Senator Sherrod Brown
Opening Statement
"Semiannual Monetary Report to Congress"
U.S. Senate Committee on Banking, Housing and Urban Affairs
July 17, 2018

Thank you, Mr. Chairman. This week, the President went overseas, and sided with President Putin while denigrating critical American institutions, including the press, the intelligence community, and the rule of law.

Our colleague Senator John McCain expressed clearly what every patriotic American thought, "No prior president has ever abased himself more abjectly before a tyrant. Not only did President Trump fail to speak the truth about an adversary; but speaking for America to the world, our president failed to defend all that makes us who we are—a republic of free people dedicated to the cause of liberty at home and abroad. American presidents must be the champions of that cause if it is to succeed."

With our democratic institutions under threat, we cannot ignore what happened in Helsinki yesterday. But we must not lose sight of the other policies of this Administration—including the roll back of the rules put in place to prevent the next economic crisis.

Mr. Powell, thank you for appearing before the Committee to discuss these policies.

Just last week, a Federal Reserve official said, "There are definitely downside risks, but the strength of the economy is really pretty important at the moment. The fundamentals for the U.S. economy are very strong."

That may be true for Wall Street, but for most of America workers haven't seen a real raise in years, young Americans drowning in student loan debt, families trying to buy their first home – the strength of the economy is an open question at best.

Last month, former Fed Chair Ben Bernanke was very clear about the long-term impact of the tax cut and the recent bump in federal spending when he said, "in 2020 Wile E. Coyote is going to go off the cliff."

Last week, the San Francisco Fed released a study finding that the rosy forecasts of the tax bill are likely "overly optimistic." It found that the bill's boost to growth is likely to be well below projections – or as small as zero. It also suggested that that these policies could make it difficult to respond to future economic downturns and manage growing federal debt.

And it's not just the tax bill -- the economic recovery hasn't been evenly felt across the country, either. Mr. Chair, I'd like to enter into the record an article from *The New York Times* this weekend which talks about those families still struggling from the lack of meaningful raises and other job opportunities.

While hours have increased a bit over the past year for workers as a whole, real hourly earnings have not.[1] And for production and nonsupervisory workers, hours are flat and pay has actually dropped slightly, according to the Bureau of Labor Statistics.

[1] https://www.bls.gov/news.release/realer.nr0.htm

The number of jobs created in 2017 was smaller than in each of the previous four years. Some of the very companies that announced billions in buybacks and dividends are now announcing layoffs, shutting down factories, and offshoring more jobs.

Some of the biggest buybacks are in the banking industry, assisted in part by the Federal Reserve's increasingly lax approach to financial oversight.

Earlier this month, as part of the annual stress tests, the Fed allowed the seven largest banks to redirect $96 billion to dividends and buybacks. This money might have been used to pay workers, reduce fees for consumers, protect taxpayers from bailouts, or be deployed to help American businesses.

Three banks – Goldman Sachs, Morgan Stanley and State Street– all had capital below the amount required to pass the stress tests, but the Fed gave them passing grades anyway.

The Fed wants to make the tests easier next year. And Vice Chair Quarles has suggested he wants to give bankers more leeway to comment on the tests before they're administered – that's like letting the students help write the exam.

The Fed is considering dropping the qualitative portion of the stress tests all together—even though banks like Deutsche Bank, Santander, Citigroup, HSBC, and RBS have failed on qualitative grounds before.

That doesn't even include the changes the Fed is working on after Congress passed S.2155 to weaken Dodd-Frank, making company-run stress tests for the largest banks "periodic" instead of annual, and exempting more banks from stress tests altogether.

Vice Chair Quarles has also made it clear that massive foreign banks can expect goodies, too.

And on and on and on it goes. The regulators are loosening rules around big bank capital, dismantling the CFPB, ignoring the role of the FSOC, undermining the Volcker Rule, and weakening the Community Reinvestment Act.

When banks are making record profits, we should be preparing the financial system for the next crisis, building up capital, investing in workers, and combatting asset bubbles.

And we should be turning our attention to bigger issues that don't get enough attention, like how the value placed on work has declined in this country, and how our economy increasingly measures success only in quarterly earnings reports.

Much of that is up to Congress to address, but over the last six months, I have only seen the Fed moving in the direction of making it easier for financial institutions to cut corners, and I have only become more worried about our preparedness for the next crisis.

I look forward to your testimony. Thank you.

###