

# Monetary Policy Report to Congress: key takeaways

## Fed Chair Jerome Powell came to Congress for the semiannual hearing

- 1 **Chairman Crapo highlighted economic growth but did not push for interest rate hikes**
  - Republicans on the committee took time to point out growth and to highlight their legislation, including the banking regulation reform law (S. 2155 in the 115<sup>th</sup> Congress) and the tax overhaul
  - Although economic growth would contribute to the case for interest rates, the Fed has paused rate hikes
- 2 **Ranking Member Brown criticized regulators, including the Fed, as too friendly to Wall Street**
  - Brown highlighted big banks' record profits and compared them with what he saw as a mismatch between these profits and standards of living for consumers
  - Also highlighted slow wage growth for workers
- 3 **Powell highlighted generally strong economic data**
  - Chairman Powell pointed out that prime-age labor force participation has grown recently
  - Powell highlighted economic growth, projected to total slightly less than three percent, driven by consumer spending and business investment
- 4 **Despite growth, Powell pointed out some caveats and “cross-currents”**
  - As he has before, highlighted slowing growth in China and Europe as a potential risk to future US growth
  - Powell also noted some long-term challenges, such as low productivity growth, relatively low labor force participation, and disparities between rural and urban areas
- 5 **More clarity on balance sheet normalization**
  - Powell suggested in an answer to Sen. Crapo that estimates of a \$1 trillion balance sheet, plus a buffer, are “a good starting point,” for determining what the eventual size of the balance sheet will be
  - Reiterated the Fed's commitment to using interest rates rather than the balance sheet as a tool for policy