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July 29, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Mr. Keshava on United States
(Preliminary)
Executive Board Meeting
July 31, 2020**

- 1. We welcome the resumption of bilateral surveillance with the U.S. Article IV consultation being the first case to be discussed.** In this context, we thank staff for the comprehensive set of reports and Mr. Rosen, Mr. Grohovsky, and Mr. Shenai for their helpful Buff statement.
- 2. We welcome the forceful and timely policy response of the U.S. authorities in the face of the unprecedented shock arising from the COVID-19 pandemic.** Indeed, the wide-ranging fiscal measures have provided critical support to households, businesses, healthcare sector, and state and local governments. In particular, we commend the authorities for their actions to mitigate significant economic hardship, including through the direct cash payments, expanded unemployment benefits, food assistance, and Paycheck Protection Program. Such actions were rightly tailored to lower-income individuals and families. The monetary policy response was also timely and forceful in normalizing liquidity conditions and market functioning. Equally importantly, the steps taken by the Federal Reserve have positive spillover effects in easing financial conditions globally and countering capital flow pressures experienced by a number of EMDEs. In addition, the expansion of the swap lines and establishment of a temporary repo facility for foreign central banks have reduced strains in the global dollar funding markets with positive spillovers to the global economy.
- 3. Given the severity of crisis and sizable risks, staff has recommended further round of fiscal measures to provide support to the economy and the most vulnerable.** *We would welcome staff's elaboration on their recommendation in ¶ 29 on a new fiscal package to include substantive, discretionary policy actions. Specifically, what are staff's specific recommendations regarding the ongoing debate on further direct cash payments, extension of unemployment benefits, further support to local and state governments, and other policy actions?* We were surprised to note staff's recommendation in the same

paragraph (¶ 29) to design a stimulus package to address environmental concerns, address the deep-rooted social and economic challenges, and accelerate shift to digitalization. In our view, while these are important challenges, the focus on any stimulus package should be on accelerating the recovery and providing support to the most vulnerable.

4. **Options for additional monetary stimulus are worth exploring to more quickly bring the economy back to maximum employment and 2 percent inflation.** In this context, we take note of staff's clear assessment that introducing negative policy rates in the U.S. does not seem to be an appropriate policy choice. However, on introducing yield curve control, staff has indicated their openness to the idea. *Could staff elaborate if they plan to do more analysis on countries' experience in introducing yield curve control?*

5. **We take note of staff's assessment that the outlook is subject to extraordinary degree of uncertainty.** In this context, it is clear that rapid progress on the ongoing efforts to develop vaccines and therapeutics would help in accelerating the pace of recovery. *One of the main themes of the report is the need for a broader remaking of the U.S. economy. On the other hand, staff has underlined in ¶ 23 the flexibility of the U.S. economy to adapt to shifts in economic environment and the availability of human capital to innovate in new and unexpected ways. Can staff elaborate how the broad remaking of the U.S. economy through much greater state involvement will still preserve its innate flexibility, dynamism, and capacity to innovate?*

6. **On trade, we support stronger global efforts to promote international trade and investments and look forward to resolution of trade disagreements in a cooperative manner.** We welcome the coming into effect of the United States-Mexico-Canada (USCMA) Agreement earlier this month. We agree on the importance of strengthening the multilateral trading system.

7. **We welcome the finding of the FSAP stress tests that the U.S. financial system entered the crisis generally well-prepared to an array of severe shocks.** The authorities are also to be commended for their urgent measures in the wake of the COVID-19 pandemic to safeguard economic and financial stability and to prevent adverse macrofinancial feedback loops. The FSAP's recommendations on further strengthening policy and institutional framework are comprehensive. In this context, we welcome the authorities' position that they will carefully consider the FSAP recommendations and work to strengthen the institutional framework for financial stability, which remains advanced in implementing the G-20 financial regulatory reforms and meeting international standards. We also take positive note of their continued focus on reviewing regulation and supervision to maintain safety and soundness of the U.S. financial system while calibrating requirements to the level of risk posed.

8. **Finally, we would like to express our disappointment as the consultation does not seem to be in line with the approach suggested in the paper on "Surveillance During the**

Covid-19 Crisis-Engagement on Country and Thematic Issues (FO/DIS/20/133, June 12, 2020)". Indeed, the report is not short and succinct as promised but covers a number of areas, which were not even raised in the actual consultations with the authorities, as noted in the Buff statement. Looking ahead, the report should not serve as a template for upcoming Article IV consultations. In particular, it is important to produce short and succinct staff reports focused on crisis management and recovery following streamlined surveillance.

With these remarks, we wish the U.S. authorities continued success.