

Speech by Richard W. Fisher, President and CEO (2005–2015)

# Excerpts from Remarks Before the Texas Christian University Business Network of Dallas

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But, remember the theme here—cautious optimism. While housing is showing some signs of having reached a bottom, we need to recognize that it is a sector still on life support. The Federal Reserve has been buying over 70 percent of the new mortgage originations in the MBS market—a process that has lowered mortgage rates and increased the availability of credit at affordable rates to a large swath of the market. The Federal Open Market Committee (FOMC) has announced its intention to slow its rate of mortgage acquisitions in the hope that private funding will begin to emerge. And the market for the purchase of new homes has also been helped tremendously by an \$8,000 credit for new home buyers.

Of course, there is some concern that the hope for a housing rebound could succumb to the headwinds experienced earlier if the efforts of fiscal and monetary authorities are allowed expire. Yet, that said, there is, in my opinion, a limit to the life support that can be provided by either the Federal Reserve on the monetary front or the Congress on the fiscal front. The market for housing will not become truly robust until market forces replace the prostheses of government support. We have thus indicated to the marketplace that, for our part, the FOMC expects we will complete the execution of our \$1.25 trillion intervention in the mortgage-backed securities market by the end of the first quarter of next year.

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As to the long-term dangers of inflation posed by the expansion of the Federal Reserve's balance sheet, I remain ever vigilant. I have not hesitated in the past to vote against the majority of the FOMC when I felt they were being too accommodative, and I have been outspoken on the dangers of prolonged monetary stimulus in the future. Many of the Fed's special credit facilities have been winding down at a rapid clip as financial markets have begun to function in a more normal manner. And my colleagues have come to accept the arguments I made regarding the necessity for the Fed to maintain its independence from the Treasury by not increasing its purchases of long-term Treasury securities. As to the Federal Reserve reducing its balance sheet so as not to monetize the excess reserves waiting to be converted to bank loans, I have been very clear: Given the lag between the time monetary policy is initiated and when it impacts the economy, that wind-down process needs to begin as soon as there are convincing signs that economic growth is gaining traction and that the lending capacity of the banking system is capable of expansion.

I am not alone on this front. I have faith my colleagues on the Federal Open Market Committee will stand and deliver in a timely way. And I expect that when it comes time to

tighten monetary policy, my colleagues and I will move with an alacrity that, if needed, will be equal in speed and intensity to that with which we pursued monetary accommodation.

#### About the Author

Richard W. Fisher served as president and CEO of the Federal Reserve Bank of Dallas from April 2005 until his retirement in March 2015.