

ECONOMIC AFFAIRS

Bernanke Urges Lawmakers from Both Sides to Do More to Boost Economy

BY BEN WEYL, CQ STAFF WRITER

Although Republicans are warning the Federal Reserve against taking further steps to boost the economy, Fed Chairman Ben S. Bernanke is weighing his options as the economic recovery looks increasingly fragile and Congress remains deadlocked on fiscal policy.

All eyes have been on the Fed since last week's news that only 69,000 jobs were created during May, and that the growth rate of the nation's gross domestic product during the first quarter of 2012 has been revised downward to 1.9 percent.

Democrats in Congress have expressed hope that the new figures will spur the central bank into action. But Republicans, who have vocally criticized the Fed's previous interventions, caution against new measures. With Congress divided on fiscal issues, many analysts see the Fed as the only actor left that can turn the direction of the economy.

During a Joint Economic Committee hearing Thursday, Bernanke said his powers are limited, and urged lawmakers to do more to put the country on solid footing.

"Monetary policy is not a panacea. It would be much better to have a broad-based policy effort addressing a whole variety of issues," said Bernanke. "I'd be much more comfortable if ... Congress would take some of this burden from us and address those issues."

Those comments cheered Rep. Kevin Brady, R-Texas, who encouraged Bernanke to rule out a third round of Fed bond-buying, known as quantitative easing. "I wish you would look the market in the eye and say the Fed has done all it can, perhaps too much," Brady said. "And I wish you'd look this president and Congress in the eye and say, 'It is time to do your job.'"

But lawmakers sharply differ on what to do on fiscal matters, with Democrats supporting additional stimulus efforts and Republicans pushing for regulatory rollbacks and lower tax rates. That standoff may make it more likely that the Fed will step in, perhaps reluctantly, unless the economy picks up steam.

The central bank's Federal Open Market Committee, which makes monetary policy decisions, meets June 19 and June 20. Bernanke said Thursday it is too soon to tell if he will propose new measures to increase



Bernanke testifies Thursday before the Joint Economic panel. The Fed still has 'a range of options,' he says.

growth and employment. Bernanke said he and his Fed colleagues are working on new economic projections for this month's meeting.

"The key question we'll be facing will be will economic growth be sufficient to achieve continued progress in the labor market," Bernanke said. "And our mandate for maximum employment says that we should be looking to try to achieve continued improvement."

The Fed has not exhausted its toolbox, he added, and still has "a range of options" that could provide additional support to the economy.

GOP lawmakers are unlikely to welcome those remarks. Under Bernanke's leadership, the Fed has drawn the ire of conservatives by taking a series of unconventional steps in an effort to pull the economy out of recession and spur growth. Since December 2008, Bernanke has kept interest rates exceptionally low — essentially zero — and has pledged to keep them there until late 2014, a remarkable commitment. Bernanke has also led the Fed to buy, in two rounds, \$2.3 trillion in long-term securities to further lift the economy and keep mortgage rates low.

The second round, begun in November 2010, remains a flash point for conservatives worried about inflation, although such fears have so far proved unfounded. In the ongoing debate over the appropriate role

of government, Republicans have seized upon the Fed's actions as an example of federal overreach into the economy.

GOP Seeks to Tighten Bank's Mandate

In an effort to rein in the Fed, some Republican lawmakers are pushing legislation to narrow the central bank's mandate so it focuses solely on keeping inflation low. Currently, the Fed is tasked with pursuing maximum employment as well as price stability — something Bernanke frequently mentions when defending his expansionary policies. Brady has one such bill (HR 4180) that has been the topic of hearings, although it is not expected to advance in Congress this year.

But should the Fed determine later this month that the economy is still on a path to recovery and decide to hold its fire, it is sure to encounter criticism from the left. Bernanke's former Princeton University colleague Paul Krugman, in particular, has criticized the Fed chairman for doing too little to reduce the unemployment rate, which was 8.2 percent last month.

"I would like to respectfully speak in opposition to the point of view that has been put forward by my colleagues on the other side of the aisle," Rep. Carolyn B. Maloney, D-N.Y., said Thursday. "I think it's particularly important coming up on your June meeting that you act forcefully to help our economy." ♦