Opening Remarks
Representative Maxine Waters, D-CA 35th

Committee on Financial Services

Hearing to Receive the Testimony of the

Chairman, Ben Bernanke of the Federal Reserve Board of Governors

Thursday, July 20, 2006

Good Morning. Mr. Chairman and Ladies and Gentlemen, I want to welcome our Federal Reserve Board of Governors, Chairman, Dr. Ben Bernanke, back to the Committee. When we heard from Chairman Bernanke, shortly after his confirmation hearings and swearing in as the new Fed Chairman in February of 2006, things were relatively calm. Things have changed.

Back then, Chairman Bernanke identified three issues in his testimony that he felt could influence the economy --energy prices, slowing of the housing market, and resource utilization. Much has happened since February; in particular we have seen a steady rise in energy prices. Of course, with events unfolding in the Middle East, there appears to be no end in sight to the increase in energy prices. Since February the price of crude oil has risen by more than 30 percent from around $55.00 a barrel to its current price of $78.00 a barrel. The economy has been able to weather the price increases, but will it be able to do so in the future. To the extent that energy prices continue to rise, we are likely to witness a major slow down in the economy that could be the precursor of a more ominous future and even recession. In addition, the simmering housing market has slowed down considerably, and resources are being stretched because of increased global demands.

One issue that your past testimony did not cover was the enormous debt. A week ago, the Administration released its Mid-Session Review of the Budget, which revealed that we are not on a path to a balanced budget, and there is no plan, process or prospect for balancing the budget.

While the Administration claims credit for bringing the deficit down, it should be given credit for producing these huge deficits in the first place.

The Administration's estimate of $296 billion deficit for 2006 is the fourth largest in history, and is $601 billion worse than the surplus that the Administration estimated in 2012. If the Social Security surplus is excluded, the 2006 deficit is $473 billion. Even under the Administration's five year forecast, deficits never get better than $123 billion. But once likely costs omitted for the Administration's numbers are included like the war -- the budget deficit is really around $229 billion. Unfortunately, these large deficits add to mounting debt that only future generations will have to pay -- from $8.5 trillion at the end of 2006 to more than $11.0 trillion at the end of 2011. I would submit to you Chairman Bernanke that something is wrong with this picture, something is amiss.

While I know you are here to update the Committee on the economy and monetary policy, I also wanted to raise the issue of minority employment in the financial services industry. Just last week, the Subcommittee on Investigations and Oversight of our Committee heard testimony concerning the financial services industry and minority managerial positions. Not only was I surprised by the trends in the industry, I could not believe that minority managers had grown in absolute terms by 1 percent in terms of the numbers employed in the last ten years, 4.6 percent in 1993 to 5.6 percent in 2004. The financial services industry has been one of the fastest growing sectors for employment, but one of the slowest in promoting minorities to participate in the rewards. This is a trend that must be reversed, if we are to grow an economy that is fair and equitable.

Mr. Chairman, I would like to get your sense of whether we are headed in the right direction. I am concerned about how long we can expect the economy to continue to grow and to expand opportunity. Or are we confronting a double edged sword with energy prices, huge deficits that will result in loss income, unemployment and high inflation. Do you believe that we should be considering policies to turn-off the Administration's automatic pilot on the economy, reversing the policies that have led to our current fiscal situation, as well as our economic position in the global economy. Mr. Chairman. Thank you.