
OPENING STATEMENT OF REP. BILL HUIZENGA

HOUSE FINANCIAL SERVICES COMMITTEE

SUBCOMMITTEE ON DOMESTIC MONETARY POLICY AND TECHNOLOGY

“MONETARY POLICY AND THE DEBT CEILING: EXAMINING THE RELATIONSHIP BETWEEN
THE FEDERAL RESERVE AND GOVERNMENT DEBT”

MAY 11, 2011

Good morning and thank you Chairman Paul and Ranking Member Clay for holding this important hearing today.

My constituents in West Michigan continue to make it clear. One of the most vital issues facing this Congress is reigning in spending and reducing our massive debt, and I thank you Chairman Paul for demonstrating that it is a priority by holding this hearing.

The Federal Reserve Board of Governors is congressionally mandated to enact monetary policy with the goal of maximizing employment as well as minimizing inflation. However, after witnessing the load of debt accumulated by the Obama administration’s recent attempts to reach such goals through failed *fiscal* policies, I am pleased that we are now spending some time exploring the role of *monetary* policy and the national debt.

In recent years, the FED has taken unprecedented action to provide liquidity to the financial markets through the purchase of government debt. Most recently, due to the fact that the federal funds rate sits near zero percent, the FED decided to purchase an additional \$600 billion of Treasury securities commonly referred to as “quantitative easing” or “QE2.” This strategy was undertaken despite the fact that the first round of quantitative easing (QE1) – the FED purchase of \$1.2 trillion in Treasury and Agency securities in March 2009 – has not proven to be an effective method of creating jobs.

Today we will examine what affect the federal government’s debt plays in the Federal Reserve’s open market operations. In addition, I look forward to inspecting how that role affects our yearly deficits when compared to the more costly tax and spend fiscal policies.

As a Member of the 112th Congress and a member of this important subcommittee charged with overseeing operations at the Federal Reserve, I take my responsibility for strict oversight of taxpayer dollars with the utmost seriousness. I look forward to today’s robust discussion on the relationship between monetary policy and the debt, as well as the potentially negative long-term consequences from the FED’s most recent unparalleled intervention in the markets.

Mr. Chairman, thank you again for holding this important hearing, and I look forward to hearing from our witnesses.