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THE HOUSE FINANCIAL SERVICES COMMITTEE AGENDA  
A CONVERSATION WITH REPRESENTATIVE FRENCH HILL (R-ARK.)

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WELCOMING REMARKS:

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REMARKS:

FRENCH HILL (R-Ark.)

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**HARRIS:** Good afternoon, everyone. My name is Ben Harris. I'm vice president and director of Economic Studies here at the Brookings Institution. Thank you for joining us today for what promises to be an insightful discussion about the House Financial Services Committee's agenda for this Congress. As an overview, the committee oversees some of the most critical aspects of our economic infrastructure. The banking system, housing policy, insurance markets, treasury markets, the Federal Reserve. And our financial regulatory agencies. Collectively, these issues comprise many of the foundational pillars that support American economic growth and stability. Indeed, in an era of rapid technological change in financial services, evolving monetary policy challenges and ongoing debates about financial regulation, the committee's work has never been more consequential. From digital assets and fintech innovation to housing affordability and banking supervision, The decisions made by this committee will shape the financial landscape for years to come.

We're particularly fortunate today to host Congressman French Hill, who brings a nuanced and experienced perspective on these issues as chairman of the House Financial Services Committee. A ninth generation Arkansan representing the state's second congressional district since 2015, his background combines deep government experience with real world financial sector expertise. He previously served as a Senate staffer and worked in both the George H.W. Bush White House and Treasury Department, where he was Deputy Assistant Secretary for Corporate Finance. Before his government service, he founded and led Delta Trust and Banking Corp from 1999 to 2014, giving him firsthand experience in the industry, his committee oversees. This combination of policy expertise and practical experience positions Chairman Hill to understand both the regulatory challenges facing our financial system and the real-world impacts of policy decisions on businesses and consumers.

Before we begin, let me briefly outline today's program. First, we'll hear from the chairman about the committee's activities and achievements over the past several months. Then, Hutchins Center Senior Fellow and former Treasury Undersecretary for Domestic Finance, Nellie Liang, will join him on the stage for a further conversation and they'll take questions from the audience towards the end. Today's conversation comes at a pivotal moment for financial policy. I'm confident that Chairman Hill's insights into the committee's priorities will provide valuable perspective on these critical issues, and I look forward to the discussion that will follow. Without further delay, please join me in welcoming the chairman to Brookings. Thank you.

**HILL:** Such a robust applause. Well, good afternoon, everybody, and thank you for inviting me to participate with Under Secretary Liang in this discussion today. I thought I would start by setting the stage and just walk through some of the particular approaches and the philosophy that we've had over this first six months of work in the House Financial Services Committee and what a treat it

is for me to have responsibility and the responsibility for serving as chair. But before we do that, I just want to say to this group and to those that are watching us on livestream that I personally and I think all of us have our prayers for our men and women in uniform and our diplomats who are downrange this evening in the Middle East as Iran has commits to offensive operations in the Gulf.

So thank you, Under Secretary Liang, for the invitation to be with you. As chairman of the House Financial Service Committee, my guiding philosophy is rooted in free market principles, fiscal responsibility, and prudent oversight. And I'm particularly excited in this Congress to start out with the opportunity to work with my colleagues in the Senate, Tim Scott of South Carolina, who chairs the Senate Banking Committee, and obviously the incoming administration across the financial regulatory and supervisory and policy responsibilities. When one has the Senate and the House in the same political party and the executive branch, there's a real opportunity to change course, change policy, work together, and have some legislative and regulatory. Successes, and so that certainly guides my work.

Our committee, in my view, is the access to capital committee. Whether you're trying to buy your first home or crowdfund your first startup investment in your garage or raise capital through the banking system or through a private placement or ultimately go public and be a listed company in our country, the policies that and outlined. Through our committee are so important to access to capital and our priorities are guided by that. Regulatory reform that promotes growth and innovation for financial institutions and business; finalizing a clear framework for digital assets to ensure that the United States remains a global leader in fintech and particularly in the expansion and use of blockchain applications and finance; and our oversight responsibility to the Federal Reserve and federal financial regulators to ensure greater accountability and transparency. We're focused on addressing structural challenges, such as the housing supply, global competitiveness in finance, and reforming our, in my view, outdated regulatory frameworks that hinder capital formation.

When it comes to bank regulatory reform, we know that smaller banks are suffering from rising costs of compliance and uncertainty. Regulatory overreach or from regulatory misapplication, depending on their business model. And I believe that's true for small broker-dealers or small registered investment advisors or credit unions. A one-size-fits-all approach to regulatory policy is very costly. Those costly rule books, in my view, that are not geared towards safety and soundness, tend to drive. Consolidation in those industries and reduce innovation and competition. Thus, we have a strong desire in the committee to achieve policy solutions that support growth. The best regulations instill confidence and clarity, not confusion. We need a smarter regulatory approach, not just more regulation. That means tailoring rules to fit the size and complexity of institutions, reducing duplicative reporting and supervisory burdens. And creating space for a

market-driven solution that in turn will drive greater resilience. We can protect consumers and the system without choking off the very growth that we need to benefit all of our families and households. While our focus has been on community banks, we recognize the important role of all banks in the financial system. Our first Treasury Secretary referred to the banks across the United States at the founding of our country as the nurseries of the national wealth, and indeed they are. The policies that we aim to codify into law will impact banks of all sizes. Financial regulation should be based on size, complexity, and risk profile, not, as I say, a one-size-fits-all approach. For example, my bill, H.R. 940, the Fair Exams Act, will ensure transparency, timeliness and independence of the supervisory appeals process. By holding regulators to clear standards and timelines, we can not only protect institutions from unfair treatment, but also help bank examiners apply the rules more consistently and confidently, ultimately strengthening the supervisory process itself, especially for our community-based institutions. And this is not a new idea. In 1994, Don Riegel, the former chair of the Senate Banking Committee, this was his proposal. In legislation from 1994, but it's never been robustly and appropriately, in my view, implemented. And so in my judgment, the Fair Exams Act will turn the page on that and get a functioning appeals process. Our commitment to regulatory fairness and transparency extends to our federal supervisors' interactions with international standards bodies. While global harmonization of broad rules drives economic growth and resilience, across the globe in the face of periodic economic black swans, Congress wants to ensure that various proposals that are established in such harmonization or international bodies fit with our own unique legal and regulatory structure here in the United States, rather than you're talking about capital, liquidity, or other prudential standards. We're making significant progress in the committee on our Making Community Banks Again Great agenda. And are optimistic about turning many of these ideas into law.

Now let me turn to digital assets. Congress has spent multiple years working on stable coin legislation for a U.S. dollar-backed payment stable coin, with broad bipartisan recognition that this action is needed to protect consumers and provide regulatory certainty here in the U.S. In the House, Chairman Brian Steil's STABLE act holds stablecoin issuers to rigorous standards, requires that tokens are backed one-to-one by high liquid assets, supported by appropriate capital, liquidity, and risk management practices, and are subject to robust BSA AML requirements. And just last week, the Senate successfully passed Senator Bill Hagerty's Genius Act with a vote of 68 to 30, demonstrating that there's strong bipartisan support in both chambers for having a U.S. dollar-backed payment stablecoin at the federal level under federal supervision. The fact is that there's a patchwork of state regimes, some with more developed than others, while foreign-issued tokens continue to circulate in the U.S. without clear federal oversight. Further, there is equally long-standing and bipartisan consensus on the need for comprehensive digital asset market structure legislation. Building off the success of last Congress and the growing support from pro-growth, pro-innovation lawmakers, there's momentum to get a comprehensively comprehensive framework

across the finish line in this Congress. Since last Congress, when the House passed my bill at the time, FIT 21, in May of 2024, the House Committees on Financial Services and Agriculture have continued to refine that legislative approach. And update the legislation that we believe still has the same kind of strong bipartisan approach that we had in the 118th Congress when that bill, Fit 21, earned 71 Democratic votes in the House. The overarching goal remains clear. To establish a simplified framework that positions the United States as the digital asset capital of the world, provides builders and firms with clear regulatory obligations. And ensures a robust set of consumer protections against fraud and bad Last month, Chairman Thompson and I introduced that successor to FIT-21, a bipartisan digital asset market clarity act. We call it the Clarity Act, which was advanced out of both of our committees just a few days ago with bipartisan support. And in front of this group, I want to thank Chairman GT Thompson of Pennsylvania, majority Whip Tom Emmer, ranking member Angie Craig, and Representatives Steil, Dusty Johnson, Don Davis, Warren Davidson, Ritchie Torres, Josh Gottheimer, Cleo Fields, and Bill Huizenga for their leadership and collaboration to make the Clarity Act a successful bill that is, in my judgment, the right direction to take for market structure legislation. The House continues to move forward with both stable coin and market structure legislation fully in support of President Trump's vision for ushering in a golden age of digital assets. And I must say, both bills are also fully in align with President Biden's executive orders on the need to fill regulatory gaps both in market structure and in stable coins as well.

Now let me shift gear to capital formation. Congress is poised to deliver a second wave of jobs act-style reforms grounded and what we've learned over the past decade and tailored to the needs. Of today's entrepreneurs and investors. Our committee has passed more than 20 targeted bills that expand access to capital and investment opportunity, and we have more on the drawing board. We're updating the accredited investor definition, expanding Reg A+, improving crowdfunding, and making it easier for startups and regional venture funds to grow without unnecessary Regulatory These bills will improve secondary trading, reduce the cost of an initial public offering, and make it more viable for smaller companies to go and stay public. The Financial Services Committee has other key priorities as well. First, helping protect the global role and value of the dollar by addressing the crushing inflation that our economy has passed through, reviewing the Federal Reserve's monetary policy, particularly. In a post-2008 financial crisis environment. Secondly, addressing the very real housing challenges that too many Americans face and recognizing the limitations of previous failed housing efforts by promoting increased housing supply, modernizing old government housing programs, and finding smarter ways to use taxpayer dollars to achieve real results through greater oversight of the many programs at HUD. Just to name a few. I want to give you a quick example. We had a hearing, two hearings actually, on housing construction costs. And Chairman Mike Flood from Nebraska, who chairs our Housing Insurance Subcommittee, had a very interesting panel to talk about manufactured housing and modular housing techniques that

can increase, obviously, energy efficiency, lower costs, be flexible. And it was a very good report. But I told him, I said, Mike, this is the same argument that I had when I was a staffer on the Senate Banking Committee in 1983. And I held up the president's report on housing from Ronald Reagan, which asks for the exact same thing that industry comes before both the House and Senate today to ask for, which is common sense zoning, common-sense housing standards. Allowing people to experiment with new approaches in housing construction, and it just struck me as too rich not to share that with Chairman Flood. Reviewing the Federal Reserve Board's monetary policy decisions that had resulted in the past few years in contributing to a crushing inflation for American families, I took the initiative at the end of the year to say that our committee and this Congress would set up a new task force on monetary policy, treasury market resilience, and economic prosperity, chaired by Frank Lucas of Oklahoma. The mission was, let's have a hard look at the Fed's monetary policy since the 08 crisis. Let's do that in a bipartisan way. Let's drive down into the detail and devote the time to it, but let's compare that and have it as a companion with looking at resilience in the treasury market structure. And that's something that I think the committee in the decade that I've served on the committee has not devoted enough time to, particularly in the face of what we're witnessing and have witnessed even long before the pandemic, but sustained high federal budget deficits along with high costs of refinancing that debt. So let's make sure that we have. A Treasury market resilience. So, Frank is looking at both those things. They're both obviously interconnected, and we look very forward to his progress.

We're also continuing to track national security issues, like countering China to solidify the U.S. As a leader in the global financial system and ensuring access to capital that is coupled with access to energy, such as the work we've done with the World in the recent months, that nuclear financing is a permitted. Lending activity for our development banks in the World Bank. And finally, we have a major oversight responsibility. We're conducting that, particularly on recent actions where we're shedding light on politically motivated debanking efforts that some have referred to as Operation Choke Point 2.0 and other non-safety and soundness mandates in the federal supervisory system in and ESG mandates. I look forward to continuing my work with my colleagues on both sides of the aisle and across the Capitol on all this agenda. I think we have a real opportunity working with Chairman Scott, with the inbound, now formed Trump administration, to achieve results across the board. And I thank you and I look to the discussion with Nellie and I appreciate the invitation.

**LIANG:** Well, thank you for that. Thank you very much, Congressman. Thank you, Mr. Chairman. I know you have a very busy schedule, so I really appreciate you taking the time to come and speak to us today. So perhaps I can just start by asking, you covered a broad range of issues, one that we have worked on for years that relates to digital assets. So I'm going to start there. And given the timeliness of, of this, you've, in the past, expressed a view about the future of digital assets. You've introduced the bill STABLE. Now you have CLARITY. The Senate last week passed

GENIUS. So first, just starting from a process point of view, from a procedure point of you, what's next for Congress, for the committee, and then for Congress? Can you just give us an idea?

**HILL:** Assuming their enactment? Or --

**LIANG:** Like how do we get to?

**HILL:** Well, I think in the short run, the mission is to accomplish, as I noted, President Trump's goals for digital assets, which were not phrased in the same way, but were shared by President Biden, which is this is a regulatory gap that is holding America back and seeing us lose developers, investors, company founders to markets and so for me in the short run I want to honor the president's request of us from his first crypto digital asset roundtable several months ago where he wants to have both a stable coin, payment stable coin bill and a market structure bill on his desk before the August recess. So I'm devoting all my resources in the short run for navigating what the best most effective way to do that is. But in financial technology generally. I think you'll see the committee, with that basis, focus on its implementation and also focus on how writing applications on a blockchain operating system in finance, what promise that holds as we assess artificial intelligence and as we access tokenization as a business strategy to lower cost, improve customer service, reduce fraud. And deliver a better mix of products and services to American households at a lower cost.

**LIANG:** So that's terrific. In terms of there are some lots of similarities between stable and genius. There's also some differences. What are the most important elements that you would flag that we need to work through? The two bodies need to works through to get this done.

**HILL:** Well, certainly my hat's off to Chairwoman Lummis and Bill Haggerty and Tim Scott and their staffs because they've effectively worked with Brian Steil and our staff on these topics. And you're right. There's some differences, some subtle, some material, some not material, and some just a difference of approach from the standpoint of how people are looking at the business challenge of crafting a payment stablecoin. But I would say, first, a federal and state pathway is an important component. We have a dual banking system, and former Chairman McHenry and former ranking member Maxine Waters, as well as the senators, have recognized that we need to have a state and federal pathway that can coexist. So there's some differences between the bills, but that's an area to find consensus. I would say federal oversight for anyone who is not in the United States from issuing and dealing in or offering a U.S. dollar-back payment stablecoin. For those who are obsessed with this topic in the room, section three of the House bill deals with a concept called extraterritoriality. This is something under Secretary Liang, Ben certainly know about, which is that we have jurisdictions in securities, jurisdictions in commodities, jurisdictions in banking, around

which the United States has high confidence. Not only that the law is good, but that the enforcement of the law in that market is good. And so, making sure that we have those provisions in place I think is an important one. Separation of commerce and banking. Who can own a payment stablecoin issuer and how are they regulated? And under what circumstances is a difference between the two bills that I think can be reconciled. And there's some others, but I think I'll stop there not to drone on about it. But the bottom line is that the Senate and the House can definitely find a common constructive landing place there, and that's due to the incredible bipartisan efforts in both houses.

**LIANG:** There's been a lot of progress in those dimensions. There's two other areas that I wanted to flag that probably get a lot of critique in the press, et cetera. One is, have you addressed illicit finance risks sufficiently, concerns about stable coins as digital cash being exchanged in the blockchain sphere? And the inability to track secondary market transactions. So that's one consideration. Do you think, how do you respond to those critics at this point?

**HILL:** Well, I think it's certainly, there's always a concern about illicit finance, period. Rather it's with halala or cash or literally decades of the U.S. Treasury transmitting cash and pallets to other countries around the world for liquidity purposes, and we're just assuming those always get put into total normal channels. I'm sure you know more about that than I do. We're obviously concerned with the robust AML-BSA standard. I believe, in my judgment, that both Genius and Stable have gone a long way to achieving that in the style that you've reported and that Clarity would as well, but it gives me a chance to say why you need both bills. If you pass a Stablecoin bill and you don't have a market structure bill, you now A stable coin, but where will you use it? How will you custody it? How do you see those AML, BSA standards enforced? How do trade in it? What is the secondary liquidity in it. How do go about its on and off from the fiat system? And I think a lot of that solution, in my judgment, is in that market framework which is why I think they're two sides of the same stablecoin. I can't say penny for your thoughts anymore.

**LIANG:** A penny for your thoughts, yeah. A dollar, a US dollar. That's passé, I'm sorry. A US dollar for your thought, OK. A second critique is some financial stability concerns about the quality of the reserve assets that can back a US Dollar. So we all start with cash and T-bills and central bank reserves. I think both bills allow for a little bit more. So can you talk about, like, concerns? How do you address concerns that they won't, you know, they'll be sufficiently stable?

**HILL:** Well, certainly I'm a more narrow than a broader person on that. If you want to have the label a U.S. Dollar back payment stablecoin, then insured deposits, 90-day bills, 93-day or shorter residual notes, overnight treasury repo, I mean, these are where I am. You're right. The genius bill is slightly broader. But again, I think we can. Come to agreement there, and what else do you



need, though? What's the transparency factor on how frequently that's reported? What's that auditing factor? We've had excellent discussions on a bipartisan basis on robust auditing standards of that, because the intent is that it's dollar for dollar. It is, and the Under Secretary and I have talked about this quite a bit, it is a potential new payment rail on a blockchain. And how fast that's adopted or used remains to be seen. But I debit cash, and I pay my credit card bill. Or I use a debit card, which debits my own cash. So the question is here, if you debit checking and credit your U.S. dollar-backed payment stablecoin and you complete whatever set of transactions is, you may well debit stable coin, and credit cash again for the convenience, FDIC insurance, ability, fungibility of it to go do something else. Just like I don't put everything I do on a debit card or a credit card, or send wires to everybody. You get the point, but. So I think high standards on the dollar for dollar, and this is, again, why extraterritoriality is important. If you're going to issue and offer a dollar-back stablecoin in the United States, you're going to comply with the rules that we've outlined in federal law and state law, too, for that matter.

**LIANG:** So I agree with you on the importance of stable assets behind a stablecoin. There's a more recent concern, and this is less financial stability per se, or the operations of the stablecoin, how will you address concerns by some in Congress that this legislation could directly create or result in large financial gains for politicians? That seems to be a growing concern in both houses.

**HILL:** Well, look, my judgment has been that we make laws for all citizens, and then the Congress also can make financial disclosure, ethics laws, and things of that nature that govern people that work in the executive or legislative or judicial branches for that matter. And that what our mission has been is if you are for transparency, legality, anti-fraud, anti-manipulation. A real secondary market and into consumer, maybe misunderstanding of what they have or haven't bought, then you ought to be for clarity and you ought be for the stable act or the genius act because those two bills go a long way into limiting the ability of any U.S. citizen or foreign national from trying to manipulate or mislead or do a bad job, just not know what they're doing, and this open system that we've had encourages it. The memecoin phenomena is ultimately a decision taken by the SEC under Chairman Gensler, not solely Chairman Gensler, but it was a decision taking at that time, deeming that they weren't securities, that they were non-security tokens. And it prompted a major issuance of things like meme coins, in my view, the Clarity Act would go a long way to, I think, cleaning up that side of the market.

**LIANG:** There's one other thing I want to follow up on this. So there's been a lot of views that stablecoins, if passed, will increase the demand for Treasury debt. Do you agree with that?

**HILL:** I don't, and I'll tell you why. I mean, I've heard it. There are two sides of that coin, too. One is, will this help the United States institutionally as the U.S. dollar reserve currency in the globe?

And the answer to that question, in my view, is yes. Because you are now moving at retail, certainly outside the United States, you know, a one-for-one dollar backed stablecoin issued by a U.S. firm or not, and we've seen that in reality, particularly in emerging economies with bad budget, bad monetary policies in stable governments. But on the subject of does it drive demand for treasuries, I'm speaking I guess as a banker now more than as a congressman, I don't think so in a material way because it's all short-term debt. I've just said that it's a 90-day, it's the bills. It will soak up some amount of bill demand at any one time, any one quarter. But you know, when you're at the Treasury, like our host today, you're looking at that yield curve and that distribution curve of debt over a whole series of maturities. And this is really simply geared to the short end. So I think it's a quality use of a Treasury bill as security. But I don't know that it... Solves a bigger issue, which is how do you finance unsustainably large federal budget deficits.

**LIANG:** And then let me just come back one last question on clarity. So what are the main obstacles to getting both the stable coins and the market structure bills passed? And then, as I understand it, some responsibilities will go to the CFTC, maybe a significant amount of the CFTTC. And when I was at Treasury, one of the concerns we always had with more responsibilities going to the CFTC was. Their funding and their ability to actually execute and meet their responsibilities. So I guess that's a two-part question.

**HILL:** Well, it's a question that we heard and answered in FIT21 in 2023 and 2024 in the sense that we, through the authorizing process and house agriculture, house financial services, we did authorize the funding necessary for the CFTC to build out a more robust approach, Which is, what you're right, is different than their typical commodity approach at oversight, and we've taken into account that same approach inside Clarity, working with House Ag. So it's more complicated than that, but we are authorizing them to have the kind of financing that they need to be successful.

**LIANG:** So just to, so you're gonna, to finalize this, is gonna really put, you're put to test all your skills cause you have both House Financial, Senate Banking, you have House Ag and Senate. Okay, all right. All by August, okay.

**HILL:** I don't, you know, we have an administration that is in favor of legislation in both categories. Tomorrow, I believe, or maybe Wednesday, Chairwoman Lummis will be having her first hearing on market structure in the Senate in her subcommittee. But one barrier, you asked for barriers and one legitimate barrier is that the Senate has not had a. Four-year robust work environment on a dollar-back stable coin and market structure like we have had in the house. But you could have made the same comment in February if we were taping this event, having this event in February about stable coins. And my very good friend Bill Haggerty proved people wrong about that. So, I think that with the advanced capability and knowledge between Biden and Trump administrations

in this policy area and the fact that we have four years of good work in the Democrats and Republicans in the House. Now we have 68 votes in the Senate for genius. I think we can find a way to do this. But member education is always something that's an important part when you have 535 people to get on the same page.

**LIANG:** Again, we'll test your skills. We'll be putting them to use. So let me switch topics. You had mentioned the creation of a task force, monetary policy, treasury market resilience, and economic prosperity. So maybe you could just spend a little time. Can you talk about the aims of this task force? And what are your concerns about central bank? Monetary policy since the global financial crisis.

**HILL:** You know, I came to Congress in January of 2015, so it's been 10 years now. And while there was, in the early years after the financial crisis, I think a pretty robust look by both houses at post-financial crisis monetary policy, it hasn't had with the reflection of time. We've now gone through a pandemic. We've gone through major inflation that we were told by all the economic experts and Washington wasn't possible. So we've had a 40-year peak in inflation. We've had quite a bit in these years. And so I think it's appropriate to go back and look at paying interest on reserves and using the balance sheet expansion. Is that direction we should stick with? I'm not here today drawing a conclusion. You're asking kind of what are we looking at? And we're looking at those decisions taken by the board under Chairman Bernanke to go in a different direction. So let's look at the balance sheet policy, the conduct of monetary policy with that reflection, with some real market testing that we've had, and also look at the August 2020 decision taken by the Fed in the midst of the pandemic to change their inflation monitoring outlook, I would say, which Chairman Powell has a robust review of ongoing. Right now, he'll be testifying before our committee tomorrow. Then, as I said, that's more common ground, but the part that isn't is assessing post-08 structural reforms, some in Dodd-Frank, some not, about Treasury market resilience. When you're at a three or four percent deficit to GDP, that is roughly in line with the Can debate that But when you're at persistently 7% of gross domestic product, two times nominal GDP, I mean that strikes me as unsustainable. And the belly of the beast was shown to all policymakers, not well-educated ones, but just all policymakers when you then respond to inflation with high rates. And who's the biggest detrimental receiver of high rates? Of the U.S. federal government. Because of the cost of refinancing our debt between September of 23 and September of 24, just to pick that period, you know, it's up 100 basis points. It's why it's a trillion dollars. It's while we're borrowing a trillion every five months and two weeks, something like that. So. Given that, and knowing both political parties bear responsibility for the size of the budget deficit, we're not debating the budget deficits in this task work, we're debating the management. Impact on monetary policy, impact on treasury market resilience, and what banking rules changed, what Fed policy rules changed. What balance sheet things changed. And we're going to, we're taking some excellent testimony from Treasury. Primary

dealer market participants, and the Treasury itself. So I hope that we can lay the groundwork for improving that resilience, making it more robust. One contribution to that, I think, was Chairman Gensler's, I want to be on credit that I can support a policy of Gary Gensler's, was clearing Treasuries, right? And you may even want to comment on that from a point of view of the seat you were in, because I think that is a contributor to the Treasury and market resilience.

**LIANG:** Yeah, and I'll just say I fully agree central clearings like one of the fundamental changes to treasury markets and being able to provide liquidity, especially as debt is increasing. But it wanted allows for balance sheet capacity among dealers, which is an issue. And bank regulators always have to trade off how much risk for how much capacity and central clearing sort of allows, you know, gives you sort of more capacity. Gives the regulators a little bit more flexibility on the SLR, but that's an important initiative and really good to hear you say that. So this got into the fiscal debt and so obviously we have a couple bills going around that would add three trillion to five trillion dollars of debt over the next 10 years to our current position. Um, you clearly have already expressed a view that you think. That high debt is an issue. So. How concerning is this and what's the path forward? So one could imagine investors wanting to demand even higher interest rates. You've already talked about, they've risen, but part of that is the policy path is up, the term premium, the risk premium on treasuries is up a little bit. One could have imagined if the debt path is even higher, it could go up further. How concerned are you that these rates will continue to climb and what should we be doing? This is a hard question. If we knew the answer, we would all.

**HILL:** Well, right. Well, first of all, it's reforming the entire federal budget space, and we have presidents of both parties who don't do that, who take substantial portions of that discussion off the table. President Obama had a downgrade of the Treasury debt in his term in office. He had the Simpson-Bowles process prepared. You know, I wasn't here then, but you know, bottom line was that President Obama and House and Senate leadership didn't really do anything about that at the moment. And President Biden had a downgrade in the Treasury markets early in his time in office and now we've had a recent one. So that message that's being sent is this is a well, an amazingly growing economy with immense wealth, productivity, employment, and innovation. I mean, just look at, look at GDP, nominal GDP. July of the pandemic, I'm going to round it at 21 trillion. Today, it's pushing 28 trillion. I mean this is a resilient country. People talk about 36 trillion dollars in debt. Well, 36 trillion in debt, just as a point of reference, that's how much home equity American families have. So just one asset class, American home equity equals the entire federal debt, because this just shows you the size and scope and I think, resiliency of the American economy. But that doesn't change the fact that the margin, you don't want it to be as sustainable as possible and lower that annual financing cost, because in economic theory, the higher that financing cost is per year, you are making choices. I mean, you are. The concept of crowding out, which you hear about in a macroeconomic class, really has, I guess, modestly occurred at different points in the post-war

history. But generally, because of that resiliency and the strength of the economy that I've just described, we borrow and we mule forward. We keep charging ahead. But at a trillion dollars in interest cost, based on the size of the debt, I mean, that's now. In question. So, my view is you ought to be willing to look at all responsibilities of the government and look for reform opportunities to bend that spending growth rate down. You're not going to get it to balance. You're trying to lower the growth rate and get it back below that closer to economic growth. Then you don't see debt to GDP grow. So we're trying, and you've heard Jodey Arrington, my colleague, who's our chair of the House Budget Committee, reverse the curse. That's his moniker to try to drop that growth rate. But when you take all spending categories, a big chunk of them, off the table, it's hard to do that. Yeah, yeah. So, you know, I don't fully agree that the CBO forecast will be the truth when we could spend, you can have a whole seminar on that topic. But I won't sit here and criticize it one way or the other. I think blocking a 22% increase on family tax increases and lowering some spending categories while assuring some others are robustly funded, such as the national defense, that's what Congress exists for, to have that debate.

**LIANG:** That's very helpful. Can I just ask maybe a couple questions changing the subject? Questions generally about being in Congress these days. So I guess one way norms in Congress are being eroded. There's a lot of polarization. What is it like to be a committee chair in this Congress? A committee chair who wants to legislate and get things done. What is like to in this congress right now?

**HILL:** Well, the good news is, it's not the Senate in the 1850s where people are being beaten with canes, and we don't have, in the New Jersey heights, overlooking the tiny town of Manhattan, people shooting each other. Congress has always been, since 1789, a robust place for debate, personal animus, poor behavior, boorish behavior. I mean, you know, it is a human endeavor, and you're bringing people from across the country together. So, I really sort of approach that with a little bit of historic perspective. But on the other hand, until the dominance of social media, if you didn't want to read about that or not see it, you could stay away from it. And now, with everybody carrying everything about everybody else's life in your pocket in a smart phone, you know, you're just getting politics and political disagreement 24-7, whether you want it or not. I mean, I'm not sure how you would turn it off. This is, other than turn the phone off, which is what we're now doing for our kids in Arkansas schools, which I think is a good policy. I'm a very practical person and I lay out the goals and then I go look at people who wanna work on those goals, Democrat or Republican, and I go find senators that wanna do that too. I mean, I think that's the essence of legislating. I was a staffer here in the first Reagan term as I referenced. I worked for the Senate Banking Committee when Jake Garn of Utah and Don Riegle of Michigan were the two senior people on that committee and I worked a guy from Texas named John Tower. And we we had bipartisan bills, sure, but we also had a bicameral legislating approach. I meet people in the House

still 10 years later and they tell me, this is the best idea I've ever had. So good. I said, great, well, who is the Senate sponsor? Well, what do you mean? It does sound like a pretty good job, but if you're going to have a bill signed into law, you need to have Senate strategy because most bills, under most circumstances, require some Senate support, bipartisan Senate support. So I try to model good behavior on that subject, and I just passionately work with my colleagues on both sides of the aisle, down our agenda, and I do the same thing over in the Senate. That's my style. And that's not frustrating, that's a lot of fun. It's like it's supposed to be. It's it's like supposed to. Oh, you gotta do this. Well, what, you know, no, I don't. You know, let's keep talking about it. So, I did live here those two years, single, working in the Senate, went back to Texas. But then I worked here for George Bush for four years. And I will say that these members since the 90s that commute in and out of Washington, the senators and the house members, where you're trying to do three days of work and five, there's not a lot of time for bicameral, much less bipartisan collaborative work because people's schedules are so tight. So I won't deny that I think that trend since the 90s has not been a healthy one for legislative collaboration. Thanks, boomer. I mean, that's the response, basically. Excuse me for, you know. But that's how I feel about it. I've witnessed it. I've witness it for a decade, and I see it every day.

**LIANG:** OK, I should open to audience for questions. But let me just, this is a more difficult question. There have been some pretty horrific violent acts in Congress and for politicians in general, including the recent killing of these Minnesota officials. I mean, it's pretty horrible to think about. Like are you and colleagues considering how to reduce, taking steps to reduce political violence. Is there an approach just to, is there the beginnings of a structure of approach to addressing this problem?

**HILL:** Well, it was—

**LIANG:** Sorry, this is a tough one.

**HILL:** No, it was the 14th was our Flag Day, obviously, and the birth of the Army, but it was also a horrific eighth anniversary of Steve Scalise and all the Republican baseball members at 6 a.m. down in Old Town practicing baseball when they were attacked and just very, very only because of Steve Scalise's Capitol Police guard, because he is a top leader in the House, he had protection. Without that protection, I think a majority of those members of Congress would be dead. So that was the anniversary date. So it struck hard with a lot of our members. We had a conference call last week about it over the weekend on the 15th. And it's concerning to members. And of course, Gabby Giffords, as everybody recalls, that horrific day, too. I think members are focused on their home security, focused on their spouse and their kids, they're focused on event preparation and event advance. And that's certainly something I think is on the minds of members when they're in

district and I thought that was a horrific example in Minnesota last week. But the answer is yes, it's on people's minds about their personal security, particularly in district, I would say.

**LIANG:** I'd like to open to audience, any questions in the audience? We have some microphones. If you could state your name and any affiliation. And we can take a couple at a time, please.

**AUDIENCE QUESTION:** Hi, I'm Courtney Deegan, I am a reporter with Pensions and Investments. With regard to the stablecoin and market structure bill, there's been some reports that some House Republicans are looking at combining those bills into one. Are you supportive of that idea and do you have any predictions on whether that could happen?

**HILL:** Well, what I've been doing last week, when the Senate was in session last week the House was not, was taking the temperature of our members in the House about what their preferred approaches are for hitting President Trump's deadline, including House leadership. So that's just a discussion that continues.

**AUDIENCE QUESTION:** Hi there, Brendan Peterson with Punchbowl News. Related to that same question, but in a different angle, when House leadership receives the Genius Act, what would you like Speaker Johnson to do with it?

**HILL:** Well, as of today, we haven't received it, but when he receives it, we're going to hopefully have a strategy that can figure out how we're going to move both the idea of a stablecoin and market structure ahead. Was that finessed enough for you, Brendan? Because when someone asks a question, this is basically the same question, but from another angle, that means it's the same question, and so I'm giving you the same answer.

**AUDIENCE QUESTION:** Claire Williams with American Banker. You mentioned in the stablecoin bill wanting to iron out some differences between the separation of banking and commerce and that you felt like those could be reconciled. Can you be more specific about how those should be reconciles and if you feel like you'll be able to get the Senate back on board when you need to iron those things out?

**HILL:** Well, as I understand it, if you're a public big tech, you have a limitation, and if you are private, you don't. In the FIT 21 bill in 2023 and 2024, we took essentially a bank holding company approach in that bill that said anyone can come together to form a new company to be a payment stablecoin issuer, But you've got to stick basically the bank holding company act of under 24% ownership or whatever the specifics were. We also have, in clarity, some language about what's a

financial activity, which I think also clears this up, as well, in clarity and other reasons why both bills are important together. But we'll find a landing spot on that topic.

**LIANG:** That's excellent.

**AUDIENCE QUESTION:** Good afternoon. My name is John D'Orio and I have a question about the CFPB and CFP reform bills that are currently in Mr. Barr's subcommittee. What do you think you can achieve? Can we get a commission as opposed to a single director? Can we DAP reform? You mentioned in your opening one-size-fits-all approach is unhealthy, which I think is correct. What do you think we can, what can we achieve with that agency and does it have a future?

**HILL:** Well good question. I haven't seen someone proposing to get 60 votes in the Senate to repeal the statute or the CFPB title inside Dodd-Frank. So I think the agency in my judgment, but if you use that as a definition of whether an agency exists or not, that's it. So you're asking a question, how could it be reformed in a constructive way that could get some bicameral consensus? But first, I have to go to what's pending before the House and Senate right now, which is budget reconciliation. And if you recall, in the House budget reconciliation bill, we proposed a cap on Federal Reserve operating expenses that could be dedicated to the CFPB of 5 percent. The Dodd-Frank statute was at 12. We based that on working with the agency, with OMB, and others on what is an adequate amount of funding to carry out. The business mission and so we made a decision of what could we lower costs, lower federal spending, mandatory federal spending and we capped their ability to carry over funding to a certain amount and we cap their ability to continue a civil monetary or penalty fund in perpetuity rather than once. There was reparation paid back to a consumer, then that money would go back to the treasury. So that was the House bill. And I start there because that sort of lays the groundwork on what the possible is, and you're asking what one step beyond that. So let's see if the House and Senate can successfully pass budget reconciliation and what the parameters around reducing mandatory spending dedicated to the CFPB is through that bill. And then, in answer to your question, I think the reform ideas are stay true to the statute, don't go beyond the statute. Follow the Administrative Procedures Act. Guidance is not a law. UDAP doesn't have any definitions. Let's see if we can find bicameral workers that would actually give some definition to UDap so it can't be used as a one size fits all undefined. Term, set of terms on, in market reg. And then let's consider governance based on, you know, what the Congress might want to proceed. And you raised Andy Barr's bill over the years of a bipartisan commission with the CFPB being put on appropriations. So all that I think are ideas that the Congress could potentially consider and our committee has been actively considering and marking up bills in that space. But we need to wait and find out what the Congress can deliver on budget reconciliation and what passes muster there first, I think. But thank you. Good question.



**LIANG:** Last question, please.

**AUDIENCE QUESTION:** Hi, Jasper Goodman with Politico back to the digital assets legislation for a moment. Are you open to or against the idea of simply passing the Senate stablecoin bill without reconciling any of the changes that you've walked through here today? Just passing the bill clean. Are you open to that idea?

**HILL:** What I'm open to is listening to my colleagues and House leadership and finding what I think is the best legislative strategy to obtain a quality stablecoin bill and market structure bill hopefully before the president's deadline in August.

**LIANG:** Well, chairman, thank you.

**HILL:** Thank you

**LIANG:** So much for your time today.

**HILL:** Happy to be here. Thanks for the invitation.

**LIANG:** Of course.

**HILL:** Good to see you. Thanks for your service to your country.

**LIANG:** You too. The chairman needs to leave promptly. So if you could just wait and let him leave, that would be terrific. And thank you all for joining us today. Appreciate the questions and the interest very much. Thank you.