Crapo Statement at Hearing on Semiannual Monetary Policy Report to Congress
February 12, 2020

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled "The Semiannual Monetary Policy Report to the Congress."

The text of Chairman Crapo's remarks, as prepared, is below.

"Today, Federal Reserve Chairman Jerome Powell will update the Committee on monetary policy developments and the state of the U.S. economy.

"The U.S. economy continued to expand in 2019, exceeding 2 percent growth for the third straight year, as the American people enjoy the longest continued economic expansion in American history.

"The labor market is strong, with the labor force at an all-time high of 164 million people, and the most recent jobs report shows that employers added 225,000 jobs in January with the unemployment rate at 3.6 percent, remaining near a half-century low.

"Wages also grew in January by 3.1 percent from a year earlier, making it 18 consecutive months that pay has grown at an annualized pace of 3 percent or more.

"Americans' view on their personal financial situations are increasingly optimistic, according to Gallup trends. Nearly six in 10 Americans, or 59 percent, now say they are better off financially than they were a year ago, up from 50 percent last year.

"Tax reform in 2017, and right-sizing regulations – including under the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) in 2018 – have undoubtedly helped fuel this strong economy and labor market.

"Americans are set to benefit even more when considering the effects of USMCA and the Phase One Trade Deal with China.

"Despite this substantial progress, there are several external factors that could have a meaningful impact on economic activity and our financial markets that need to be better understood, including:

> "The Fed's decision to maintain a significantly larger balance sheet in the future, including its recent decision to purchase Treasury bills in response to volatility in short-term borrowing rates;
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> "The Fed's future plans to maintain stability in short-term borrowing rates, including potential structural, market-based fixes;

> “The risks of the transition away from LIBOR to an alternative reference rate, and steps that should be taken to ensure a smooth transition and curb risks to businesses and financial markets; and
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> “The potential impact of the coronavirus on global commerce and growth.

“The Fed has also taken a number of important supervisory and regulatory actions that merit attention.

“The Fed and other federal financial agencies recently proposed amendments to the Volcker Rule that would improve, streamline and clarify the covered funds portion of the rule.

“That proposal builds on the agencies’ simplification of the Volcker Rule in 2019, standing to improve market liquidity and preserve diverse sources of capital for businesses while striking the appropriate balance with safety and soundness.

“Additionally, many Banking Committee Republicans and I have raised serious concerns in the past with the agencies’ supervisory and examination processes, including the use of guidance as rules.

“In January, Fed Vice Chairman Quarles offered a roadmap to foster transparency, accountability and fairness in bank supervision, including:

> “Tailoring the supervisory framework to better align with the Categories developed under the Fed’s domestic and foreign bank tailoring rules;
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> “Putting significant supervisory guidance out for public comment and submitting it to Congress under the Congressional Review Act; and
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> “Other commonsense improvements to the supervisory process, such as a rulemaking that would cover the agencies use of guidance in the supervisory process.

“This roadmap is greatly encouraging and I urge the Fed to take steps to put it into motion.

“Finally, there is constant innovation, including in the financial services industry, to increase resources to unbanked and underbanked populations, reduce friction in payments and increase efficiency in the delivery of financial products and services. Some recent examples are:

> “Facebook’s announcement of Libra, a new stable digital cryptocurrency backed by a reserve of real assets and leveraging blockchain technology;

> “Work by global governments and central banks to explore the development of central bank digital currencies, especially amid rumors that China’s launch of a digital Yuan is imminent;
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> “The numerous applications of distributed ledger technologies, including in clearing and settlement, identity verification and cross-border transactions; and
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> “Some financial institutions’ adoption of public cloud technologies.

“As I have stated in past hearings, it seems to me that technological innovations in this space are inevitable and the U.S. should lead in developing what the rules of the road should be.

“During this hearing, I look forward to hearing your thoughts on these important issues, and about work the Fed is engaged in to appropriately address them.

“Chairman Powell, thank you for joining us today.”

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