

Testimony by Bert Ely
to the
Subcommittee on Domestic Monetary Policy and Technology
of the
House Committee on Financial Services
at a hearing titled
**Monetary Policy and the Debt Ceiling:
Examining the Relationship between the
Federal Reserve and Government Debt**
May 11, 2011

Mr. Chairman Paul, Ranking Member Clay, and members of the Subcommittee, I very much appreciate the opportunity to testify to you today about the relationship between the Federal Reserve and government debt, specifically as that relationship relates to monetary policy and the federal debt ceiling. After first discussing the Fed's balance sheet and financial results in recent years, I will address policy questions related to the relationship of the Fed to the Treasury Department and the wisdom of monetary policy.

The Federal Reserve's balance sheet

I begin by presenting two charts (attached) which illustrate the components of the Fed's balance sheet over the last four years – Exhibit 1 shows the components of the asset side of the Fed's balance sheet and Exhibit 2 shows the components of the liability side of its balance sheet.¹ These two charts show the extremely rapid growth of the Fed balance sheet – it more than doubled in size, with total assets rising from \$907 billion on September 3, 2008, to \$2.26 trillion on December 17, 2008. After shrinking in early 2009, the Fed balance sheet resumed growing, reaching an all-time high of \$2.72 trillion just last Wednesday, May 4, 2011. How much more it will grow is anyone's guess.

As the Fed balance sheet has grown, the composition of its assets has changed significantly. In 2008 and through 2009, most the growth in the Fed's assets was related to the Fed's support of the financial system through programs such as its Term Auction Credit, loans to banks and others, such as AIG, and portfolio investments, principally three Maiden Lane LLCs. The Fed also engaged in liquidity swaps with other central banks to help ease international monetary pressures. To finance these new activities, the Fed first shrank its holdings of Treasury securities – they declined from a peak of \$791 billion on August 8, 2007, to a low of \$475 to \$480 billion between June of 2008 and March of 2009.

About two years ago, Fed assets began a second transformation which continues to this day. While its balance sheet has continued to grow, Fed lending to and investments in the credit markets and private-sector institutions has declined significantly while all of its central bank liquidity swaps

¹ The data presented in these two charts are taken from Table 9 in the Federal Reserve's weekly H.4.1 statistical release. That table presents the statement of condition (balance sheet), as of the Wednesday of that week, for each of the twelve Federal Reserve banks and a consolidated balance sheet for all twelve banks.

have expired, reflecting the increased stability of the international financial markets. At the same time, the Fed's investment in federal agency debt, i.e., debt issued by government-sponsored enterprises (GSEs), and mortgage-backed securities (MBS)² has grown dramatically – from an initial \$10 billion on September 24, 2008, to \$1.05 trillion last Wednesday; that amount is down from a peak of \$1.294 trillion on June 23, 2010. The Fed now owns about 14% of the total debt and MBS issued or guaranteed by the three housing-finance GSEs and Ginnie Mae.

The other element of the second transformation in the Fed's asset composition has been the growth of its holdings of Treasury securities. From March 2009 to October 2009, they rose to a new plateau, in the range of \$775 billion, which held until August 2010. Since then, the Fed's holdings of Treasury securities have nearly doubled, to \$1.442 trillion as of last Wednesday. This tremendous growth in the Fed's Treasury securities reflects in large part the consequence of the Fed's Quantitative Easing program to bring down longer term interest rates.

As Exhibit 2 shows, almost all of the growth in the Fed's liabilities has occurred in its deposits – from the Treasury Department and from banks. Treasury deposits started rising in late September 2008 and peaked at \$615 billion on October 22, 2008, as the Treasury borrowed funds to effectively lend to the Fed so that the Fed could lend and invest those funds in the financial markets.

As the proceeds from the Fed's lending and investing began flowing into banks, banks deposited those funds in the Fed. On October 9, 2008, the Fed began paying interest on reserve balances, which gave banks an incentive to hold cash balances at the Fed. Consequently, as Exhibit 2 shows, bank deposits at the Fed grew dramatically in late 2008 and early 2009, rising from \$11 billion on September 3, 2008, to \$860 billion on December 31, 2008.

The jump in bank deposits permitted the Treasury to begin to reduce its deposits at the Fed, a trend that, with ups and downs, has continued to this day. That reduction in its deposits at the Fed has permitted a corresponding reduction in Treasury borrowings. After remaining relatively flat through 2010, bank deposits at the Fed began rising during the first quarter of this year, reaching \$1.54 trillion on April 13, 2011. Bank deposits at the Fed now account for more than 10% of total banking-industry assets.

Exhibit 2 also illustrates the relatively steady growth of the Fed's other major liability – currency outstanding. Over the last four years, from May 2, 2007, to May 4, 2011, currency outstanding (much of which circulates outside the United States) has grown at a compound annual rate of 6.02%.³ Currency (along with coins issued by the Treasury) represents the non-interest-bearing portion of the federal debt. Although pieces of currency are labeled as Federal Reserve Notes, they are in fact just as much a liability of the federal government as are the interest-bearing bills, notes, and bonds issued by the Treasury Department. That is, each piece of currency represents a zero-interest Treasury bill with no fixed maturity date.

Currency outstanding, i.e., currency actually in circulation versus currency sitting in Fed vaults, is the one element of the Fed balance sheet over which the Fed has no control as to the amount outstanding. That is, the amount of currency outstanding is totally demand-driven. The Fed

² Fannie Mae and Freddie Mac debt and MBS, Federal Home Loan Bank System debt, and Ginnie Mae MBS.

³ The annual growth rates within that four-year period (measured from the Wednesday closest to May 2) were as follows: .64%, 11.42%, 3.65%, and 8.71%.

cannot force currency into circulation – Americans and others will hold only as much currency as they desire, and no more. That is why the Fed could not look to currency as a funding source for its tremendous balance-sheet growth in recent years. Instead, the Fed has had to borrow from the Treasury, in the form of Treasury deposits, and from the banking industry, in the form of deposits banks have placed at the Fed. If inflation emerges again in the United States, it will not be because the government literally cranked up the printing press to force more paper currency into circulation.

Exhibit 3 illustrates the symbiotic relationship between the Fed and the Treasury by showing the extent to which the Net Treasury Position (NTP) at the Fed has varied over the last four years. The NTP is merely the total amount of Treasury securities owned by the Fed at any point in time minus the amount the Treasury has on deposit at the Fed on that day. In effect, the NTP measures the extent to which the Fed is using liabilities largely held in the private sector – currency and bank deposits at the Fed – to finance the federal government’s accumulated deficit.

Normally, the NTP is positive because the Fed invests the proceeds of its currency issuance in Treasury securities. However, in late 2007, as the Fed began to support the private credit markets and global financial stability, the NTP started to decline before falling off the cliff in the fall of 2008. From December 5, 2007, to October 22, 2008, the NTP dropped \$913 billion, reaching a negative position of \$138 billion on the latter date. The Treasury had to access the capital markets to fund that drop in the NTP. Fortunately, rates on Treasury debt remained relatively stable during that time. It then took over two years, until January 12 of this year, for the NTP to reach its former level. Since then, the NTP has grown another \$524 billion as bank deposits at the Fed have grown and as the Fed has steadily liquidated its non-traditional loans and investments.

Exhibit 4 further illustrates changes in the Fed balance sheet over the last four years. The left column (June 6, 2007) illustrates a typical pre-crisis Fed balance sheet, with Fed-issued currency intermediated into Treasury securities and both of those items comprising approximately 90% of their side of the Fed balance sheet.

The middle column (June 3, 2009) shows the Fed just past the peak of the credit-market crisis but as it is ramping up its support of the housing-finance GSEs. The bracketed numbers, totaling \$1.213 trillion, show the amount of non-traditional support the Fed was providing to the credit markets and the GSEs at that time.

The right column summarizes the most recently available Fed balance sheet – May 3, 2011. Although almost \$650 billion larger than the June 3, 2009, balance sheet, it shows a substantial increase – \$836 billion – in Treasury securities as the NTP was rebuilt but only a modest \$80 billion decline in non-traditional credit support. However, all but \$81 billion of that non-traditional activity represented Fed support of the housing GSEs – over \$1 trillion.

The Fed has become an extremely profitable bank

There has been insufficient recognition that the Fed has become an extremely profitable bank since 2007. Exhibit 5 illustrates the Fed income statement for 2007 – the last “normal” Fed year in which it sent back to the Treasury \$5.7 billion less than it received as interest on Treasury securities. That is, Fed activities cost taxpayers \$5.7 billion for calendar year 2007.

Exhibit 6, which illustrates the Fed income statement for 2010, shows how the Fed earned a \$52.9 billion profit for taxpayers last year as it assumed substantial credit and market risks. That is, the Fed returned \$52.9 billion more to the Treasury than the Treasury paid the Fed as interest on its Treasury securities – \$79.27 billion paid to the Treasury by the Fed minus \$26.37 billion paid to the Fed by the Treasury.

Exhibit 7 shows changes in the Fed's income statement from 2007 to 2010. Three items are of particular note in this exhibit. First, the decline in the amount of interest the Fed earned on its Treasury securities reflects the decline of the average yield on the Fed's Treasury securities offset to a small degree by a 3.3% increase in the average amount of the Fed's Treasury securities in 2010 relative to 2007. Second, the tremendous increase – from \$575 million in 2007 to \$53.02 billion in 2010 – in interest the Fed earned other than on loans and its Treasury securities. Third, largely as a result of that jump in "other interest income," the huge increase in the monies the Fed returned to the Treasury.

The Fed's 2010 profitability follows Fed profits of \$24.5 billion in 2009 and \$4.2 billion in 2008.⁴ Over 2008 to 2010 period, the Fed increased its Surplus account (in effect, Fed earnings not turned over to the Treasury) by \$8.07 billion. Therefore, over 2008-2010 period, the Fed earned almost \$90 billion – \$89.681 billion to be exact. By contrast, the total after-tax profit for the 2008-2010 period for all FDIC-insured institutions was less, \$81.39 billion.

The Fed's profitability in recent years has been due to, one, the tremendous growth in its income-producing assets, specifically GSE debt and MBS; two, its extremely low cost of funds – zero on the currency it issues and .25% on deposits banks have placed with it; and three, the relatively modest increase in its operating expenses since 2007. Given that all three trends have continued into 2011, there is every reason to believe that 2011 will be another extremely profitable year for the Fed. A key public-policy question, though, is whether the federal government, through the Fed, should play such a substantial role in the credit-intermediation business.

The Fed should be viewed as an extension of the U.S. Treasury

Although Congress chartered the Fed as an independent entity, specifically to operate independently of the Executive Branch, that independence should be questioned from two perspectives – the management of the federal government's finances and the efficacy and desirability of monetary policy. This section of my testimony will examine Fed independence from a financial perspective while the next section will address monetary policy.

Federal Reserve independence is a myth in one crucial regard – it is a creature of Congress and it operates with the full-faith-and-credit backing of the federal government and therefore of the federal taxpayer. The Fed has no creditworthiness of its own – its creditworthiness stems strictly from being an instrumentality of the federal government and therefore from the financial backing of American taxpayers. In this regard, the Fed is no different than all other central banks. The Fed has independent decision-making power only to the extent that Congress has granted that power.

⁴ For 2009, the Fed earned \$22.89 billion on its Treasury securities and returned \$47.43 billion to the Treasury. For 2008, the Fed earned \$27.52 billion on its Treasury securities and returned \$31.69 billion to the Treasury.

Likewise, the Fed's ability to issue currency, and to earn interest on investments funded by that currency, was authorized by Congress, and could be retracted by Congress.

Key to understanding the linkage of the Fed to the rest of the federal government is to consolidate the Fed and Treasury Department balance sheets. Exhibit 8 places these two balance sheets side-by-side. Exhibit 9 presents an accounting consolidation of the two balance sheets so as to present a more complete picture of the federal government's finances.⁵

There are important merits in viewing the Treasury and Fed balance sheets on a consolidated basis. First, the asset side of this balance sheet shows the extent to which the federal government – through the Treasury and the Fed – is supplying credit to the private sector, notably to finance housing and higher education. That amount of credit as well as other assets financed by the Fed and the Treasury totaled to \$2.12 trillion at the end of March 2011, as shown in Exhibit 10. This government-supplied credit has been funded entirely by Treasury debt, pushing the outstanding federal debt \$2.12 trillion closer to the federal debt ceiling.⁶

Second, the liability side of this consolidated balance shows in Exhibit 10 that private-sector funds – principally deposits by banks in the Fed – provided \$1.676 billion of financing to the federal government as of the end of March 2011. These non-Treasury-debt liabilities effectively funded 79% of the federal government's financial assets at March 31 (\$1.676 trillion/\$2.12 trillion). One of the big financial challenges the federal government (i.e. the Fed and the Treasury) faces going forward is winding down both of these components of the government's balance sheet as the economy continues to recover.

Third, the liability side of the consolidated balance sheet shows that at the end of March currency outstanding accounted for 10.4% of the total federal debt held by the public – \$964 billion in currency plus \$8.313 trillion of interest-bearing Treasury debt. The non-interest-bearing portion of the total debt held by the public has declined in recent years as budget deficits have forced the issuance of substantial amounts of interest-bearing debt. At the end of 2007, currency accounted 15.3% of the federal debt held by the public.⁷

Given the magnitude of federal budget deficits for the foreseeable future, the currency portion of the federal debt will continue to decline unless the federal government adopts the practice of third-world countries and, one, begins to pay its bills in currency and, two, refuses to permit banks to exchange currency deposited with them for interest-bearing Treasury debt. Given the

⁵ The Treasury balance sheet is derived from Table 6 of the Monthly Treasury Statement; the most recent statement is as of March 31, 2011. The nearest Federal Reserve balance sheet is as of March 30, 2011. The difference in Treasury deposits at the Fed is due to the effect of March 31, 2011, transactions on the Treasury cash balance at the Fed. Other transactions on March 31, 2011, would affect the amounts shown in Exhibit 9, but the effect of those transactions is not considered to be material for the purposes of this discussion.

⁶ For the purpose of calculating the amount of federal debt subject to the federal debt ceiling, outstanding federal debt includes debt held by the public and the Federal Reserve as well as intragovernmental holdings of Treasury debt securities (such as Treasuries held by the Social Security Trust Fund), but excludes currency outstanding.

⁷ At December 31, 2007, Treasury debt held by the public and the Fed was \$5.122 trillion, including \$741 billion held by the Fed. Currency outstanding on that date was \$792 billion. Therefore, the total federal debt held by the public was \$5.173 trillion (\$5.122 trillion - \$741 billion + \$792 billion); \$792 billion/\$5.173 trillion = 15.3%.

evolution of the federal government's payment mechanisms from currency⁸ to checks to direct deposit, it is highly unlikely that the federal government can finance future deficits with currency, except to the extent that Americans and non-Americans are willing to hold U.S. currency. The printing press will not be a cure for financing future deficits.

In sum, the Fed could be folded into the Treasury Department tomorrow with no adverse effects (except for the jobs that would be eliminated and the Fed buildings which could be sold). Doing so would permit a unified management of the federal government's balance sheet and the Treasury Department could directly issue currency, as it did in pre-Fed days. Because of current payment technology, there would be no danger, as a practical matter, of Treasury over-issuance of U.S. currency. To further protect against over-issuance, Congress could provide a statutory guarantee of the convertibility of U.S. currency into interest-bearing Treasury debt.

The Treasury also could assume the role of lender-of-last-resort. Since the Fed, when acting as an emergency lender, is lending taxpayer dollars and using its federal backing to support any guarantees it issues, it is not doing anything that the Treasury itself could not do. Put another way, the Fed has no resources or powers at its disposal that the Treasury Department does not also have or could have, if Congress so provided. Treasury's assumption of the lender-of-last-resort role also would bring much great political accountability to such lending. The need for greater accountability was quite evident during the recent crisis.

Since folding the Fed into the Treasury is unlikely to occur in the near future, Congress could take the next best step and mandate that the Treasury Department periodically produce, say monthly, a consolidated balance sheet of the Fed and the Treasury, as I present in Exhibits 9 and 10. Such a consolidation would present a much more complete picture of federal finances and the impact of the federal government on the U.S. economy.

Does America benefit from monetary policy?

The fundamental premise of central-bank independence is that monetary policy must be free of political interference. Leaving aside the merits of that premise, the key question is: What constitutes monetary policy?

As a practical matter, monetary policy today consists solely of the Fed trying to influence interest rates through its open-market operations. That activity consists of the New York Fed, as agent for the Federal Reserve System, buying and selling Treasury securities or engaging in repurchase transactions involving Treasuries. The purpose of these transactions is hold the overnight Fed Funds rate as close as practical to the Federal Funds Rate Target (FFRT)⁹ set by the Fed's Federal Open Market Committee, or FOMC.¹⁰ The Fed also has used open market operations to carry out its Quantitative Easing initiatives and to accumulate its inventory of GSE debt and MBS.

⁸ In 1966, this witness was paid in currency while he was on active duty for training in the U.S. Army. Presumably no federal employee is paid in currency today.

⁹ The FFRT is the interest rate the Fed would like to see in the overnight Fed Funds market; i.e., the interest rate at which banks lend to each other on an overnight basis. The FFRT is viewed as the "anchor" for longer-term interest rates.

¹⁰ The FOMC has twelve members – the seven Fed governors, the president of the New York Fed, and four of the presidents of the other eleven Fed banks, who serve on a rotating basis as voting members of the FOMC.

Fed management of the money supply has no relevance today, from a monetary-policy perspective, because, one, the amount of currency in circulation is totally demand-driven and two, money (however defined) is merely that portion of the credit supply which also can efficiently serve as media of exchange. Inflation in a modern industrial economy – whether of assets or consumption goods – is to a great extent a function of the price of credit. If credit is underpriced – interest rates are too low – inflation may begin to emerge as increased demand stimulated by underpriced credit causes the economy to overheat and asset prices to soar, as we saw in the recent U.S. housing bubble. Overpriced credit – interest rates are too high – has the opposite effect. Demand for goods, services, and assets declines, increasing the potential for an economic downturn and price deflation.

Given that monetary policy is all about interest rates, the question is who can better set interest rates – a committee of government bureaucrats (which the FOMC is) or the financial markets? The experience of recent years certainly does not support the notion that bureaucrats can do a better job than the financial markets in determining the price of credit. This question can be posed another way – what is it about credit that makes it desirable for government to determine its price, or at least to try to do that, when it is well known that government price-fixing of other services is highly undesirable?

Some argue that a central bank must provide a “nominal anchor” for the credit markets – a pricing benchmark, if you will. In the United States, that would be the FFRT. Quite possibly, the interest rate the Fed now pays on the reserves (i.e., deposits banks have placed at the Fed), will emerge as another component of the Fed’s interest-rate price-fixing activity.

In the opinion of this witness, a strong case has never been made that the financial markets cannot set interest rates across the entire yield curve that will promote stable, non-inflationary economic growth while minimizing the emergence of asset bubbles.¹¹ More specifically, there certainly is no reason why the interbank lending market cannot establish and vary the overnight interest rate which the FOMC now establishes through its open-market operations.

I encourage this subcommittee to address the question of why interest rates need a “nominal anchor,” why it is in the public interest to have a government committee signaling what its members consider to be the appropriate level of interest rates, and why the Fed should try to enforce that signal through open-market operations? If the case cannot be made that the Fed’s interest-rate signaling is beneficial to the U.S. economy, then the primary *raison d’être* for the Fed disappears, which would open the door to folding the Fed into the Treasury Department.¹²

Mr. Chairman, I thank you for this opportunity to testify to the Subcommittee today. I welcome the opportunity to answer questions posed by its members.

¹¹ This witness discussed the role that monetary policy played in helping to cause the recent U.S. financial crisis in “Bad Rules Produce Bad Outcomes; Underlying Public-Policy Causes of the U.S. Financial Crisis,” *Cato Journal*, Vol. 29, No. 1 (Winter 2009), pages 93 to 114.

¹² The Fed’s non-monetary-policy functions, such as banking supervision, could be placed elsewhere in the government or, in the case of some of its payment-system activities, privatized.

Biographical sketch for Bert Ely

Bert Ely has consulted on deposit insurance and banking issues since 1981. In 1986, he became an early predictor of the S&L crisis and a taxpayer bailout of the FSLIC. In 1991, he was the first person to correctly predict the non-crisis in commercial banking.

Bert continuously monitors conditions in the banking industry as well as monetary policy. In recent years, he has focused increased attention on banking problems, the crisis in housing and housing finance and the entire U.S. financial system, and the resolution of the Fannie Mae and Freddie Mac conservatorships. More recently, he has been advising clients on the implementation and consequences of the Dodd-Frank Act.

Bert has testified on numerous occasions before congressional committees on banking issues and he often speaks on these matters to bankers and others. He is interviewed by the media on a regular basis about banking and other financial issues.

Bert first established his consulting practice in 1972. Before that, he was the chief financial officer of a public company, a consultant with Touche, Ross & Company, and an auditor with Ernst & Ernst. He received his MBA from the Harvard Business School in 1968 and his Bachelor's degree in economics in 1964 from Case Western Reserve University.

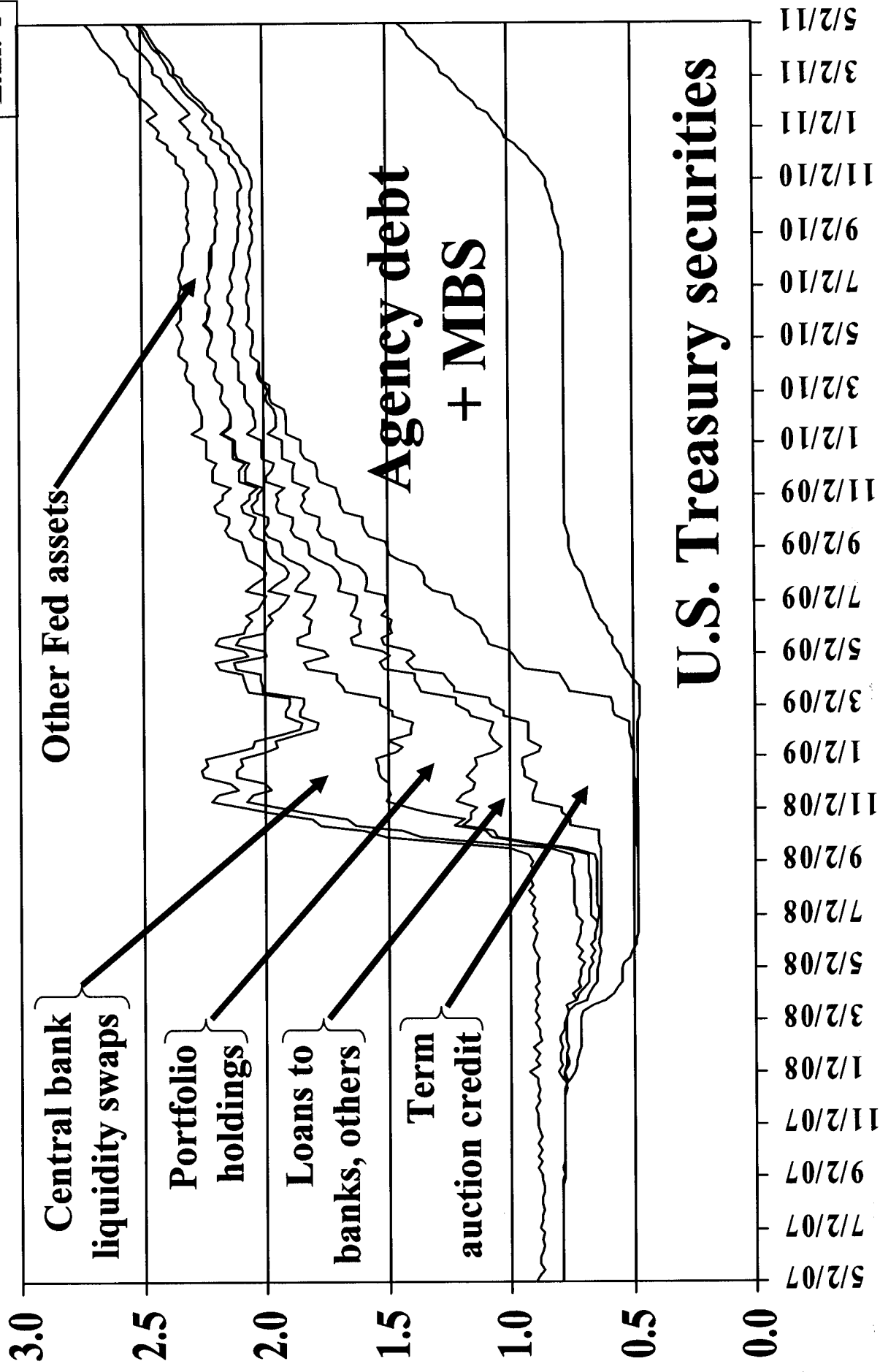
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Components of Federal Reserve assets

May 2, 2007, to May 4, 2011 – dollars in trillions

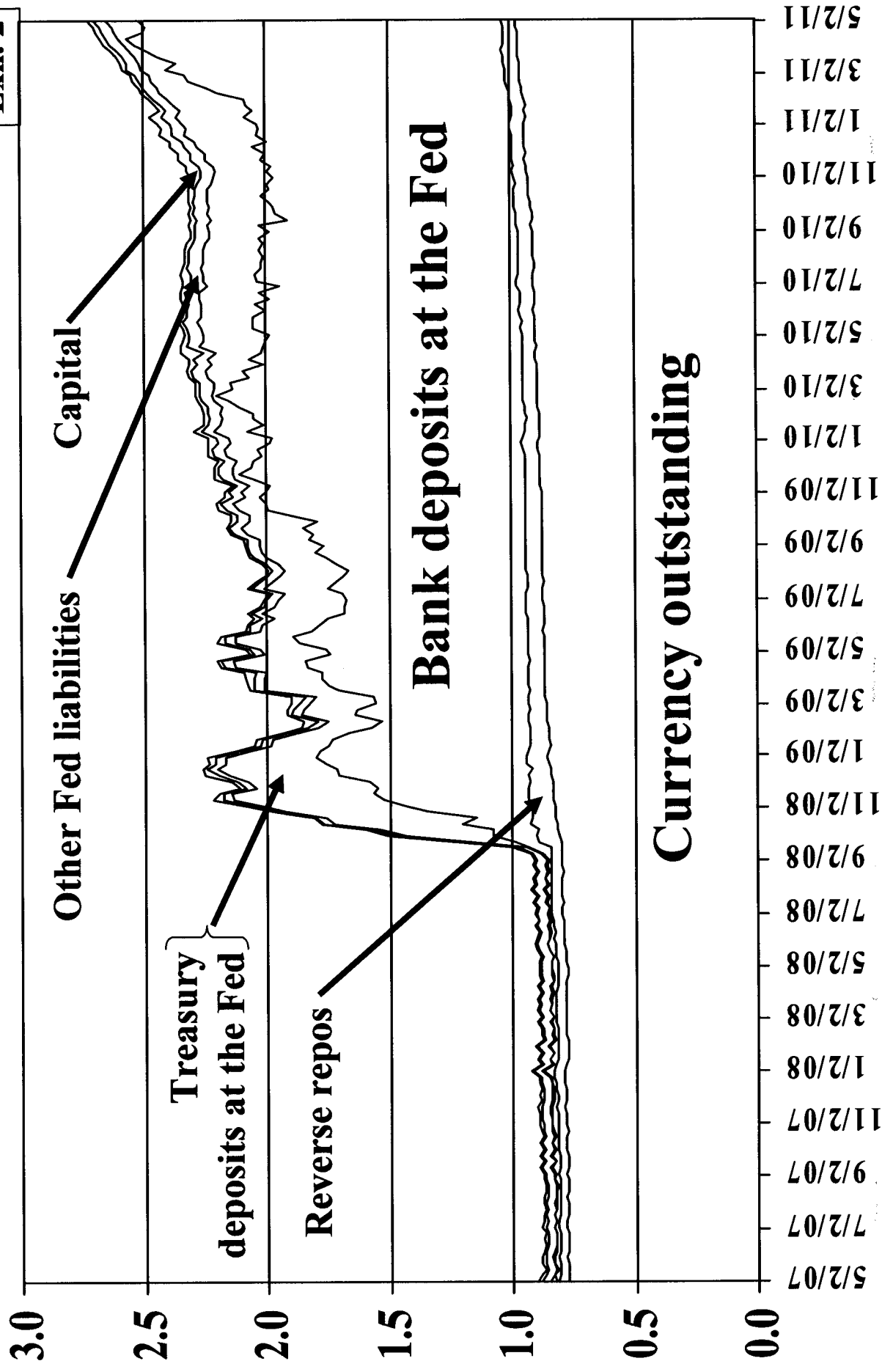
Exh. 1



Components of Federal Reserve liabilities

May 2, 2007, to May 4, 2011 – dollars in trillions

Exh. 2



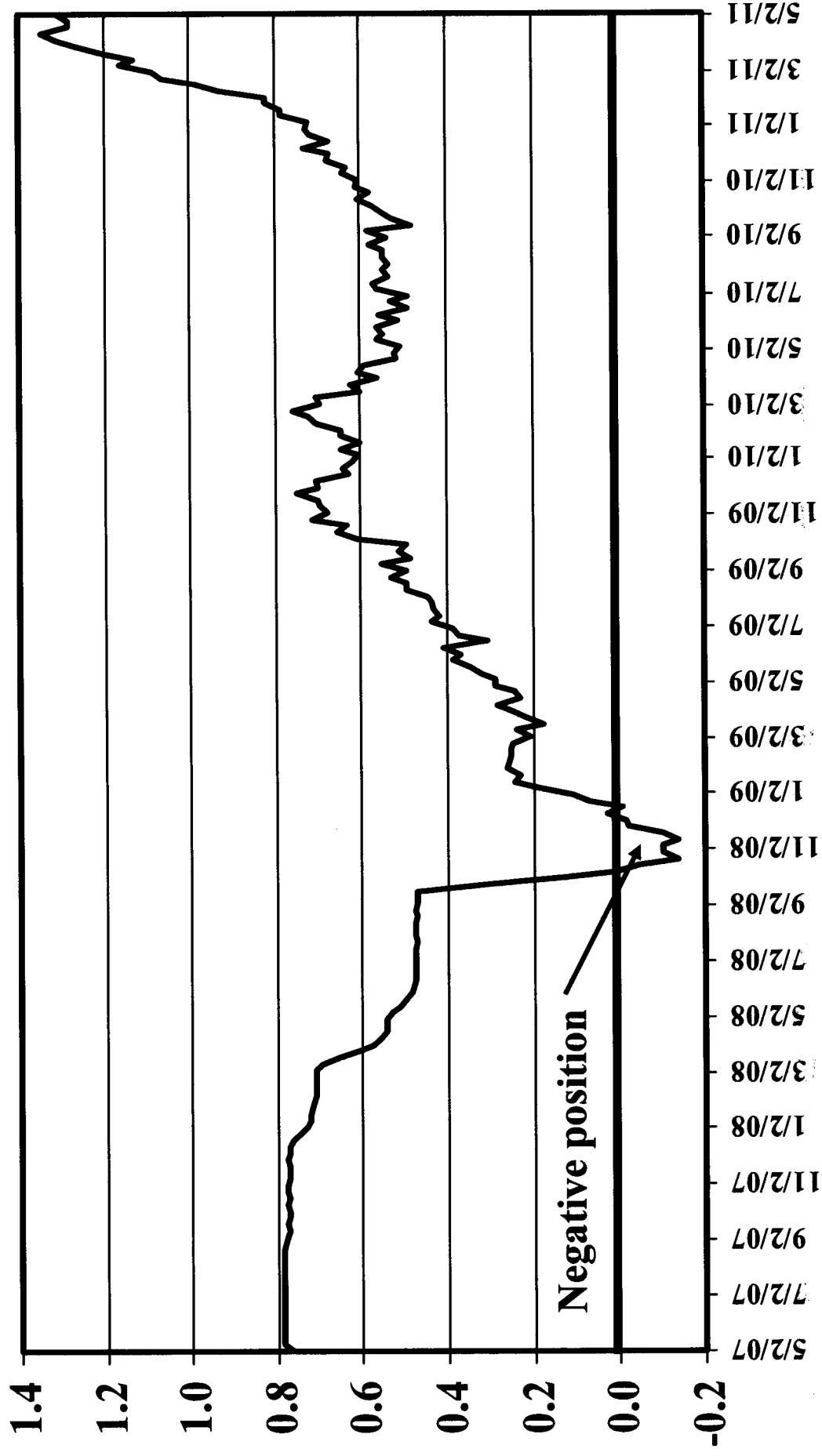
Net Treasury Position (NTP) at the Fed

Treasury securities owned by the Fed

minus Treasury deposits at the Fed

May 2, 2007, to May 4, 2011 – dollars in trillions

Exh. 3



The Fed balance sheet grew enormously as it intermediated private-sector credit risk

Dollars in billions

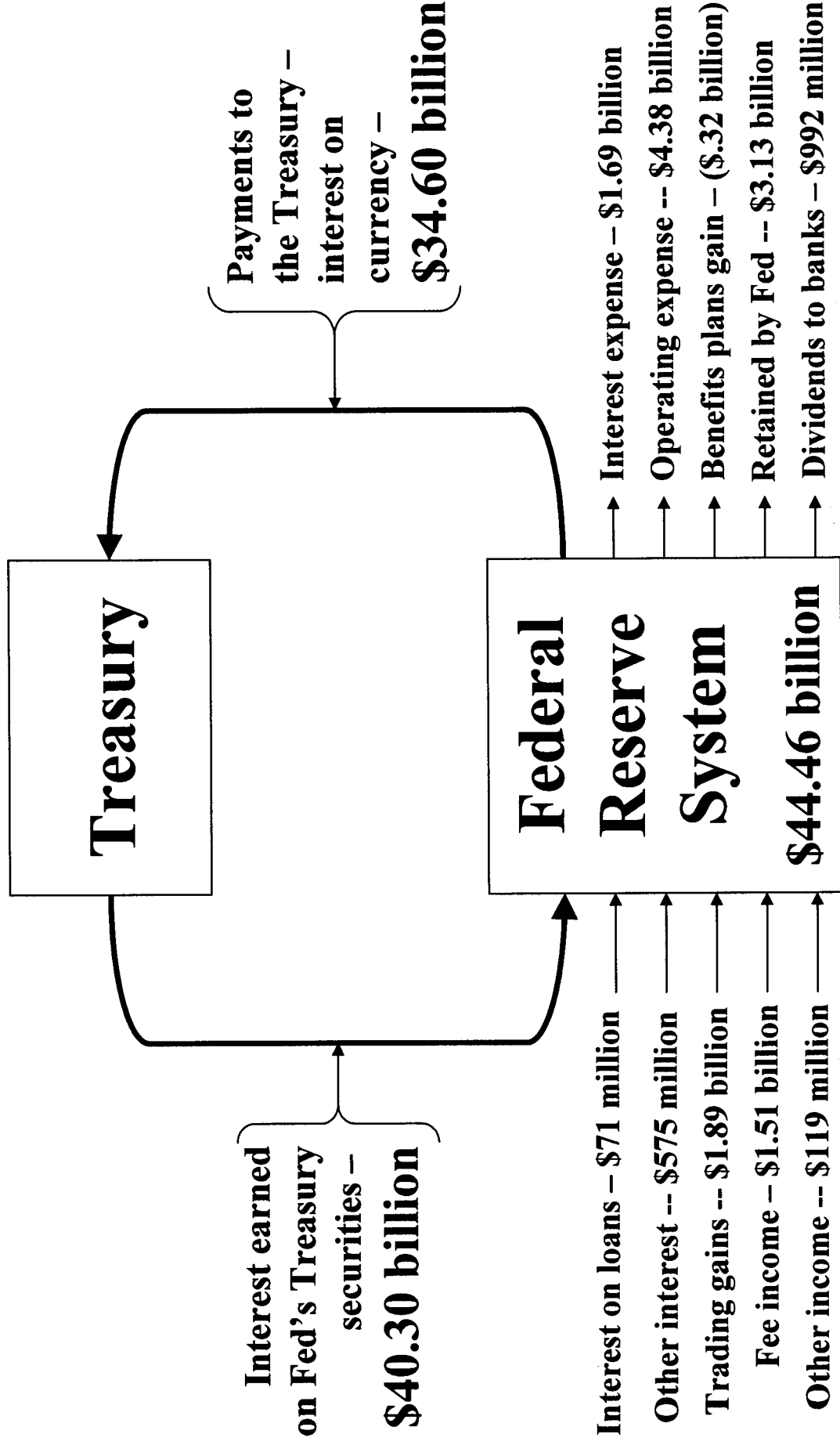
Exh. 4

	<u>6-6-07</u>	<u>6-3-09</u>	<u>5-3-11</u>
Treasury securities	790	606	1,442
Agency debt, MBS	0	510	1,052
Term auction credit	0	373	0
Other loans	.154	124	16
Commercial paper	0	143	0
Maiden lane portfolio holdings	0	63	65
Other assets, repo agreements	<u>78</u>	<u>261</u>	<u>148</u>
Total assets	<u>878</u>	<u>2,080</u>	<u>2,723</u>
Currency outstanding	776	869	976
Bank deposits (reserves)	19	845	1,481
Treasury deposits	5	238	130
Other liabilities, reverse repos	45	82	83
Capital	<u>33</u>	<u>46</u>	<u>53</u>
Total liabilities and capital	<u>878</u>	<u>2,080</u>	<u>2,723</u>

Taxpayers historically subsidized Fed activities

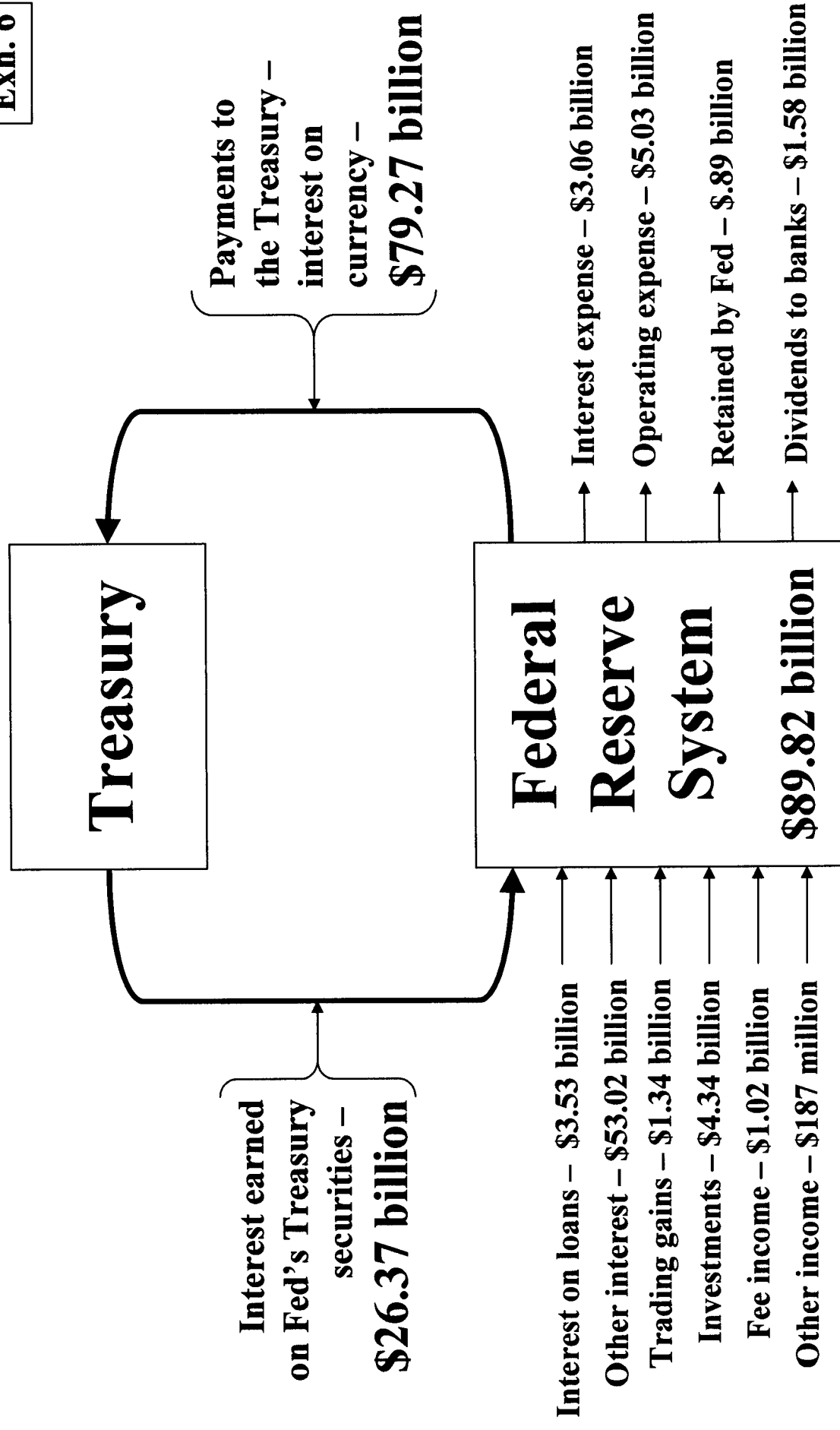
The Fed's 2007 subsidy equaled \$5.7 billion

Exh. 5



The Fed made \$52.9 billion in 2010 because of credit, market risks it (taxpayers) assumed

Exh. 6



Changes in the Fed's income statement

from 2007 to 2010

Exh. 7

(Dollars in billions)

Income side	Interest income earned on Treasury securities	- 13.93
	Interest earned on loans	+ 3.46
	Other interest income	+ 52.45
	Trading gains	- .55
	Investments	+ 4.34
	Fee and other income	-.42
Expense side	Interest expense	+ 1.37
	Operating expenses (including benefit plans)	+ .97
	Retained by the Fed as capital surplus	- 2.24
	Dividends paid to banks	+ .59
	Payment to the Treasury	+ 44.67

Fed and Treasury balance sheets

(As of March 30, 2011, for the Fed and March 31, 2011, for the Treasury – Not to scale)

Exh. 8

U.S. Treasury

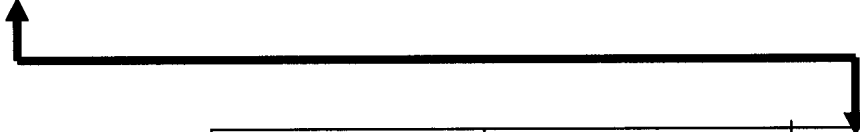
Assets/deficit = Liabilities

On deposit at Fed \$118 billion	Treasury debt held by the public and the Fed \$9.646 trillion
Credit supplied to GSEs and private sector \$712 billion	
Other – \$115 billion	
Accumulated Federal deficit \$8.833 trillion	Other – \$132 billion

Federal Reserve System

Assets = Liabilities

Treasuries \$1.333 trillion	Currency outstanding (non-interest- bearing Treasuries) \$964 billion
GSE debt, MBS \$1.070 trillion	Bank deposits (reserves) \$1.458 trillion
Credit supplied to private sector \$84 billion	Treasury deposits \$64 billion
Other: \$140 billion	Repos, other liab. \$88 billion
	Capital – \$53 billion



Consolidated Fed/Treasury balance sheet

(As of March 30, 2011 [Fed] and March 31, 2011 [Treasury] – Not to scale)

Exh. 9

Assets

GSE debt, MBS \$1,212 trillion
Student loans – \$407 billion
Other credit supplied to private sector \$247 billion
Other assets – \$254 billion
Accumulated Federal deficit \$8.833 trillion

=

Liabilities

Bank deposits (reserves) \$1.458 trillion
Repos, other liabilities \$165 billion
Fed capital -- \$53 billion
Currency outstanding (non-interest-bear. Treasuries) \$964 billion
Interest-bearing Treasury debt held by the public \$8.313 trillion

Consolidated Fed/Treasury balance sheet

(As of March 30, 2011 [Fed] and March 31, 2011 [Treasury] – Not to scale)

Exh. 10

Assets

GSE debt, MBS \$1,212 trillion
Student loans – \$407 billion
Other credit supplied to private sector \$247 billion
Other assets – \$254 billion

**\$2,120
trillion**

=

Liabilities

Bank deposits (reserves) \$1.458 trillion
Repos, other liabilities \$165 billion
Fed capital -- \$53 billion

**\$1.676
trillion**

Currency outstanding (non-interest-bear. Treasuries) \$964 billion
--

**Interest-bearing
Treasury debt
held by the
public
\$8.313 trillion**

**Accumulated
Federal deficit
\$8.833 trillion**

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Bert Ely	2. Organization or organizations you are representing: None
3. Business Address and telephone number: <div style="background-color: black; width: 100%; height: 40px;"></div>	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. <div style="height: 150px;"></div>	
7. Signature: <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 20px;"><div style="font-family: cursive; font-size: 1.5em;">Bert Ely</div><div style="font-size: 1.5em;">5/9/11</div></div>	

Please attach a copy of this form to your written testimony.