

Home Truths

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Excerpts EMBARGOED Until 5pm ET  
Remarks Delivered at 8pm ET

Regarding the state of the global economy:

“Excessive spending and the assumption of new liabilities endanger the creditworthiness of key nations and undermine prospects for the global economy. The famed “paradox of thrift” -- used to justify still more aggressive policy-- is confronting the cold, dark comfort of a sovereign debt crisis.

“Economies falter and markets flail when risk-free rates turn out to be not so risk-free.

“Global economic conditions are weak, leaving the global economy far from a durable recovery. In spite of this, and substantial errors in the conduct of policy, the private sector in the U.S. is outperforming.”

Seven “home truths” regarding the conduct of U.S. economic policy:

1. “Policy has favored stability over growth and achieved preciously little of each.
2. “Good economic policy takes time to bear fruit. Bad policy does harm in a hurry.
3. “Exceptionally accommodative monetary policy can provide important transitional support for an economy. But recent policy activism—measures that go beyond a central bank’s capacity or traditional remit—threatens to forestall recovery and harms long-term growth.
4. “Central bank transparency is good, but transparency that delineates future policy breeds market complacency. It threatens to undermine the wisdom of crowds and the essential interchange with financial markets.
5. “The primary responsibility of financial market regulation is to markets, not to firms.
6. “The government-sponsored housing entities remain sources of vulnerability to the U.S. economy, and repeated ad-hoc attempts to push Fannie Mae and Freddie Mac to take greater risks at taxpayer expense is deeply counterproductive.
7. “In charting a better path for the economy, policymakers should remind themselves of two essential and oft-forgotten virtues: greater humility in the conduct of policy and stronger faith in the underlying resiliency of the U.S economy.”