Rep. Tom Emmer on Emmer Questions Yellen about Negative Interest Rates

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REP. TOM EMMER:

** Thank you, Mr. Chair, and thank you, Madam Chair, for being here this morning. Madam Chair, I'm going to go a different route. I don't think anybody has asked you about this this morning. Will the Federal Open Market Committee ever rule out going to negative interest rates?

FED CHAIR:

** Rule out is something we tend not to do. I don't at the moment see a need for negative interest rates. The committee is seeing a domestic economy that's been proceeding on a steady path of improvement. Our focus has been on the possibility that it will be appropriate to begin to raise interest rates. This is something we're actively considering, although no decisions have been made. Look, if circumstances were to change, suppose the economic outlook, which I don't expect, but if it were to deteriorate in a significant way so that we thought we needed to provide more support to the economy, then potentially anything, including negative interest rates, would be on the table. But we would have to study carefully how they would work here in the U.S. context.

REP. TOM EMMER:

** Let me ask you, because we've seen it in other countries.

FED CHAIR:

** That's what's new, yes.

REP. TOM EMMER:

** Yes, when they've had economic difficulties, we've seen other countries use negative interest rates or go to negative interest rates. What impact, Madam Chair, would negative interest rates have on lending and economic activity? What impact do you believe it would have?

FED CHAIR:

** Well, most loans would not have negative interest rates, even if a central bank pays negative interest rates on reserves.

REP. TOM EMMER:

** I understand, but what impact would it have on lending?

FED CHAIR:

** It would be intended to spur lending and I believe would have some, at least modest, favorable effect on banks' incentives to lend. And it would be undertaken as a measure to support the economy and to encourage additional lending and to move down the yields on interest-bearing assets to stimulate risk-taking investment spending.

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