

## OPENING STATEMENT OF REP. MELVIN WATT

### Financial Services Committee Hearing Entitled, “Monetary Policy and the State of the Economy”

Wednesday, February 24, 2010

Mr. Chairman: I first want to congratulate Chairman Bernanke on his confirmation for a second term as Chairman of the Federal Reserve Board and welcome him back to the Committee, although I suspect this Committee appearance might not be as cordial as some *Humphrey-Hawkins* appearances have been. This is a tough political environment that has grown more frustrating to all of us as a result of high unemployment, economic despair and growing deficits and debt.

In ordinary times during my tenure on this Committee, these semi-annual *Humphrey-Hawkins* hearings have focused almost exclusively on the Fed’s use of interest rate changes to impact economic activity and control inflation. However, these are not ordinary times. Inflation remains a non-issue at only 0.2% as of January 2010. It is obvious that short-term concerns about inflation must, for the time, take a back seat to urgent concerns about continuing job losses.

The Federal Reserve Act of 1913 and Federal Reserve Act Amendments of 1977 require the Fed to pursue a “dual mandate” of fostering maximum sustainable employment and stable prices. The “stable prices” part of this mandate will not, and probably should not, receive much attention today. I was often at odds with former Chairman Greenspan about his and other economists’ notion that there is some “natural rate of unemployment” of around 4.5%. I simply never accepted the notion that any percentage of unemployment was acceptable when there were people who wanted and needed to work. Now at least 9.7% of the people who want to work can’t find jobs and I doubt that anyone would argue that this is acceptable. Unfortunately, in urban and minority communities, the unemployment rate is even higher and this saps the potential of millions of people to contribute to the national economy and lead productive lives.

These are indeed perilous times. Some labor experts estimate that 6.3 million Americans have been unemployed for 6 months or longer and that the economy needs at least 100,000 new jobs a month just to absorb new entrants into the labor force. Who knows how many people have given up looking for work and are no longer counted in unemployment statistics?

With more than 15 million people officially jobless, it is likely that even a strong recovery will leave many jobless for years. We could be perilously close to creating a class of “permanently unemployed.” Behind these statistics are painful stories of real people with dreams and aspirations to provide for their families and contribute to their communities. They simply can’t fulfill those aspirations without jobs.

Against this backdrop, the question I really need to have addressed today is what tools the Fed has in its toolkit to reverse the trends and spur job growth in the 12<sup>th</sup> District of North Carolina and elsewhere in America. I asked a similar question at last year’s *Humphrey-Hawkins* hearing and, at that time, Chairman Bernanke vowed to take “strong and aggressive” action to halt the economic slide and improve job growth. One year later, unemployment has gotten worse, although there are small signs of recovery. Today, I hope to hear specifics on the Fed’s plans to spur job growth and meet the other half of its dual mandate -- fostering maximum sustainable employment. If there are things Congress can and should do to help, I stand ready to help.