FORMER FEDERAL RESERVE CHAIRS ON RESPONDING TO OUR NATION'S ECONOMIC CRISIS

HEARING

BEFORE THE

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

OF THE

COMMITTEE ON OVERSIGHT AND REFORM

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C O N T E N T S

Written opening statements and the written statements of the witnesses are available on the U.S. House of Representatives Document Repository at: docs.house.gov.

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Documents entered into the record during this hearing and Questions for the Record (QFR's) are listed below/available at: docs.house.gov.

* National Academies Report on School Reopenings, article; submitted by Rep. Scalise.

* American Academy of Pediatrics Guidance, article; submitted by Rep. Scalise.

* Questions for the Record: to Dr. Yellen; submitted by Rep. Green.

* Questions for the Record: to Dr. Bernanke; submitted by Rep. Green.

FORMER FEDERAL RESERVE CHAIRS ON RESPONDING TO OUR NATION'S ECONOMIC CRISIS

Friday, July 17, 2020

HOUSE OF REPRESENTATIVES
SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS
COMMITTEE ON OVERSIGHT AND REFORM
Washington, D.C.

The subcommittee met, pursuant to notice, at 12:38 p.m., via WebEx, Hon. James E. Clyburn (chairman of the subcommittee) presiding.

Present: Representatives Clyburn, Waters, Maloney, Velázquez, Foster, Raskin, Kim, Scalise, Jordan, Luetkemeyer, Walorski, and Green.

Chairman CLYBURN. Good afternoon. The committee will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time. I now recognize myself for an opening statement.

Today, the Select Subcommittee is pleased to welcome our distinguished panel, Dr. Ben Bernanke and Dr. Janet Yellen.

Dr. Bernanke was appointed chair of the Federal Reserve by President George W. Bush in 2006 and oversaw the Federal Reserve's response to the global financial crisis. Before his tenure as Fed chair, Dr. Bernanke served as chair of President Bush's Council of Economic Advisors.

Dr. Yellen served as vice chair of the Federal Reserve until 2010 to 2014 before being appointed chair in 2014 by President Barack Obama. Dr. Yellen also previously served in the White House as chair of the Council of Economic Advisors.

This is the first time that either Dr. Bernanke or Dr. Yellen has testified before Congress since stepping down from the Federal Reserve. These extraordinary times require Congress to seek out advice for experts with extraordinary experiences.

As Congress works to end this economic crisis and enable the strong recovery, we are fortunate to benefit from their individual insights and gain from their unique position as Federal Reserve chairs than the last economic crisis and recovery. I want to thank both of them for agreeing to testify today.

Six months into this crisis, the coronavirus pandemic continues to spiral out of control. Today, over 3 million Americans have tested positive for the virus, including a record-breaking 75,600 confirmed yesterday. And more than 140,000 Americans have died, far more than any other country.

This administration has not only failed to fix the problem, it has made things worse. The White House pushed states to reopen without a plan to keep everyone safe. As a result, we have new epicenters in Florida, Arizona, Texas, and here in my home state of South Carolina. Florida's per capita infection is now 20 percent higher than New York's was at the peak of the outbreak in April. And now the administration is undermining its own public health experts in the rush to reopen schools again without a plan.

Our Nation's unemployment is at a historic high. According to recent estimates, nearly 33 million Americans are collecting unemployment benefits. Just last week, several Federal Reserve officials expressed alarm that the country's modest recovery is quote, "starting to level off."

This economic crisis has been especially damaging to communities of color, who as our witness recently wrote or quoted, "burying a greater fear of COVID–19 deaths and also face higher rates of unemployment than their White counterparts."

So, the question for today's hearing is, what can we do about it? First, we cannot address our economic woes until we first address the urgent public health crisis. It is far past time for the White House to take responsibility for others' crisis and provide the much-needed Federal leadership and a clear national strategy to fight this pandemic.

Second, the Federal Reserve and Treasury must act quickly to use the authority and funding Congress provided to help America's families. This is an unprecedented crisis that requires an unprecedented response. While the Fed has taken significant steps to show up credit markets and protect big businesses, it has done less to protect workers. In fact, the Fed's primary mechanism to protect jobs, the Main Street Lending Program, has struggled to get off the ground.

The Fed should do more to ensure the Main Street Lending Program is accessible for the small businesses who most need it and deserve this assistance and to protect the workers this program was designed to help.

Third, the White House must work with Congress to act boldly and decisively to prevent an economic catastrophe. American families and small businesses cannot wait any longer for relief. Congress must pass another economic recovery package that includes support for low-wage workers and the unemployed, new assistance to states and localities, and programs that invest in public health. On May 15, more than two months ago, the House passed the HEROES Act to do exactly that. I urge my colleagues in the Senate to end the delays and pass this vital legislation.

I would also like to address one final point. After we announced this hearing, my Republican colleagues suggested we add a witness who is not a Federal Reserve chair or a former Federal Reserve chair. Now, I have accepted every other witness my Republican colleagues have proposed, and I think it has been five thus far. And I look forward to hearing from this proposed witness at a future date.

But, today, my goal is to hear from the unique insights from Chair Bernanke and Chair Yellen on their efforts to help our Nation recover from the 2008 financial crisis as leaders of the Fed.

For example, Dr. Bernanke has stated, and I quote, "The initial 2009 fiscal program was perhaps not adequately sized given the size of the problem. We must not make that same mistake again."

Our witnesses today serve honorably under Presidents of both parties. I am hopeful that all my colleagues will participate in this hearing in a bipartisan manner and help us search for solutions to benefit the American people.

The chair now recognizes the distinguished ranking member for his opening statement.

Mr. SCALISE. I thank you, Mr. Chairman. And I want to thank our witnesses for appearing before the subcommittee as well. They both have distinguished careers and can offer some important insights on the hearing about responding to our Nation's economic crisis, which is today's topic.

But with due respect, Mr. Chairman, both of today's witnesses were selected by the majority. And I know you and I spoke about this, but I requested as Rule 11 of the House of Representatives actually requires that the minority get to also have a witness, so that the Select Committee can hear from a diversity of perspectives.

Whether people are from different parties, if they are both bringing a similar perspective on an issue, that is not the intention of the House rules, which is why I asked for a witness as well, and somebody who is widely regarded as an expert on the economy.

He has testified before Congress dozens of times. In fact, he was a former head of the Congressional Budget Office. He is the person tasked to inform us, Congress, on understanding budget and economic impacts of policy decisions.

So, Mr. Chairman, I know you denied that witness, we talked about it, but because of that decision, we are also being denied the diversity of opinion that we should be getting on today's topic. We should all request and seek that the House rules, as they require, welcome that diversity of opinion, which is why both parties are allowed to invite witnesses to provide us with pertinent testimony. That was denied today to us at this hearing, unfortunately, and it hinders our ability it get all of the facts.

But with that, Mr. Chairman, pursuant to Clause 2(j)1 of Rule 11, I am requesting that we get what we are allowed under the rules on that, as a minority date of hearing under this subject.

The Rules require it. They were not followed in the request that we made. It doesn't allow the chair to select both a Republican and Democrat. It allows the chair to select witnesses, but it also allows the minority to be able to submit a witness. We did that. It was denied.

So, in lieu of that, the rules require that we are able to have a minority day of hearing. I just wanted to invoke that, Mr. Chairman. I know you and I can, our staffs can work through that. But as a point of order, I did want to bring that up, Mr. Chairman.

Why don't we now talk about the state of the economy——

Chairman CLYBURN. Gentleman, I want interrupt you for a moment.

Mr. SCALISE [continuing]. I will recognize you on that point of order.

Chairman CLYBURN. Well, thank you very much. I understand that you have submitted the letter. I have received the letter, and I will take it under advisement. I will commit to you today that I will consider your request in accordance with the House rules. In fact, as I understand it, that one of the witnesses that you have requested already appeared before this committee just last month.

With that, I would yield back and thank you, and I feel that you and I will be able to deal with this in an amicable manner.

Mr. SCALISE. Thank you, Mr. Chairman. I am confident we will be able to work through this as well.

Now, why don't we talk about the economy. The unemployment rate in February was 3.5 percent. That is the lowest in over 50 years. The unemployment rate for African Americans and Hispanics was the lowest in recorded history of this country. Hourly wages were growing at the fastest pace we have seen in over a decade. America was experiencing the hottest economy we have ever seen, and every segment of our country was reaping those benefits.

And then a global pandemic hit our shores. China lied and hid the truth about it. The organization that the world looks to for medical expertise and guidance in a pandemic, the World Health Organization, was corruptly complicit in actually regurgitating China's lies. America got hit hard, and it got hit fast like the rest of the world did in this global pandemic. The worst we have seen in over 100 years.

Immediately, America came together to fight the invisible enemy and to prevent our hospitals from being overwhelmed, and we did so without knowing nearly as much as we do today by this unique destructive virus. All we could really do was shut down and put the largest most prosperous economy in human history on pause. The pause was necessary, but it came at a staggering cost from lowest unemployment in almost 50 years to now over 40 million jobs lost.

Income inequality was made worse. Forty percent of people making less than $40,000 were laid off. Children lost irretrievable months of in-school learning. Vaccinations plummeted. Progress on the opioid crisis that we made working together was reversed. What America must now decide is whether those losses are going to be short-term costs, or will they be long term irrevocable damage?

I proudly supported the CARES Act. In fact, virtually all Members of Congress did. And there are some important structural building blocks for recovery in that legislation. We already know about PPP, and we have had hearings on the tremendous success that did in saving millions of jobs. But we put billions of dollars in place for PPE to protect our frontline healthcare workers. We put billions in place for testing for the development of therapies and ultimately a vaccine.

But let's be honest about the relief portion of the CARES Act, what we did was float the U.S. economy with borrowed money to temporarily compensate for shutting it down. The question before us today is knowing now what we know about the unintended cost of the shutdown, should we continue to extend it, or instead focus on the building blocks of long-term sustainable and equitable recovery.

A few key principals in shared goals should guide us in this direction. Federal policy should reward and support America's workers. Educating our children safely in the classroom is a paramount responsibility. It is not just a goal, it is something we have to achieve.

Federal policy should accelerate innovation and research and manufacturing here in the United States. And only a healthy and growing economy can support long-term sustainable and equitable prosperity.

With that, all Americans are concerned about the continued spread of the virus, and all Americans have a role and a responsibility in helping to slow the spread, as we are all wearing masks when we are out in public.

But let's also acknowledge some key developments. The death rate continues to fall because we are doing better protecting our most vulnerable population and improving the treatment of COVID patients. President Trump's Operation Warp Speed is showing great promise, including this week's remarkable announcement of promising results from vaccine trials. Testing capacity and PPE production continue to ramp up. Red tape is being cut, and this progress can give hope to all of us who want to end this pandemic.

America must continue to forge ahead with this can-do attitude and find practical solutions to the challenges that must be solved, beginning with safely reopening our schools.

Earlier this week, Vice President Pence brought his task force down to Louisiana—and I had the honor of spending the day with him, along with our governor who happens to be a Democrat—talking with school officials, public health experts, and even Coach Orgeron about the importance of getting kids back to school and how to do it safely.

Dr. Birx, by the way, who is the White House coordinator, coronavirus response coordinator and a respected medical official was there and talking about how you can safely reopen. Our attitude has to be, how to do it, not whether you can do it, clearly, it can be done.

Children need to get back to school and continue their education. For many children, the time lost will never be made up. Children's health will improve and schools reopen. Vaccinations will increase. Child nutrition for our most vulnerable will improve.

The American Academy of Pediatrics, Mr. Chairman, issued an important report, which among other things, quote, "strongly advocates that all policy consideration for the coming school year should start with a goal of having students physically present." The report goes on to say, quote, "the importance of in-person learning is well-documented, and there is already evidence of the negative impacts on children because of school closures in the spring."

I would hope that we would be focused on the damage to students of not reopening as we put our efforts behind how to safely reopen.

Mr. Chairman, I would like to ask unanimous consent that this report by the American Academy of Pediatrics be entered into the record.

If there is any objection, but I did want to make that request——

Chairman CLYBURN. The gentleman has a right to object, though, I do not intend to object.

Mr. SCALISE. We will provide you with this report by the Academy of Pediatrics.

Chairman CLYBURN. OK.

Mr. SCALISE. And I would ask that it be included if there is no objection.

Chairman CLYBURN. Without objection.

Mr. SCALISE. To conclude, Mr. Chairman, thank you.

School reopening also helps the economy because parents can more readily get back to work. We should resolve that no business in America ever again has to compete with a Federal policy that makes unemployment relief pay better than actually going back to work.

Small business after small business has told me their biggest obstacle of reopening right now is getting their workers to come back because the temporary bonus unemployment check in many cases pays more than the actual salary. This policy needs to stop.

While some in Washington want to continue the shutdown with the Federal Government continue floating the economy and have the Federal Reserve just keep printing more money, that is not a path to prosperity. We have faced big challenges throughout America's history.

America put a man on a Moon. For goodness sake, we can surely reopen our schools and safely rebuild our economy. Let's rise to this challenge.

I yield back the balance of my time, Mr. Chairman.

Chairman CLYBURN. I thank the ranking member for his opening statement.

Now, I would like to introduce our witnesses. The Honorable Ben Bernanke is a distinguished fellow in residence at the Brookings Institution and served as chair of the Board of Governors of Federal Reserve from 2006 to 2014.

The Honorable Janet Yellen is also a distinguished fellow in residence at the Brookings Institution and served as chair of the Board of Governors of the Federal Reserve from 2014 to 2018.

The witnesses will be unmuted so we can swear them in.

Please raise your right hands.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Ms. YELLEN. I do.

Mr. BERNANKE. I do.

Chairman CLYBURN. Let the record show that the witnesses answered in the affirmative.

Thank you. Without objection, your joint written statements will be made part of the record. With that, Chair Bernanke, you are now recognized to provide your testimony.

Mr. BERNANKE. Mr. Chairman, could I defer to Dr. Yellen to go first?

Chairman CLYBURN. Yes.

Mr. BERNANKE. We coordinated our comments.

Chairman CLYBURN. Very well. The chair now recognizes Dr. Yellen.

STATEMENT OF THE HONORABLE JANET YELLEN, DISTINGUISHED FELLOW IN RESIDENCE, THE BROOKINGS INSTITUTION; FORMER CHAIR, BOARD OF GOVERNORS OF THE FEDERAL RESERVE

Ms. YELLEN. Thank you. Chairman Clyburn, Ranking Member Scalise, and members of the committee, I appreciate the opportunity to testify before you today. My remarks will focus on the economic impact of the coronavirus and the contribution that fiscal policy can make in addressing it. Former Chair Bernanke will then discuss the Federal Reserve's response.

In many respects, this recession is unique. Although, like all recessions, it is imposing heavy costs. Most downturns result from developments inside the economy. This recession was triggered by a public health crisis. The unusual source of the recession is reflected in the extraordinarily rapid decline in economic activity earlier this year, and the sharp, but incomplete rebound of recent months following the first steps toward reopening.

The heaviest blows are falling on lower-paid workers as well as women and minorities who are overrepresented in the most affected service sectors. They have born a disproportionate share of the losses of jobs and income.

By far, the most important factor determining the economy's path will beat the course of the pandemic itself. To support recovery, and more importantly to save possibly tens of thousands of lives, controlling the spread of the virus and mitigating its effects should be the first priority for Members of Congress, local leaders, and other policymakers. This requires support for testing and contact tracing, medical research, and sufficient hospital capacity. It also requires working to ensure that businesses, schools, and public transportation have what they need to reopen safely.

If the pandemic comes under better control, economic recovery should follow. However, the pace of the recovery could be slow and uneven. In the face of ongoing uncertainty, households and businesses may remain cautious for a time, increasing precautionary saving and reducing spending, hiring, and capital investment. The longer the recession lasts, the greater the damage it will inflict on households and business balance sheets. And the depth of the recession may leave scars on the economy, such as the deterioration of unemployed workers' skills or the closure of many businesses. An important goal with fiscal and monetary policies should be to speed the recovery and minimize the recession's lasting effects.

The fiscal response to the coronavirus has thus far been quite effective in our view. Enhanced unemployment insurance and the Paycheck Protection Program have helped unemployed workers and their families, together with many businesses, survive the spring shutdowns. However, a number of programs authorized by the Congress are coming to an end, and new actions are necessary.

Our recommendations for further fiscal action are as follows: First, nothing is more important for restoring economic growth than improving public health. Investments in this area are likely to pay off many times over.

Second, with unemployment still at record levels, enhanced unemployment insurance should be extended, and complimentary programs like food stamps adequately funded. Rather than making a one-time appropriation, we think the Congress would be well-served by tying supplemental unemployment insurance and other support programs to the national or state unemployment rate, thereby creating an automatic stabilizer.

Third, Congress should provide substantial support to state and local governments. The enormous loss of revenue from the recession, together with the new responsibilities imposed by the response to the pandemic, has put their budgets deeply in the red. To avoid the recessionary effects of major fiscal cuts by those governments, Federal support should be substantial, and conditions on the aid should not be overly restrictive.

Following our advice would further increase the already record-level Federal budget deficit. With interest rates extremely low and likely to remain so for some time, we do not believe the concerns about the deficit and debt should prevent the Congress from responding robustly to this emergency.

The top priorities at this time should be protecting our citizens from the pandemic and pursuing a stronger and equitable economic recovery. Thanks.

Chairman CLYBURN. Thank you very much, Dr. Yellen. We will now hear from Dr. Bernanke.

STATEMENT OF THE HONORABLE BEN BERNANKE, DISTINGUISHED FELLOW IN RESIDENCE, THE BROOKINGS INSTITUTION; FORMER CHAIR, BOARD OF GOVERNORS OF THE FEDERAL RESERVE

Mr. BERNANKE. Thank you, Chairman Clyburn, Ranking Member Scalise, and members of the committee, thank you for the opportunity to testify before you today.

In my oral remarks, I will briefly summarize the Federal Reserve's response to the coronavirus crisis. The Federal Reserve has moved swiftly and forcefully in this crisis. It eased monetary policy in March by lowering the Federal funds rate nearly to zero and indicating that it plans to keep rates low for several years. And the Fed may well do more in coming months as reopening proceeds and as the outlook for inflation, jobs, and growth become somewhat clearer.

In particular, to maintain downward pressure on longer-term interest rates, the Federal Open Market Committee likely will provide forward guidance about the economic conditions it would need to see before it considers raising its target rate, as well as clarifying its plans for further securities purchases for quantitative easing.

The Fed has also been active beyond monetary policy. First, the Fed has served as a market-maker of last resort by acting to stabilize critical financial markets when capital or other regulatory constraints have interfered with normal market making in arbitrage. In March, uncertainty about the pandemic led hedge funds and others to scramble to raise cash by selling longer-term securities. The upsurge of the supply of longer-term securities, including

Treasuries, was more than dealers and other market-makers could handle resulting in substantial volatility.

To stabilize these key markets, the Fed purchased large quantities of Treasuries and mortgage-backed securities. Risks and liquidity premiums in these key markets have since returned closer to normal.

Second, the Fed has served as lender of last resort to the financial system, the classic function of central banks. Fortunately, the financial system is in much better shape today than it was during the financial crisis. The Fed, nevertheless, has taken steps to ensure that the financial system, including banks, broker dealers, and money market funds has sufficient liquidity to operate normally and to keep extending credit.

Third, the Federal Reserve with the support of Congress and the Treasury has also served during the current crisis as a lender of last resort to the nonfinancial sector, backstopping key credit markets disrupted by the pandemic. Using emergency authorities, the Fed revived the financial crisis-era facilities to stabilize commercial paper and asset-backed securities markets. The Fed has also added new facilities to lend to corporations and state and local governments, and to buy outstanding corporate bonds.

By establishing these programs, the Fed has given private investors the confidence to reengage by reassuring them that the government would not allow these critical markets to become dysfunctional.

The Fed also established the Main Street Lending Program to lend through banks to medium-sized companies. It is too soon, however, to judge its performance. This program is very different from anything the Fed has attempted before and poses difficult technical challenges. Questions remain about how many banks and borrowers will participate. The Fed and Treasury may have to further ease terms for borrowers and increase incentives for banks for this program to have the desired effect.

Is there more the Fed could do? As I noted, the Fed likely will provide more clarity about its monetary policy plans, and it may need to adjust the terms or borrower eligibility requirements of its various lending facilities.

Broadly speaking, though, the Fed's response has been quite comprehensive. As Chair Powell often notes, the Fed's authorities allow it to lend but not to spend. Some households and firms will need subsidies or grants rather than loans to survive this challenging period. Spending is, of course, the province of Congress.

Thank you, Mr. Chairman.

Chairman CLYBURN. Thank you very much, Dr. Bernanke. And thanks to you, again, Dr. Yellen.

We have now come to where each member gets five minutes to ask questions. So, I am going to begin by yielding myself five minutes.

And I would like to begin by asking Dr. Bernanke about the oped piece that he wrote this week. And I am going to quote from that op-ed piece. It said, a new package is needed in order to stabilize aggregate demand and restore full benefit or full employment.

Now. I would like to ask you, Dr. Bernanke, what do you think will happen to the economy other the next few months if Congress fails to pass a new stimulus bill?

Mr. BERNANKE. Well I will focus on the state and local government part of this. They are both the first-line providers of critical financial services, health, education and the like, and are also big employers. And one thing we learned in the—after the financial crisis was that because of balanced budget requirements at the state and local level, as states and localities saw big declines in their revenues, they also had to do serious cuts in their employment and capital investment leading to a slower economic recovery.

Some recent estimates suggest that the contraction at the state and local level slowed growth in the U.S. economy after the crisis by about half a percentage point a year, which is significant.

Now this crisis has had similar effects. On the one hand, state and localities have had greater expenses to deal with the health crisis to help companies reopen safely. On the other hand, they see big revenue hits. One estimate is that the revenue hit for states alone since February is over $500 billion.

If no action is taken to help the states and localities, you know, avoid massive contraction, then it will have a negative effect both on recovery but also on critical services that they provide to their citizens.

Chairman CLYBURN. Dr. Yellen, Dr. Bernanke has given us some insight as to what will happen if we do not assist state and local governments. I wanted to ask you what would happen if we do not extend support to public health agencies to food stamps and other public assistance programs? And unemployment insurance, what will happen if we fail to move in those areas?

Ms. YELLEN. Well, we have tried—we have both emphasized that money spent on public health yields a very high return. It means that the economy can get back on its feet more rapidly. We can reopen and put people back to work, and, of course, we also save lives in the process.

With respect to unemployment insurance, I am tremendously concerned that the extended benefits are now scheduled to end on July 31. I think, frankly, it would be a catastrophe not to extend unemployment insurance. It has done a great deal to support the incomes of a large number of individuals, disproportionately low-wage workers, and minorities 40 percent of whom have lost their jobs.

It has provided a good deal of support to them. And to the economy more broadly because we need the spending that those unemployed workers can do. Without it, we would simply see more weakness—as their spending contracts, we would see more weakness throughout the entire economy.

And those workers, especially the lower-income workers who are benefiting from the $600, they have a very high propensity to spend the money that they are given. We have seen higher-income workers do more saving, but the lower-income workers who are receiving those unemployment benefits are spending it which benefits jobs throughout the economy.

There is the issue of work incentives. And if we had a stronger economy and the unemployment rate were lower and we were closer to full employment, I would worry about the disincentives that having more than 100 percent replacement ratio would involve.

But at this point, I really—there is such a shortage of jobs that I really don't think this is. And I think there is evidence in recent suggesting this is not really stopping the economy from creating jobs and putting people back to work.

We do suggest that unemployment benefits could be based on the individual's pre-unemployment wages with a replacement rate that would not receive 100 percent. But I don't know at this point if states all have the technical ability to put that into effect.

Chairman CLYBURN. Well, thank you very much for that. I see that I am out of time. I do have one other question, but I'll let the ranking member go now, and maybe he will loan me some time later.

I yield to the ranking member.

Mr. SCALISE. OK. Is that working, Mr. Chairman?

Chairman CLYBURN. Yes, I hear you now.

Mr. SCALISE. OK, thank you. We will let you get that last question in.

But I do want to point out that when you look at what we need to do to get our economy back open, this isn't a question of reinventing the wheel. Clearly, we're dealing with serious challenges that we're all working through. But let's look to what did work to get us to that hottest economy in the world before this.

That was a robust tax policy. It was making our country competitive again. It was putting more money in the pockets of families. Letting families have more control over their own destiny, over their own money that they worked hard to earn. And that was done by the Tax Cuts and Jobs Act. We saw unparalleled growth in our country's economy, we saw the ability to bring jobs back, and we can do that again once we get through this.

That's why it's so encouraging to see what President Trump is doing on Operation Warp Speed. It doesn't get enough credit or attention, but we're seeing the full focus of the Federal Government. Agencies like the FDA removing red tape so that they can focus everything on finding vaccines, therapies and, ultimately, a cure for COVID–19.

And we saw already the remarkable progress this week. We hear from drug companies who are in Phase 3 of testing on very effective vaccines. That's where our focus should be for long term to get through this. And, hopefully, that happens soon. And I appreciate that President Trump and Vice President Pence are focusing so much time on that.

But then as we look to the health of our country, we also need to look at opportunities we're going to have coming out of this. As we push to get people back to work, how we can create more incentives to strengthen this economy in America and address what we saw that China did.

We know that China hoarded PPE. As we all complained about the shortages of PPE at the very beginning of this, it's because the bulk of it is made in China, and they were hoarding the PPE while they were lying to us about this. That's why we ought to have a hearing on holding China accountable to see what they did to shut off the supply of that vital protective equipment for our frontline hospital workers. When we were in the midst of trying to find out what was really happening, they hoarded it, and we didn't have that ability to get it.

We're now starting to make that here in America. We ought to have incentives to create more jobs by bringing that back—it's a national security item—bring that back into America, create those jobs here in America. If you look at things like the drugs that were made in China, we can make that here in America. That would be something we ought to look at incentivizing.

I hear from small businesses every day who talk about the problems, the problems created by paying people. In many cases, over 75 percent of workers in America, they have studied, are making more money on the enhanced benefits than in their normal job. And it's a true impediment. It's a true impediment when you talk to small businesses across this country, like getting them back to work.

I do want to ask Dr. Yellen, because you talked about a substantial amount of money to bail out states. Do you have a rough idea of how much money you are talking about? We have already passed $150 billion to help the states get through this. Are you talking about a $500 billion number, $1 trillion number, can you quantify what you mean when you are talking about this package that would bail out Sates?

Ms. YELLEN. So, as Chair Bernanke mentioned in his response to the chair's question, there is a study by the Center on Budget and Policy Priorities that suggest that, I believe, it's through 2022 that the shortfall for Sates alone is put at about $550 billion. And there's perhaps not quite as large but also tremendous shortfalls at the local level. So, I think we aren't talking about very substantial cutbacks.

And Chair Bernanke and I are both happy to be serving on state reopening committees.

Mr. SCALISE. And, if I may, I appreciate that, and I apologize, I know we're on limited time. You know, you talk about $550 billion as a starting point, not even time for local governments. I think we all are talking about this, but we need to recognize there were many states that—not many, but there were a few states that had massive budget shortfalls, multibillion-dollar budget shortfalls prior to COVID–19.

So, the idea that the Federal taxpayer, which is already stretched, should bail out those states that had failed policies, you can look at the tax policies I talked about earlier, many of those states had budget shortfalls because they were taxing their people too high and because they were running the good jobs out of their states.

That's what they should be focused on, focused on fixing the problems they had prior to COVID–19 that were causing their economies to collapse and businesses to flee and good jobs to flee. Fix that now while we're in the middle of rebuilding things. That's where the focus ought to be so that they can come back stronger, they can come back in a more healthy position, not just continue and ask the Federal taxpayer to bail out their state problems. That's where the focus ought to be.

I do want to ask Dr. Bernanke, you know, I cited the American Academy of Pediatrics Study that talks about the importance of bringing kids back to school for many reasons, health reasons, getting nutrition, but also to be able to be learning at the right pace.

Do you agree with the Academy of Pediatrics talking about the importance to children of getting back in school, not just learning at home?

Chairman CLYBURN. I'm going to assist the ranking member, your time has expired. But I am going to let Dr. Bernanke answer this question, because I am sure you are going to allow me to——

Mr. SCALISE. I will allow you to finish.

Mr. BERNANKE. Thank you. I will be brief.

Chairman CLYBURN. Thank you.

Mr. BERNANKE. My wife is a teacher, I do understand the value of children of in-person instruction, plus the support that they get. I understand the importance of working parents. But there is a concern here, of course, about the health risks. And I think that local districts are going to have to make tough decisions based on their local conditions, you know, and based on their evaluation of the public health situation.

I am not a doctor. I can't make that judgment. But local districts are going to have to use the advice they get from professionals to make those choices.

Mr. SCALISE. And Dr. Birx Tuesday talked about some of those steps you can take to do it safely as the Academy of Pediatrics did too. No tradeoff between safety, but the importance of getting kids back in school in a safe way can be done. We have to do it.

With that, Mr. Chairman, I yield back. Thank you.

Chairman CLYBURN. Thank you very much, Mr. Ranking Member, before going to Chair Waters, I would like to present a question because of what you raised, Mr. Ranking Member, is something I think we ought to take a look at.

We have heard from several of my colleagues recently that the next package ought to be capped at $1 trillion. The CARES package itself is far in excess of that. The HEROES Act is around $3 trillion, of which nearly $1 trillion is devoted to state and local governments.

I would like to suggest, what do you think about capping the next package at $1 trillion? Should that be? And if so, why or why not?

Dr. YELLEN.

Ms. YELLEN. I would be concerned about capping it when we know that the needs of the state and local governments come, alone come close to that, and a substantial amount will also be needed for unemployment insurance and for public health needs.

So, I don't know what the right number is. We need support, also, that comes from all of that spending for economic activities so that unemployment doesn't rise. So, per aggregate demand and total spending in the economy, at this point, we do need fiscal support as well.

So, I would be concerned with the cap at the magnitude you mentioned,

Chairman CLYBURN. Dr. Bernanke, what's your attitude about that?

Mr. BERNANKE. Well, I think that what—the reason for a cap would be the concern about the deficit, which I understand. But right now, as we talk about in our testimony, real interest rates are negative, the interest burden is very low, there's a big appetite for debt. It's an opportunity to take advantage of our ability to borrow, to do something to help our economy recover. In the longer term, we're going to have to worry about sustainability. But right now, I think the priority ought to be doing what needs to be done.

As Mario Draghi once said, whatever it takes, is probably what we need to be thinking now.

I can't hear you, Mr. Chairman.

Chairman CLYBURN. I yield to Chair Waters for five minutes of questions.

Ms. WATERS. Thank you very much, Mr. Chairman. For this hearing. This is very important, and I am so pleased that you brought the past chairs of the Fed to talk with us today. Because not only are they responsible for our monetary policy, they have shown us how effective they can be with being the lender of last resort.

So, both of our past chairs have wonderful reputations and backgrounds for the way that they have managed the Fed when they were in charge, and I appreciate their observations, their advice to all of us as we fight through this pandemic that's confronting us all.

The first thing I would like to have past Chair Yellen explain why Powell said that with the interest rates being low that we should be very generous in the way that we deal with this pandemic and the resources that we allocate to it? If there was ever a time to put, you know, substantial support into this economy, now is the time. What is it about the interest rates that everybody should understand that made Powell say that?

Ms. YELLEN. Well, when interest rates are low, the cost to the Federal Government in terms of interest burden on the debt is extremely low. And I can give you as an example, because interest rates were low even before the pandemic hit, and now they've gone lower.

But between 2007 and just before the pandemic, the ratio of Federal debt to GDP had doubled from 40 to 80 percent. And yet the interest burden of that debt because interest rates fell during that period and stayed low, it was no additional cost relative to the size of the economy, and that's true and will only be more true now.

So, I agree with Chair Bernanke that one day in the future, we will have to get deficits after this is over and the economy is recovered, we'll have to deal with deficits and get them under control. But now is a time when I think it's not necessary to worry about it.

And I guess the final thing I'd add is that in an economy with unemployed resources, we don't have to worry about the spending diverting activity away from other things.

Ms. WATERS. Thank you so very much. We have heard the connection between what the experts, the health experts are advising us and how that helps to improve the economy if, in fact, we wear masks, if we are social distancing, if we have the PPE that we need, all of that.

So, we have been advised that a surge certainly has taken place and we can see the results of that. And every time that happens, it sets us back somewhat from being able to deal with the economy. Is that correct?

Ms. YELLEN. Regardless of what the rules are, we have seen that people are afraid to engage in activities that risk their health and pull back from it. And the worst the outbreak gets, the more true that is. So, whatever helps public health enables us to get people back to work.

Ms. WATERS. So, because of that, we need leadership. And now that we are talking about the schools, I believe that we made a mistake with some of our governors in some of our states opening up certain businesses too soon. We're seeing the results of that.

So, I don't know where all of this confidence is coming from about opening up these schools, get these children back in. I think Mr. Bernanke is correct when he said the localities in our school districts have to be careful, they have to make sure that they can provide the safety, otherwise, we will continue to have surges, and children will get sick, some may even die. And this does not help the economy, does it?

Ms. YELLEN. No, it doesn't. We do have to be careful. I mean, the American Academy of Pediatrics Report and the National Academy Report point that out. And it's also expensive for the schools to make the modifications they need to be able to open safely.

And I think Congress needs to think about funding the expenses that are involved. Of course, it's an important goal to reopen the schools. And I can't imagine who would disagree with the priority that should be attached to that.

Ms. WATERS. The last second or so I have here, minority communities, Black communities, Latinx communities are suffering. We suffered from a lack of testing. We suffered from our hospitals not having all of the PPE. We suffered for, you know, not even being eligible for unemployment. We suffered because we still need food stamps, et cetera.

I heard something about perhaps looking at grants and better workers to infuse, you know, capital and resources into minority communities.

What are you suggesting we do for minority communities that would help us be able to deal with this pandemic and not cause us to die from it—or some have indicated we are dying and getting sick.

Ms. YELLEN. Well, with respect to access to capital, it seems to me that businesses and minority communities really face tremendous barriers. And I believe it's important for Congress to do special things in order to provide funds for these on particularly businesses and minority areas.

Ms. WATERS. Do you think grants would be helpful instead of looking for ways by which to keep your business open and then take back the money? Could we use some grants?

Ms. YELLEN. I think grants are important for many businesses. Many businesses really didn't benefit in low-income areas from PPP. They don't have strong relationships with banks, but they do with CDFIs.

And I would say, I don't know if it's really feasible, but I would love to see the Fed and Treasury explore a 13(3), maybe something within the mainstream facility through CDFIs that would be oriented toward these low-and moderate-income neighborhoods and businesses.

Ms. WATERS. Now, I want to talk about

[inaudible] for yield Mr. Bernanke and Congress to sign up with all of these other economies the—that was so unusual to see so many of you to sign on to something that was urging us to, you know, to be very, very generous with this stimulus,

[inaudible] to have $3 trillion stimulus

[inaudible]. Why did you all sign that document?

Chairman CLYBURN. The gentlelady's time has expired.

Ms. WATERS. Can the gentlelady respond to that, Mr. Chairman?

Chairman CLYBURN. OK.

Ms. YELLEN. We urge that because we feel it's important both for equity and for the recovery of the economy.

Ms. WATERS. Thank you Mr. Chairman.

Chairman CLYBURN. Thank you, Dr. Yellen. The chair now yields five minutes to Congressman Jordan.

Mr. JORDAN. Thank you, Mr. Chairman.

Dr. Bernanke, what's more important, reopening schools or protesting?

Mr. BERNANKE. Opening schools safely is very important, and people protest for the causes they feel are important as part of the American way, as you know.

Mr. JORDAN. Well, I agree with that, but I wish you would tell Democrat leaders that because they obviously think protesting is more important than opening our schools.

You hear Democrats at the Federal level, you hear Democrat mayors, Democrat governors all talking about how they can't reopen schools, while Mayor de Blasio can go out and stand with a bunch of protestors and paint on Fifth Avenue in front of Trump Towers, Mayor Garcetti can go out and kneel down to protestors without a mask, bow down to the mob without a mask, and that's fine, but, oh, he can't open schools.

Do you know how many school districts there are in the country, Dr. Bernanke?

Mr. BERNANKE. No, sir.

Mr. JORDAN. Thirteen thousand school districts, 56 million kids that deserve to get back in school—as you said earlier, your wife's a teacher; my wife's a teacher—get back in school and get their education. But Democrats seem to say: No, no, no, they can't do that.

In fact, Democrats think there is lots of things they think are—that protesting is more important. Democrats think protesting is more important than going to church. Democrats think protesting is more important than going to school, more important than going to a loved one's funeral, more important than going to work, we have seen from so many Democrats.

And I think what's interesting is we have now seen, in Portland, over the last six weeks, some of the—I mean, we've seen the city burn for the last six weeks, and I have yet to see any condemnation come from Democrat leaders.

Six weeks of this happening. The protests, over the last several weeks, 12 police officers shot, 130 injured, 60 Secret Service people injured just in the District of Columbia.

What's more important, Dr. Bernanke? What's more important to economic growth: Reopening schools, or protesting?

Mr. BERNANKE. Well, I have not been involved in any of the commentaries that you're referring to. I think——

Mr. JORDAN. I understand.

Mr. BERNANKE [continuing]. Opening schools——

Mr. JORDAN. I'm asking what's more important to economic growth? You're an expert in economic growth——

Mr. BERNANKE. Economic growth, opening schools is more important. Protesting is important for democracy and people who have different views about what they think needs to be protested about.

Mr. JORDAN. Do you know what the Brookings Institute—Institution, a place you know something about—do you know what they estimated just when schools are just down for a few months—do you know what they estimated the cost to the economy would be?

Mr. BERNANKE. I'm sure it's very large because of the effects on working parents.

Mr. JORDAN. Exactly, $2.5 trillion, $2.5 trillion, just the cost of the protests, the damage, the rioting, the looting, the destruction of property, just in one city, Minneapolis, $500 million.

And, as we know, this is happening in cities all across the country, and, yet, somehow protest is allowed to continue. That's fine. And I'm all for protests. I want everybody, under the First Amendment, to be recognized and be allowed. That's the hallmark of our country. But somehow Democrats say, no, no, no.

In fact, Governor Newsom just closed down churches again in California, but says nothing about the protests that continue to take place. So, this is what I find troubling.

And now this push not to let kids go back to school. You're familiar with the fact that the American Academy of Pediatricians has said that kids should be back in school, that we should reopen schools.

Mr. BERNANKE. I believe, if I saw that study right, that there are—you know, it has to be done safely.

Mr. JORDAN. Of course. That they have——

Mr. BERNANKE. Yes.

Mr. JORDAN. Of course safely, but that's not what we hear from Democrats. We just hear we can't open schools. We're all for doing it safely.

Do you know how many kids under 17 have died of coronavirus in the state of California, Dr. Bernanke?

Mr. BERNANKE. Probably very few. Congressman, I have no expertise on this. I'm not pretending to give you any kind of advice on whether to open schools or not. That's not my area of knowledge.

Mr. JORDAN. Well, I'm just saying the place you work, the Brookings Institution, did a study a few years ago that said what a cost is to our economy, $2.5 trillion, and why we hear from so many Democrats that we can't do it—I think we can. I think we can do it safely. I think it needs to happen. That's all we're saying. How about this: What's more important: Opening schools, or defunding the police?

Mr. BERNANKE. I think it's—you know, we can't defund the police. We need police, but there are concerns about police community relations and police behavior.

Mr. JORDAN. Well, you need to have a talk with the L.A. Teachers Union, because the L.A. Teachers Union said that they're not going to open their school. They won't open their school until they get an increase in taxes, until they get a bailout for their district, until they get Medicare for all, and until the police are defunded. Then they'll think about opening the schools to help the students get the education that will allow them to achieve the American Dream—something you've done.

I notice, in your—your wife's a teacher. You went to MIT. You went to Harvard. Ms. Yellen went to Yale. She went to Brown. You know how important education is to accomplishing the American Dream. Tell that to the L.A. Teachers Union, who says, unless the police are defunded, they don't want to come back and teach kids in school this fall.

Mr. BERNANKE. I absolutely agree that education is extremely important for everyone.

Mr. JORDAN. Yes. We need Democrat leaders to step forward and say the same darn thing, and say it's just as important as going out, as Mayor Garcetti did, and kneeling down in front of the—in front of the cancel-culture rioters. Education is just as important, and we need our schools open.

Chairman, I yield back.

Chairman CLYBURN. Well, thank you so much. I will say to the gentleman, as one of those Democratic leaders who was also a public school teacher—I started my professional career teaching in public schools, but I'll also say I'm sitting in Congress today because of a successful protest.

With that, I yield five minutes to Mrs. Maloney.

Mrs. MALONEY. OK. Thank you, Mr. Chairman.

I had the pleasure of hearing testimony from both of our witnesses today for many years on the Financial Services Committee, along with Ms. Waters, and I have to say that it's great to hear from you both again.

First, I'd like to ask both of you—we're in the middle of the worst economic crisis of our lifetime by far. In April, a staggering 20 million people lost their jobs, which was a record for a state. It's the highest it's been since the Great Depression. The unemployment rate rose to 14.7 percent.

But, in the last two months, the unemployment rate has actually decreased, and now it's down to 11.1 percent. That surprised me, because we're still seeing millions of people file for unemployment insurance every week.

So, I want to ask both of you: Where do you see the unemployment rate going? Is it going to get worse before it gets better, or is it going to continue going down in the months ahead?

And let's start with you, Dr. Bernanke.

Mr. BERNANKE. It's very hard to forecast, but I suspect that—we've seen some signs lately of some slowing in activity because of the increased concern about the virus.

So, I don't think we'll see as rapid a decline as we've seen recently. CBO had its numbers around 10.5; the Fed, its numbers around 9 to 10 at the end of the year. Those seem like reasonable ballpark estimates.

So, maybe a little bit lower than where we are now, but not where we'd like to be.

Mrs. MALONEY. OK. Dr. Yellen?

Ms. YELLEN. Yes. I agree. A lot of the workers who lost their jobs were on temporary layoff, and they maintained—and this is good that they did—their attachment with their previous firms. As soon as lockdowns ended and reopening started, a reasonable number of those workers were able to go right back to work.

But, as Chair Bernanke just said, with the resurgence of the virus, progress is slowing and could even reverse. Even if things had continued on a good track, I think it will take a number of years—2, 3 years to get unemployment down to levels anywhere close to where we were before the pandemic.

Mrs. MALONEY. Thank you. As you both know, in the CARES Act, we provided people who have lost their jobs with an extra $600 a week in unemployment insurance. Businesses were shutting down and laying people off through no fault of their own, and, if everyone who was laid off because of the coronavirus stopped spending at the same time, we'd see a massive contraction in the economy and possibly even a depression.

From both an economic and a moral perspective, we had to make sure that people who are unemployed could keep spending on the necessities of food and clothing and so forth, and the extra $600 a week has been critically important for the millions of Americans who are unemployed, and it has prevented a depression by boosting the aggregate demand.

This extra $600 a week is set to expire at the end of this month, in just 14 days, which means that, in 14 days, we could be headed over an economic cliff. But, now, you're both economists; you know the importance of an aggregate demand.

So, I want to ask both of you: Do you believe allowing the extra $600 a week in unemployment insurance—do you believe we should let—do you think, if we have it expire, would it harm the economy?

Let's start with you, Dr. Bernanke.

Mr. BERNANKE. Well, we gave three priorities for Congress on fiscal policy, and one of them was continuation of the pandemic UI, which I do think is very important on both humanitarian and also economic basis.

I think you can modify the structure to satisfy some of your Republican colleagues in terms of avoiding the more than÷0 percent replacement in some cases, or, alternatively, giving perhaps a special EITC for people who take jobs if there is a differential.

So, there are some structural things you could do, but I agree with the basic thrust that it's very important to continue the support for the unemployed, which there is an enormous number, of course, as you know.

Mrs. MALONEY. And Dr. Yellen?

Ms. YELLEN. Yes, I completely agree with that, both on humanitarian grounds, and the spending is absolutely needed for more pain not to be extended throughout the economy and for unemployment to continue moving down.

Similarly, for state and local governments, which we also prioritize, if there isn't substantial support there, we're going to see massive layoffs in state and local governments, and, again, the loss in spending, the loss in jobs will harm workers throughout the economy.

Mrs. MALONEY. And now for the flip side of the question: Do you believe that, from a purely macroeconomic standpoint, extending the extra $600 a week will boost the economy? What is your analysis of how a straight extension of the enhanced unemployment insurance would affect the economy? Would it support aggregate demand?

Dr. Yellen, and then Dr. Bernanke, and I yield back.

Ms. YELLEN. Yes. Yes, it does. I believe it supports aggregate demand and spending in the economy that we need to create jobs.

Mrs. MALONEY. Dr. Bernanke?

Mr. BERNANKE. We've advocated that the extra unemployment insurance be tied in some way to the national unemployment rate so that it goes up when unemployment goes up, and down and when it goes down, and that would make it more responsive to changing conditions.

Mrs. MALONEY. Thank you, and I yield back.

Chairman CLYBURN. Thank you, gentlelady.

The chair now yields five minutes to Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman, and thank our witnesses for being here today. I appreciated your testimony. I serve on the Financial Services Committee as well and have enjoyed the conversation and your testimony over the years

[inaudible] at all of so many financial——

In a March op-ed in the Financial Times, both of you said that—I quote—to avoid permanent damage from the virus-induced downturn, it is important to ensure that credit is available for otherwise sound borrowers who face a temporary period of low income or revenues, unquote—end quote.

I think that my personal opinion is I think this is critical—this is a critical concept for Congress that we must understand. Currently, with the stimulus of the CARES Act and the forbearance banks have been given to customers, we have not seen broad delinquencies and charge-offs yet.

However, as this forbearance ends and as depository institutions and, more importantly, examiners of those institutions get back to business as usual, I am fearful that we will see a broad markdown of assets on balance sheets, and even entire business lines of financial institutions similar to what we did in 2008 and 2009.

I repeatedly called for financial regulators to provide additional forbearance to financial institutions and allow them the needed reserve, accounting, and capital relief necessary to allow them to work with their customers.

I've got legislation that I believe accomplishes this goal, and so my questions to you are: Do you think that additional forbearance for financial institutions is necessary to allow them the needed time to work with their customers, and, if our economy continues to be shut down, are you concerned that the classification of nonperforming loans will drastically impact reserve accounts at depository institutions and, in turn, decrease access to credit, particularly in low-and moderate-income communities.

I'd like an answer from both of you, please.

Mr. Bernanke, do you want to start first?

Mr. BERNANKE. Sure. I think forbearance is a bit risky. We saw it in savings and loan crisis, you know, that we need to make sure that banks are properly valuing their assets. But the Fed has been trying to work with the banks. They've changed the accounting standard, the CECL accounting standard, to make it—they don't have to assess the depth of the recession quite the same way.

They changed the supplementary leverage ratio. They're working with—they're telling the banks to work with the borrowers, as you described.

I think we don't want to—you know, it's really good news that the banking system is in such strong condition, but I think it's important to continue to evaluate them, for example, through the stress tests, and, if it becomes necessary for some banks to raise new capital, that was the thing that stopped the crisis in 2009. If it becomes necessary to do that, I hope the Fed and the other bank regulators will enforce that.

Mr. LUETKEMEYER. Dr. Yellen?

Ms. YELLEN. Yes. I agree with my former colleague, my current colleague. I think it's important for the Fed and the Fed has encouraged banks to lend and change regulations in ways that make it easier for banks to lend.

But it's also very important in my view, as Ben said, that they have the capital that's necessary to meet the lending needs of the economy, and we've seen from the analysis in the recent stress tests, the pandemic analysis, that about a quarter of the major banks that are subject to that stress test are likely to see capital fall below minimum levels.

If we have the W shape and, you know, a second wave of the virus or if the recovery is very prolonged, and it——

Mr. LUETKEMEYER. Thank you.

Ms. YELLEN [continuing]. May prove necessary for the Fed to ask them to raise capital.

Mr. LUETKEMEYER. Well, you kind of made my case there with your last comment, and I appreciate that, but I'm concerned. Both of you are looking at it from a big bank perspective. There are lots—most of the banks in this country are less than $50 billion in assets. You're looking at credit unions that are small in size.

Those are the ones, I think, that we need to be trying to shore up and give the ability to give forbearance to the customers, because they're the ones that supply the small business loans in this country, and you and I, Dr. Yellen, had this conversation in committee many times.

Without that forbearance—and we saw the lack of it in 2008 in 2009 and what it did and how devastating it was to the businesses, our local communities, jobs, and the banks and credit unions themselves.

So, I would appreciate a response to that.

Ms. YELLEN. Well, many banks, including community banks, have built some significant capital buffers in the aftermath of the financial crisis, and it's appropriate for them at a time like this to be able to bring those buffers down to support the credit needs of their communities, but——

Mr. LUETKEMEYER. I appreciate that.

Ms. YELLEN [continuing]. I would agree with Ben on forbearances. You know, we need to know what's happening in those banks.

Mr. LUETKEMEYER. OK. I have one quick question for you. And you guys have both indicated your—how you would like to see the $600 or any other sort of unemployment insurance extended.

What do you think is an incentive to get people back to work? You're trying to take care of people unemployed. I'm trying to get them back to work. What do you see as an incentive? What would you support, or what kind of idea would you have to get people back to work?

Continuing the $600 would be a detriment for people going back to work.

Mr. BERNANKE. I'm sympathetic to that, sir. You could lower the $600 so that the replacement ratio is not above 100 percent, is the concern, and you can provide additional incentives to work. For example, you could have an enhanced unemployment tax credit for people who are at work, for example.

So, I mean, there are ways to improve that—you know, that ratio so that people have the appropriate incentive to go to work without taking away the necessary support of the unemployed.

Mr. LUETKEMEYER. I know that the President is supportive of a payroll tax cut, which to me would be an incentive for people not only to stay employed; it's a 100 percent pay raise, but also people to go back to work. So appreciate your comments. Thank you. Great to see both of you again.

I yield back, Mr. Chairman.

Mr. BERNANKE. Thank you.

Chairman CLYBURN. Thank you.

The chair now yields to Ms. Velázquez for five minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

I would like to relay testimony from a restaurant owner in my district who testified before the House Small Business Committee this week and stated that PPP, which did provide a lifeline for her, is an eight-week solution to an 18-month problem.

So, Mr. Chairman, I really thank you for holding this important hearing.

Dr. Bernanke, three out of four small businesses have been experiencing a decrease in revenue since March, and an estimated 7.5 million small businesses are at risk of permanent closure as a result of this crisis.

So, Dr. Bernanke, you were Federal chair—Fed chair during the Great Recession when access to capital nearly froze for small businesses. Congress made changes to the SBA's traditional loan programs, including increasing the guarantees and reducing fees.

As Congress weighs long-term recovery proposals for small businesses, would you recommend similar changes to SBA loan programs to provide access to affordable capital for small businesses?

Mr. BERNANKE. Yes. I think the PPP program was very helpful in getting capital out to small businesses. SBA could be modified.

My colleague, Dr. Yellen, talked about the Fed and the Treasury lending to CDFIs that could be particularly relevant to minority communities, for example. So, I think there are ways to support small business.

Many—many people—many small businesses are run by—on the income of the individual who owns them, so, you know, using family resources and credit cards and the like, and so supporting the unemployed or supporting people broadly, it would also be—would be helpful.

And I think there is an issue. At some point in the future, we're going to have to—this economy may change in very important ways. We have to allow that at some point to begin to happen, but I think, for now, I would be inclined to want to continue to provide support to small businesses that are being hit by the virus.

Ms. VELÁZQUEZ. Thank you.

Dr. Yellen, in your testimony, you mentioned that, because the recession is unprecedented in so many ways, forecasting the recovery is difficult.

PPP was enacted to keep employees on payroll, but small firms have other fixed costs. Should Congress consider the bold step of extending the eviction moratorium for individuals past July 27 and expanding it to include small businesses?

Ms. YELLEN. I think, with respect to small business expenses, an approach that looked promising to me that is in the HEROES Act is an employee retention tax credit. One exists now, but the HEROES Act expands it.

And, for small businesses, it provides a tax credit for expenses other than wage expenses, and that struck me as a promising approach in terms of supporting smaller businesses.

Ms. VELÁZQUEZ. Well, I'm concerned about those small businesses that lack liquidity, but lack the cash that they need in order to be able to pay rent, realestate costs, to remain in those businesses. So, a tax credit in that respect really doesn't help them.

Ms. YELLEN. Well, it's a refundable tax credit, so they would be eligible to receive the credit even if they don't have profits.

Ms. VELÁZQUEZ. Thank you.

Dr. Bernanke, consumer spending is at the heart of the U.S. economy, and millions of small businesses operating in retail, hotel, and leisure are struggling, as your testimony indicates. Why is it so critical to extend enhanced unemployment insurance now to support individuals and small businesses, and in what amount would you recommend?

Mr. BERNANKE. Well, as I mentioned, unemployment insurance has a humanitarian aspect. We want people to be able to pay their bills and to be stay in their homes. I think, also, I would add that we need to worry about health insurance, which is another thing that happens when you lose your job.

The other purpose of the unemployment insurance is to increase aggregate demand. People will go out and spend, and that will help the economy generally. But there is a very powerful sectoral effect, and there are some sectors, like restaurants, that are going to—it's going to be a while before they can operate normally because of the effects of social distancing and so on, and it's very hard to get around that problem.

Ms. VELÁZQUEZ. And, also, it is important that the public health crisis, if it's not adequately addressed, we will continue to face an economic uncertainty.

Consumers, if they don't feel safe, they don't want to go into any restaurant or hotel or any of those small businesses.

Mr. BERNANKE. That's correct.

Ms. VELÁZQUEZ. Thank you. I yield back.

Chairman CLYBURN. I thank the gentlelady for yielding back.

The chair now recognizes, for five minutes, Mrs. Walorski.

Mrs. WALORSKI. Thank you, Mr. Chairman. Thanks for our witnesses as well. I'm grateful to have this conversation about the economy, but I just wanted to convey my disappointment with the minority not being able to have anybody on this panel today.

If there is ever a time in this country when Americans are literally desperate for bipartisan cooperation, it's now. I mean, it's July 2020. So, I'm just disappointed that we're having a one-sided conversation, the most important conversation we've probably had on this committee, about the recovery in this country, and I just think that—I'm so disappointed, and I think the American people are as well.

But, to get to the point today, the pandemic is unlike any crisis in our lifetime. Our country has experienced a devastating loss of life. Emergency actions, like stay-at-home orders, were necessary to slow the spread and flatten the curve, but the picture that's emerging on a broader toll of Americans' health that we can't ignore: We've heard plenty of anecdotal evidence that loneliness and isolation are especially hard on those battling depression or substance abuse disorders, as well as victims of domestic violence.

We know, as Americans, many Americans are delaying or skipping doctor visits for fear of contracting coronavirus. It's staggering to think of the ripple effect that this is going to have for years to come as we brace not only for COVID–19 death toll, but for spikes in deaths from suicide, overdose, heart conditions, cancer, and any number of other diseases that are diagnosed too late. This is an all-encompassing tragedy.

Right now, millions of Americans are ready to return to work. Businesses are ready to reopen their doors. This is a positive step, I think, for Americans' mental and financial health. In order to safely reopen our economy, we all need to ensure access to the things like PPE, testing, and childcare. Commonsense tells us every reopening plan should include those.

That's why it's been discouraging for me to see the Democrats playing politics with recovery plans, and the one that we're talking about today, the HEROES Act, for example, was not a serious bill that included all sorts of blank-check giveaways, such as restoring unlimited deductions for state and local taxes, or SALT, as we all refer to it.

The nonpartisan Joint Committee on Taxation has founded over—has found over half the benefits of this policy would go to those with annual incomes of $1 million or more. Only one percent of the benefits would go to those making less than $100,000 a year.

Tax experts on both sides, left and right, agree that restoring an unlimited SALT deduction is bad policy that would do nothing to help our Nation's economic recovery. Irresponsible bill would also extend the $600 we're talking about per week and temporary supplemental unemployment benefits from the CARES Act through January 2021.

I supported the CARES Act and the unemployment supplement back in March. Much of the economy was going to be shut down for an undetermined amount of time. This benefit helped pay—I think we all understand. It helped pay rent, put food on the table. It had brought peace of mind as people found themselves unemployed or furloughed by no fault of their own.

But I've heard from small business owners all over my district who are trying to open responsibly, and what they're finding is that the supplement has distorted the job market. It's easy to see why, in my home state of Indiana, workers receiving the $600 per week are getting about three times as much as they otherwise would on unemployment. In many cases, a worker can stay on unemployment and make more money than if they return to work.

The nonpartisan Congressional Budget Office said that extending the $600-per-week supplement through January 2021, as the HEROES Act proposes, would weaken the incentives to work, decreasing the economic output, and decreasing unemployment. In short, it would kill our economy.

Ways and Means have proposed a backdoor bonus that would make work pay by allowing workers to keep up to two weeks of the additional benefit after accepting a job, essentially amounting to a $1,200 reentry hiring bonus.

Chairman Bernanke, the University of Chicago estimates that over two-thirds of unemployment insurance recipients nationwide are receiving more money on unemployment than they would if they returned to work. What impacts of paying such a large group of people at so much more than their normal incomes happens, and then do you see our plan as incentivizing rehiring a good thing as a way to incentivize work?

Mr. BERNANKE. Well, I think, during the lockdowns, it didn't make a lot of difference, because people weren't going out to work anyway.

Mrs. WALORSKI. Right. Yes. Right.

Mr. BERNANKE. I think—I've said now a couple of times——

Mrs. WALORSKI. Right.

Mr. BERNANKE [continuing]. That it makes a lot of sense to rethink the structure of UI, and maybe even put rewards on the work side, like EITC or something—the thing about the back-to-work bonus is that it rewards people who are unemployed and cutting back, and they might earn more than somebody who was there the whole time, so that's a question.

But I see no major contradiction between maintaining adequate UI support for those who can't find work, but also restructuring so that people have the appropriate incentives to go back to work. I think those things can be done.

Mrs. WALORSKI. Well, I appreciate it. And, in my case, you know, we're going to have companies shutting down that can't rehire, because it's so big, the difference between unemployment with that $600 a week. If it went to January 2021, my district and my state would be in trouble as with the rest of the country. There would be no jobs to go back to by that point.

But I yield back, Mr. Chairman.

Chairman CLYBURN. I thank the gentlelady for yielding back.

The chair now recognizes Mr. Raskin for five minutes.

Mr. RASKIN. Thank you very much, Mr. Chairman.

As we meet today, we have 3.6 million coronavirus cases in America, the most in the world, just eight days after we hit 3 million. Yesterday posted a single-day record of 77,000 new cases in a single day, and three of our states—Florida, Arizona, and Texas—are now facing record increases and maxed out hospital intensive care capacity, and what do our colleagues do? Well, they blame Democrat governors and Democrat mayors and the Chinese Communist Party and the World Health Organization; anybody but the President of the United States of America.

What a fraud this is. What disinformation. What a pathetic and transparent effort to distract America from what's really going on. It's true that China covered up the virus at the beginning.

But, Mr. Chairman, as I have shown several times before with submissions to the record, Donald Trump covered up for China 37 different times, praising President Xi for his very good leadership, their excellent collaboration in the crisis, and their beautiful, beautiful friendship.

So, our colleagues really must have an empty cupboard of excuses that they have to go back to blaming President Trump's very good friend, the head of the Chinese Communist Party.

And, while praising China, in January, February, March, and April, President Trump destroyed our opportunity to wage an effective national response to the coronavirus crisis, instead burying America in his course of magical thinking, assuring the public the virus would magically disappear one day and selling to the public with his various pronouncements his belief in different quack miracle cures, like injecting people with disinfectant and drinking hydroxychloroquine.

Mr. Chairman, I'm sorry that we have spent any time on these distractions, but they keep pumping out propaganda, and we need to answer it.

I'd like to ask Chairman Bernanke this: The Federal Reserve is using its section 13(3) powers under the Federal Reserve Act to allocate part of the $454 billion of existing assistance for states and municipalities.

Can you describe how much money the Fed has allocated to the program for states and localities, and do you think—is it your assessment that the Fed should be putting more money into the states and localities?

Mr. BERNANKE. Well, the Fed has not gone anywhere close to using its existing capacity. Its only made one or two loans so far.

I will still say that it's been worthwhile, because the announcement of the program reduced quite a bit the risk aversion and uncertainty in that market, and the market is functioning better on a private basis. So I—you know, you might consider changing the terms or lengthening the terms, but I do think that a lot of the benefit has been felt in terms of reassuring participants that the Fed is there as a backstop.

Mr. RASKIN. Thank you.

Chairman Yellen, you said something very interesting, and I just want to make sure I got it right. You said: Get the pandemic under control, and economic recovery will follow.

During the course of this crisis, some people have seemed to pose the imperative of public health and the imperative of economic recovery as opposites; you can favor one or the other. But you seem to be saying we need to focus on getting the pandemic under control to advance public health in order for the economy to come back, and I want to make sure that I got you right on that.

Ms. YELLEN. By and large, there is not much of a tradeoff, and that everything that we can do and all the resources that are needed to get the pandemic under control will speed economic recovery, and that's why, in our testimony, we say that there is a very high payoff on the public health side. It will benefit our economy.

Mr. RASKIN. Well, Chairman Yellen, President Trump pushed a number of gullible Republican governors and mayors to opening everything up way too quickly, and, at the same time, he was not wearing a mask and sending all kinds of terrible mixed messages about the public health protocols.

Now, those very states are having to reverse course and go back to try to institute the public health protocols they didn't do in the first place, and the reopenings have been slowed.

Don't you think it's better to take the public health problem seriously so we can really reopen the economy?

Ms. YELLEN. Well, I think that's what we have seen throughout Europe and much of the world where they had extreme lockdowns, but then got things under control and were able to open up in a way that they had enough testing, contact tracing, masks, and other steps that remained under control, and it's very expensive to have to shut down again to the economy, too.

Mr. RASKIN. Thank you, Mr. Chairman. I yield back.

Chairman CLYBURN. I thank Mr. Raskin.

The chair now yields five minutes to Dr. Green.

Mr. GREEN. Thank you, Mr. Chairman and Ranking Member, and thank you to our witnesses.

America's businesses are facing unprecedented challenges due to this pandemic. Government-mandated shutdowns have caused numerous employees to lose their jobs and many businesses to shudder.

For the sake of our witnesses, I want to let them know a little bit about me. After I left the Army, I started a healthcare company, and I too understand being an entrepreneur. It is not easy. It involves a lot of risks and sleepless nights. I'll never forget waking up in the middle of the night to check the lockbox on that night's proceeds many, many nights.

During my time as CEO of that company, our team took the company from 180,000 in revenue to 212 million in annual revenue in just eight years. I'm very proud of what we accomplished, but, through all the difficulties and growing pains that we faced, I can't imagine the challenges facing small businesses today.

With the witnesses understanding a little bit about who I am, I want to look at some economic performance during this pandemic. I know Chairman Clyburn gave a grave picture of how the economy is crashing. I'd like to point out it's really those blue states that are continuing to crash economically, and I can hear the retort now: Well, look at the increases in cases in Tennessee, Florida, and Texas. I can't talk about those states, but I can tell you that, in Tennessee, yes, our cases are going up, but our deaths remain proportionately low, and we're monitoring our ICU beds here in Tennessee.

Ventilators are at 32 percent utilization. That means 68 percent are just sitting there waiting. Recall the objective was to flatten the curve; not stop every single infection. So, protect the at-risk populations, use social distancing, and open up.

We've done just that in Tennessee. Economically, our Tennessee recovery is setting records. Just announced, after an April unemployment of 15.5 percent; May, 11 percent, our June unemployment is down to nine percent in Tennessee, with retail sales booming. Restaurants and retail businesses are at the top of the country for recovery. And our governor just announced last night that our economic growth in Tennessee is only 0.2 percent below what we predicted it would be without COVID and before it ever happened.

We have the lowest debt in our Nation per capita. We have a fully funded pension plan. We are using our ample rainy-day fund, money we set aside years, to distribute additional dollars to businesses and medical providers.

It just goes to show it matters who governs. Conservative policies that advance freedom—we need the prosperity, even in a crisis. And, in Tennessee, we appreciate that the Trump administration has taken bold action to provide economic relief.

The President slashed streamlined regulations, pushed for a payroll tax holiday to ease hiring penalties, worked with Congress to enact the Paycheck Protection Program and billions in additional low-interest loans for small businesses.

If the government is going to force businesses to close, then it has an obligation to provide relief. The President has also declared war on this virus, expediting emergency supplies on a massive scale and ramping up efforts to create a vaccine at, using his words, warp speed.

America is a resilient Nation. We'll bounce back stronger than ever. It's critical that Congress works with the President, and not just sits there and bashes the President, and help America recover.

It's equally important we get our economy blasting on all cylinders. As I and many of my colleagues have pointed out, the cost of shutdowns are nearly equally as great.

As former Fed chairs, I'm grateful that you guys are here to share your perspectives on the economic challenges our Nation is facing. And, real quick, my first question is to Chairman Bernanke: How much debt is enough? I mean, we're at 22 trillion before this thing happened. It looks like we're upwards of 10 more trillion. I mean, what is too much?

Mr. BERNANKE. Well, just first going back to the first part of your comment, there is a lot of evidence that people's behavior does depend on the illness in the local area. So, I don't know about your state. We'll have to see how that works out, but there is that issue, and it makes a lot of sense.

I'd also mention that lockdowns are not the only way to address the problem. There is other tools, like masks and tests and tracing and so on, and I'm hopeful that that will be used.

On debt, you know, like I said, given how low interest rates are around the world—and that's not just a monetary policy thing; this is a global trend that goes on, that's now going on for 30 years, of interest rates coming down and down. The burden of the debt is not as high as the dollar amount would make you think, and this is a critical situation——

Mr. GREEN. How much is too much? I mean, I just am looking at what's the number? Is it a debt administration——

Mr. BERNANKE. It's not a number; it's a trajectory. The problem is, when it keeps growing and growing and the interest keeps compounding and getting bigger and bigger, you get to a point where either the burden of the interest is so high, you have to raise taxes or cut spending, or, alternatively, you run into an inflation situation. That's the kind of outcome you want to avoid. We're not that close to it now given the level of our debt burden.

Mr. GREEN. The money we're printing isn't going to cause inflation?

Mr. BERNANKE. No. People said it would after 2008. They were wrong, then, too.

Chairman CLYBURN. The gentleman's time has expired.

The chair now recognizes, for five minutes, Mr. Foster.

Mr. FOSTER. Thank you. And, you know, I too would like to stay on that same point.

One of the factors that prevented an adequate fiscal response to the Great Recession was the very politically successful narrative that we were somehow spending ourselves into hyperinflation and defacing the dollar.

Dr. Bernanke probably shares with me the fond memories of former Senator from Illinois, Republican Mark Kirk, traveling to China in 2009 to warn officials that they should not buy U.S. Treasury securities or other U.S. debt because U.S. spending was, quote, driving us to a default, and that the Federal Reserve bank was, quote, creating hyperinflation, which is a mantra that we've heard from Republicans again and again and again, and are apparently hearing once more.

So, first, did the Republicans' prediction of hyperinflation materialize, why or why not, and what were the actual interest rates compared to hyperinflation?

Either one of you—I guess start with Dr. Bernanke.

Mr. BERNANKE. Well, as you know, inflation was very low, and, in fact, the Fed has had a great deal of difficulty getting inflation up to the two percent level, and interest rates, which include an inflation premium, have been quite low as well, pretty much in the two percent range until recently, and now under one percent.

Mr. FOSTER. Thank you. And are you aware of a worse prediction in macroeconomics?

Mr. BERNANKE. There are a lot of bad predictions in macroeconomics——

Mr. FOSTER. All right.

Mr. BERNANKE [continuing]. Respond to that one.

Mr. FOSTER. All right well, for the record, it would be amusing to see a list of

[inaudible] appears on the

[inaudible] prediction.

Now, going into this crisis—the question is: How much debt is too much? Going into this crisis, the net worth of Americans was about $120 trillion.

Chairman CLYBURN. Will the gentleman yield for a moment?

Mr. FOSTER. Yes.

Chairman CLYBURN. We need some people to mute, because we're getting a lot of feedback. Please, if you're not speaking, mute yourselves.

Mr. Foster?

Mr. FOSTER. All right. Can I resume here?

So, going into this crisis, the net worth of Americans was roughly $120 trillion, and the market value of property directly owned by the U.S. Government, though it's hard to estimate, but it's been estimated in the range of 200 to $300 trillion.

So, in contrast, going into this crisis, our government had a publicly held debt of roughly $20 trillion, and—which will probably be around 25, perhaps $30 trillion when the coronavirus crisis has been dealt with.

So, my question is: Are there any credible circumstances under which our government would be unable to pay its debts as a result of a fiscally sufficient response to the coronavirus crisis?

Dr. Yellen?

Ms. YELLEN. So, I think it's hard to imagine. If something—some shock were to happen that drastically caused interest rates to rise—and I really can't imagine what that would be—then the Federal Government would face strains because of a higher interest burden on the debt, and would have to deal with it.

Now, you know, eventually some steps do have to be taken in my view to deal with deficits to get them back under control when this is over so that the debt-to-GDP ratio stabilizes rather than continuing to rise.

Mr. FOSTER. I agree. But I think—I guess you concur that there is no short-term emergency that we're facing?

Ms. YELLEN. No, none.

Mr. FOSTER. Thank you.

You know, in terms of—as we contemplate the next COVID relief package, we can allocate Federal spending in many ways, you know, direct payments to individuals; rental assistance; payroll and unemployment support; grants or subsidies to businesses, large and small; you know, subsidized or guaranteed loans to businesses, or relief to state and local governments.

So, just putting aside all equity issues, which of these provides the biggest macroeconomic bang for the buck, and where should we look for objective and competent advice on this?

Mr. BERNANKE. Our recommendations were, first, public health—that has a very high return—both the medical side and also the safe opening side.

The second is unemployment insurance, both because of humanitarian reasons, and also because people unemployed spend a great deal of their income. And the third would be state and local.

Those, I think, are the priorities. There is other things you might want to look at, like supporting small business. I think the PPP program did a lot of good, but those are the three, I think, that, in our judgment, are the most important priorities.

Mr. FOSTER. Yes. So, has anyone tried to actually quantify this? I mean, you know, specifically is there modelling that's done by the CBO and the Fed? I mean, incorporate the different multipliers for this different kind of spending, or not? We just—are we sort of on our own in Congress here?

Mr. BERNANKE. I would imagine the CBO has got estimates. I don't have them to hand.

Ms. YELLEN. There is a huge——

Mr. FOSTER. All things occur in variable. Yes.

Ms. YELLEN [continuing]. Huge amount of work on this. I don't know the CBO estimates, but what different marginal propensities to spend out of income that goes to different groups in the economy, there is a vast amount of work on that.

And, as been said, unemployment compensation to low-wage workers, virtually all of that is spent, and it would be similar for state and local government spending that are among our top priorities. Very high impact on spending in the economy.

Mr. FOSTER. Thank you. And I'm out of time and yield back.

Chairman CLYBURN. Thank you, Mr. Foster.

The chair now recognizes Mr. Kim for five minutes.

Mr. KIM. Thank you, Mr. Chairman, and thank you all for gathering here and talking about this.

I wanted to just start by responding to a comment made earlier in this hearing. Another member of this committee pressing this point about schools, cited the American Academy of Pediatrics about next steps with our kids.

I was interested in learning more about this, so I just quickly researched this, and I found an important clarifying comment made by the Academy regarding this statement being misunderstood and misrepresented, and I wanted to read part of it.

Candice Jones from the AAP said, "The original guidance was always written as being a strong advocate for the goal of kids physically being present in school with a lot of things to consider and that's where things got misrepresented and misunderstood."

Then in fact, she actually goes on to say, "We have to consider COVID activities in the community." "This should not be politically motivated," and we have to think about what's best for our kids, teachers, and families.

In fact, the American Academy of Pediatrics joined with the American Federation of Teachers, National Education Association, and others to issue a joint statement saying: Science should drive decisionmaking on safely reopening schools. Public health agencies must make recommendations based on evidence, not politics. We should leave it to health experts to tell us when the time is best to open up school buildings, and listen to educators and administrators to shape how we do this.

For instance, schools in areas of high levels of COVID, community spread should not be compelled to reopen against the judgment of local experts. A one-size-fits-all approach is not appropriate for return-to-school decisions.

Withholding funding from schools that do not open in person full time would be a misguided approach.

These are incredibly important things to consider here. I'm a father of a young boy that's supposed to start school soon. I would love to have him get a great education and be able to enjoy his year in kindergarten.

I want everything for him, and I don't want anyone to accuse me or anyone else of not wanting my kid or our kids to have the education that they deserve. But my education—my public school education that I got in my district also taught me to respect science and expertise and to make sure families and education professionals are part of that discussion.

Going back to the topic of our hearing here, I wanted to just go to Chair Bernanke. I thank you for what you've been saying, the work that you've been doing with regards to state and local governments and need to be able to fund that.

I was actually just on a Small Business Committee hearing this morning where Treasury Secretary Mnuchin—I asked him about this issue, and he wouldn't commit to me that he would support this type of aid in the next funding package because we should not, quote/unquote, "bail out states with mismanaged budgets," is how we talked about it there.

So, I want to ask, you know, your stipulation on this. Does your experience on a state reopening commission give you any concern that additional funding for state governments in the midst of this pandemic will create incentives for mismanagement?

Mr. BERNANKE. No. I think the money can be structured in ways that eliminates that incentive. It can be done in terms of block grants, you know, for education, for example, or for healthcare. It can be done by formulas that don't relate to the existing tax burden, things like population, unemployment rate, et cetera.

So, I think there is ways to provide the money that will not be—provide an incentive for mismanagement. You can make sure—you could require that the money not be used to increase pension funds or cut taxes, for example.

So, I don't think that's really an issue. And the most important issue is that the states and localities are both big employers and also the front line in terms of critical services to the pandemic.

Mr. KIM. Yes. I appreciate that. And, look, in addition to the issue about mismanagement, though, you addressed, I also want to address the use of that term "bailout" here, because it keeps coming up again. It came up in this hearing as well.

In my state of New Jersey, we only get back around 75 cents to 81 cents for every dollar we put into the Federal Government. Other states get back a dollar, over a dollar, sometimes over two dollars for every dollar that they put in. So, I just don't appreciate this notion that Federal taxpayers are bailing out states like mine.

For years, residents of my state have been helping other states, doing more than our fair share. Now we need help, and we're just asking for what is fair here in the middle of a pandemic.

But, even beyond that point, Chair Bernanke, you talk about sort of the strong sense and the challenges that we face at the state level could have dire circumstances on the national economy.

So, it's—I want to just hear a little bit more from you about that, about, if we don't help states, what is that going to do when it comes to our responsibility to our national economy?

Mr. BERNANKE. I think we made this mistake in the recovery from the 2007–2009 recession after the global financial crisis. We had an $800 billion Federal program, fiscal program, but the states were forced to contract, lay off people. And an estimate I saw recently was, as I mentioned before, is that cut about a half a percentage point off the growth rate as the economy was trying to recover from that serious recession.

So, it will have implications for spending and jobs, for the economy as a whole, as well as for people, you know, within New Jersey.

Mr. KIM. Great. Thank you so much.

Mr. Chairman, back to you.

Chairman CLYBURN. Thank you so much.

We have now reached the end of our period of questions.

The chair would like to recognize the ranking member for a closing statement if he would like to make one.

Mr. SCALISE. OK. Thank you again, Mr. Chairman, and good to see both Drs. Bernanke and Yellen, and we really have been talking a lot about what we need to do to reopen the economy safely—always the key term there. And there are really good examples out there. It would have been good to hear even more opinions on how it's being done, because, when you go all around the communities—and I get to go to a lot of different places to see what people are doing smartly—you can learn from what other people are doing as you work to reopen.

I know, again, I talked about the meeting that I had with the Vice President on Tuesday. What Vice President Pence did is brought his whole team down. You had Dr. Birx there. You had all these medical experts, Seema Verma from CMS.

You had the head of the LSU system and the head of the Southern University system. I think it's the only Historically Black College and University system, not just school. And they were both talking about what they are doing to safely reopen. It can be done. They both confirmed that. Dr. Birx confirmed that it can safely be done. You don't do it if it can't safely be done. It can safely be done.

So, then our challenge—our challenge as policymakers, as leaders, is to go figure out how to do it, not to allow anybody the copout of saying, "Well, it's hard, and we're just not sure, so we won't do it." Go talk to the people who are doing it safely, because there is a serious cost—a serious cost.

You know, when you go back to the Academy of Pediatrics, they talk about, sure, you've got to follow guidelines. It's not about whether or not to follow guidelines. You've got to follow the CDC guidelines and your state and local guidelines, but you can do it, and there is a cost of not doing it. They talk in this report about the damage to kids.

There is a cost to kids; not just in learning. There are a lot of other things, too. A lot of kids get their basic nutrition from school. A lot of kids with disabilities get their basic needs met in school. That's not being done if you're closing schools.

You know, for some of these school systems to say they're not going to reopen or a teacher's union to say they're not going to come back to work unless police are defunded or something ludicrous, think about the kids.

You know Mr. Jordan talked about the over 50 million kids that are going to be losing out, and they're losing out if they don't get their schools reopened.

So, you know, Coach Orgeron talked about this with Vice President Pence. And sports, some people think are trivial. Sports are key to uniting communities. It's something in the psyche of people that they want to see their sports come back. But he talked about the human aspect of it, and this applies to the over 50 million kids that would be denied that opportunity to go back.

He said: A year ago today, Joe Burrow was projected to be a sixth-round draft pick, but, because he had that opportunity, because he worked hard and he got to be around a system where he could prove himself, in the course of those next eight months, he became the number-one draft pick, maybe one of the most storied careers of a quarterback in college football history, winning the Heisman Trophy. All of that would have been denied.

And think about the other 50 million-plus kids in America that will be denied opportunity if we don't do the hard work of figuring out how to do it. Not whether or not to do it, but actually doing it.

It's something that we've got to challenge ourself to do. Like I said, we put a man on the moon. We can absolutely do it. The doctors say you can do it—Dr. Birx, the American Academy of Pediatrics. Let's go get it done.

Mr. Chairman, I yield back.

Chairman CLYBURN. I thank the ranking member for his statement, and I just want to reiterate that, at the beginning of the hearing, you asked to enter certain documents into the record. I did not object.

Of course I want to point out that, last week, when President Trump started pushing to fully reopen schools without regard to public health guidance, the American Academy of Pediatrics issued a clarification. You just heard it from Mr. Kim about—so his statement will go into the record. But I want to emphasize that statement said that science should drive decisionmaking on safely reopening schools.

Now, I noticed, my friend, that you talked about Dr. Birx being there with the Vice President and Southern University and LSU being there. The fact of the matter is I would love for some elementary school teachers to have been there, for some kindergarten teachers to have been there, for some superintendents from those public-school districts around Louisiana to have been there.

They are the ones who are on the front lines. They are the ones who are committed to taking care of these little children all day, every day; not Dr. Birx, not the Vice President, not the President or the athletic directors at LSU, or Southern University.

I'm a proud graduate of an HBCU. We just closed down our program, all, for the whole fall. And I love going to homecoming, and I love watching my team play.

But that's not what this is about. This is about educating our children in a safe, healthy environment, and we need to go with the experts when it comes to that.

I went down to LSU when Clemson played LSU. I'm a big fan of Joe Burrow's. I hope he has a successful career, but he's not going to have a successful career if he can't stay healthy. And he is not insulated from this virus just because he got the Heisman Trophy. We've got to do what's necessary to keep him healthy.

So, today, in closing, I want to thank Chair Bernanke and Chair Yellen for being here today. We appreciate your distinguished records of government service and your expertise that you have shared with us this afternoon.

I hope that Congress will use this to chart a path through to the other side of this terrible pandemic. This hearing has made clear that the Federal Government's economic recovery efforts so far are not sufficient, and, without further action, we face even greater economic turmoil. This turmoil will have a disproportionate impact on communities of color.

Today's hearing has also made clear that there are steps our Government must take now to put us on the road to economic recovery. First, as our witnesses explained in their written testimony—and I quote—"nothing is more important for restoring economic growth than improving public health," end of quote.

We cannot hope for an economy to recover until we successfully control this pandemic.

Second, Congress must take bold action now and pass a substantive economic recovery package, like the HEROES Act, that includes substantial support to state and local governments.

As the witnesses testified today—and I'm quoting again—"these governments will have to lay off workers and limit essential services until they get Federal help," end of quote.

Chair Bernanke and Chair Yellen eloquently explained why the economy cannot afford for Congress to do anything less than immediately pass a comprehensive and robust recovery measure.

Finally, the Fed should adjust the terms of eligibility toward lending facilities to ensure that all borrowers have access to credit and explore additional facilities to support lending to households and small businesses that have been harmed by this crisis.

Drs. Bernanke and Yellen steered the Nation out of the 2008 financial crisis. Congress and the administration should heed their advice and act now if we hope to get on the path to economic recovery, in a manner that is effective, efficient, and equitable.

Without objection, all members will have five legislative days within which to submit additional written questions for the witnesses, to the chair, which will be forwarded to the witnesses for their response. I ask our witnesses to please respond as promptly as you are able to.

This meeting—this hearing is adjourned.

[Whereupon, at 2:34 p.m., the subcommittee was adjourned.]

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