displaced workers have the ability to train for new careers. In recent years, my home state of North Carolina has undergone a difficult economic transition, as our state continues to evolve from a manufacturing and agriculture-based economy to a more services-oriented economy. In North Carolina and across the country, there is a need to address the growing gap between skilled and unskilled workers. Senator Cantwell and I have introduced legislation that would allow more workers to receive TAA benefits, including training, job search and relocation allowances, income support and other reemployment services.

Additionally, with respect to current regulation of financial institutions, it has come to my attention that some smaller banks are overburdened by compliance with Sections 404 and 302 of the Sarbanes-Oxley corporate accountability law. Mr. Chairman, these financial institutions are already highly-regulated, and it has become increasingly apparent that these regulations, while well-intended, only increase their costs of doing business. I hope this committee will soon consider legislation that would provide true regulatory relief for all financial institutions.

Chairman Bernanke, thank you again for being here today. I look forward to hearing from you – and working with you – on these and other important issues.