

Statement of Carolyn Maloney
Joint Economic Committee Hearing
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As Prepared for Delivery

I want to welcome Dr. Ben Bernanke, the Chairman of the Federal Reserve, and thank you for your testimony here today.

I cannot think of a person better able to help us understand what is happening in the real economy and in the financial sector.

Our hearing today on the economic outlook is timely for many reasons. It is no secret that the real economy still faces substantial headwinds.

The recession that began in December 2007 has still not run its course. Real GDP contracted at a 6.1 percent annual rate in the first quarter of this year and it is widely expected that the BLS will report large monthly job losses again this Friday.

In testimony before this committee last week, Dr. Christina Romer, the Chair of the President's Council of Economic Advisers, said that she expects GDP to contract during the second quarter.

But there are some indications of potential improvement in the economy. Consumer confidence is up, and the decline in house prices has moderated slightly.

Nonetheless, the dismal GDP and job loss numbers underscore the wisdom of the American Recovery and Reinvestment Act (ARRA) that Congress passed and President Obama signed into law in his first 30 days in office.

The recovery measures are just starting to work their way into the economy, and will provide a much needed boost to demand. Without these measures the depth of the contraction would be much deeper, and the recovery would take far longer.

We will be very interested to hear the Federal Reserve's view about the near term prospects for economic growth and job creation.

Developments in the real economy are of course strongly affected by conditions in the financial sector.

The failure of major financial institutions and the disruption of credit markets has taken a toll on business and consumer confidence, and made it difficult for businesses and households to fund everyday economic activity.

The Federal Reserve -- in collaboration with the Treasury and the FDIC -- has taken an extraordinary series of measures to preserve financial stability and to restore the proper functioning of key credit markets.

These measures have prevented a financial crisis from becoming something far worse, and we are grateful for your leadership.

How far we have come in restoring normal functioning to the financial system, and what remains to be done are key questions.

We all understand that a successful recovery in the real economy requires healthy banks and credit markets.

Not surprisingly, we are all eagerly awaiting the final results of the "stress tests" on the nation's 19 biggest banks, which have been postponed until Thursday.

The diagnosis delivered by regulators will provide a road map for restoring confidence in these institutions. Determining the capital needs of our largest banks is a critical step toward restoring financial stability that I hope will bring us closer to turning the corner on this crisis.

Additionally, Chairman Bernanke, I am grateful for your leadership in ushering in new rules to prevent unfair or deceptive practices with respect to credit card accounts. The relevant agencies received a tremendous response of more than 66,000 comments on the rules, including written comments from tens of thousands of individual consumers.

These rules are very similar to the bill we passed in the House last year and last week. Your support for doing away with these deceptive practices has provided momentum that I hope will push the legislation through the Senate and on to the President's desk.

Lastly, I want to commend you for establishing greater transparency at the Fed. To be sure, there are fewer "secrets of the temple" today, but I know you will appreciate that we must continue to work to strike a better balance between institutional interests and the public's right to know how their money is being spent.

Chairman Bernanke, we thank you for your testimony and I look forward to working with you as the committee continues our focus on fixing the economy, putting people back to work, and helping struggling families.