Prepared Ryan Opening Statement
Fed/ Bernanke Hearing
1/17/08

- Thank you Chairman Spratt for organizing this hearing - it is well timed, and I can't think of a more authoritative witness to discuss the state of the economy than Chairman Bernanke.

- Clearly, the Fed faces a particularly challenging environment right now.

- Americans have genuine, and legitimate, concern about the expectations of slower economic growth in the months ahead.

- Last week, I held 15 listening sessions with my constituents back in Wisconsin. And – *as I would imagine was the case in most Members' districts* – the economy was a key topic at *every one* of those meetings.

- Lately, it seems clear the Fed has been focused on employment growth as its primary objective. We in Congress are focused on job growth as well, given that we have jurisdiction over fiscal policy.

- As such, we are all in the midst of discussing a short-term economic growth package. But the Fed has sole responsibility for monetary policy, and many would argue that the primary mandate of the Fed is price stability.

- Data released yesterday showed that the consumer price index rose more than 4 percent last year, the largest annual increase since 1990. Oil prices have soared, food prices have increased, and just this week, the price of gold – a traditional hedge against inflation – jumped to a nominal all-time high.

- Meanwhile, the Fed's softer monetary policy stance – and the prospect of future rate cuts – has contributed to a further decline in the dollar, which can raise import prices, further stoking inflation.

- My concern is that these interest rate cuts could lead to even more inflation down the road – and history has shown that once inflation pressures are in the pipeline expectations change, and they can prove costly to deal with. The Fed risks having to put the brake on economic growth later on – via *higher* interest rates – in order to wring that inflation out of the system.

- In your testimony, Chairman Bernanke, you point to the Fed's "dual mandate" of promoting maximum sustainable employment and price stability.

- In this respect, it is appropriate to highlight the balance of risks associated with policy reactions – and to make sure that the benefits of any short-term measures are not dwarfed by the cost to our long-term economic health.

- Meanwhile, Congress and the Administration are considering additional responses through *fiscal* policy – and like you, we face similar risks and tradeoffs.

- In considering our strategy for crafting an economic growth plan, there are several key principles we need to keep in mind**:**

- First, Do No Harm. I am concerned that, *in our rush to "help,"* we talk ourselves into a quick, feel-good hit today that will leave us with a bigger budgetary hangover tomorrow. The worst thing we can do right now is raise taxes. And we simply cannot *spend* our way to prosperity.

- Whatever short-term responses Congress undertakes should aim at *reinforcing the prospects for long-term, sustainable growth*.

- Second, Play to Our Strengths. The strength of our economy lies in its innovation, productivity and resilience – and all flow from sound policies aimed at *sustained* growth.

- These policies include: a low tax burden and a stable rate of inflation, a reliance on the private sector before the government, an attractive investment climate, and a dynamic labor force.

- Growth also requires *tax certainty* – so that American businesses and families can plan for the future. *And Congress can do something about this*.

- Right now, Congress can act to make current tax laws permanent – thereby preventing the largest tax hike in our nation's history. And we can address the AMT *early* this year – giving middle-class families peace of mind that they won't face a much-higher tax bill next year. *Unfortunately, I understand the Majority is already taking that growth proposal off the table*.

- Finally, Don’t Add to the Entitlement Crisis.

- I am particularly concerned that Congress will be tempted to use the excuse of “fiscal stimulus” to push through a wish list of new entitlement spending – further worsening the outlook for these programs and our nation’s economic future.

- Expert after expert has warned this Committee that our largest entitlement programs – particularly Social Security, Medicare, and Medicaid – pose *the* greatest threat to our nation’s future prosperity. And this problem will remain long after the economy works through its near-term problems.

- In short, I believe that in addressing current economic concerns, we’ve got to keep our focus on *good economic policy* that lasts beyond the next few quarters. That is the best recipe for *real, long-term growth, which should always be our ultimate goal*.