JOINT ECONOMIC COMMITTEE
VICE CHAIR AMY KLOBUCHAR
UNITED STATES CONGRESS
PRESS RELEASE

Date: May 22, 2013

"The Economic Outlook" with Federal Reserve Chairman Ben Bernanke

Opening Statement of Senator Amy Klobuchar, Vice Chair of the Joint Economic Committee

As Prepared for Delivery

Chairman Bernanke, thank you for being here. I look forward to your testimony on the state of the economy and your thoughts on the short-term and long-run issues facing the U.S. economy.

The economy has added private-sector jobs for 38 straight months. During this time, 6.8 million private-sector jobs have been created. Key economic indicators are also showing strength—the housing market is recovering, and credit conditions continue to improve. But we know there is more work to do.

My hope is that this hearing will allow us to talk about potential solutions that can move the country forward. And because of the Fed's two objectives for the nation's monetary policy—maximum employment and stable prices—I'm eager to hear your thoughts, Chairman Bernanke, on what the Fed is doing to stimulate lending and economic activity.

One issue that I know we are all concerned about is getting our fiscal house in order.

In the past two years, Congress has made some progress in reducing the deficit. We've already achieved $2.4 trillion in deficit reduction and the goal of $4 trillion is within our grasp.

Last week, the Congressional Budget Office reported that the deficit will fall to $642 billion this year, $200 billion less than what the CBO projected just three months ago. The better numbers reflect good news in housing and larger than expected increases in tax revenues. But I believe that resting on these numbers would be a mistake. I think we're closer to reaching a new deficit agreement than many people believe.

There is bipartisan agreement on this. At a hearing this Committee held in March, former Republican Senator Judd Gregg shared a quote from the Foreign Minister of Australia, who said, "The United States is one debt deal away from leading the entire world out of [its] economic doldrums." I

think that's exactly right.

But, it's only going to happen if we work in a bipartisan manner to get a deal done. I believe that the budget the Senate passed, which I voted for, is the right approach.

It's balanced—with targeted spending cuts to replace sequestration and new revenues from closing loopholes and ending wasteful spending in the tax code that would stabilize our debt-to-GDP ratio at around 70%.

You have warned, Chairman Bernanke, that cutting too much too soon could lead to a sharp contraction. I quote you a lot on that because for any woman who has gone through labor it is a highly memorable description. It is one of the reasons I believe deficit reduction must be paired with economic growth.

Our ultimate goal isn't simply a balanced budget; it's a budget that has balance. As we work towards that goal, we must avoid a repeat of the debt ceiling brinkmanship in the summer of 2011 that rattled financial markets, led to a downgrade of the U.S. credit rating and unnecessarily harmed our economy.

When I asked you about the debt ceiling showdown at a JEC hearing in the fall of 2011, you answered bluntly that it's "no way to run a railroad."

I agree. We must do better this time. And we must continue pressing policies that will help the economy: immigration reform, a long-term farm bill, work-skills training for our own students, regulatory reform and comprehensive tax reform. Part of this is, of course, smart Federal Reserve policies.

Since the financial crisis began in 2007, the Fed has used many tools to bolster the economy. It has kept short-term interest rates near zero since late 2008, and has taken action to keep longer-term interest rates and mortgage interest rates low.

As you and I have discussed, this makes it hard on savers, yet in the past three years, Americans have saved more than 4 percent of their incomes.
The Fed has also taken steps to open up its policy-making process, expand communication, provide more specific guidance and enhance the transparency of monetary policy.

Finally, there has been an ongoing discussion about changing the Fed's goals to focus solely on price stability—and we held a good hearing on this issue.

In my view, now is not the time for the Fed to take its eye off promoting employment. My hope is that Democrats and Republicans can come together to find solutions that put more Americans back to work.

The unemployment rate, while heading in the right direction, remains at 7.5 percent, well above the

6.5 percent level the Fed committed to reaching before changing course on interest rates.

At the same time, inflation is well below the Fed target of 2 percent. It's at about 1 percent over the past 12 months.

I believe we've turned the corner and our economy is getting stronger. We have had almost three and a half years of private-sector job growth.

While this is good news, we have much more to do. I look forward to discussing how we can build on this economic progress. Chairman Bernanke, thank you for being here and for your testimony this morning.

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