

**HYBRID HEARING WITH
THE FEDERAL RESERVE CHAIR
JEROME H. POWELL**

HEARING

BEFORE THE
SELECT SUBCOMMITTEE ON THE CORONAVIRUS
CRISIS
OF THE

**COMMITTEE ON OVERSIGHT AND
REFORM**

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

SEPTEMBER 23, 2020

Serial No. 116-119

Printed for the use of the Committee on Oversight and Reform



Available on: *govinfo.gov*,
oversight.house.gov or
docs.house.gov

U.S. GOVERNMENT PUBLISHING OFFICE

41-958 PDF

WASHINGTON : 2020

COMMITTEE ON OVERSIGHT AND REFORM

CAROLYN B. MALONEY, New York, *Chairwoman*

ELEANOR HOLMES NORTON, District of Columbia	JAMES COMER, Kentucky, <i>Ranking Minority Member</i>
WM. LACY CLAY, Missouri	JIM JORDAN, Ohio
STEPHEN F. LYNCH, Massachusetts	PAUL A. GOSAR, Arizona
JIM COOPER, Tennessee	VIRGINIA FOXX, North Carolina
GERALD E. CONNOLLY, Virginia	THOMAS MASSIE, Kentucky
RAJA KRISHNAMOORTHY, Illinois	JODY B. HICE, Georgia
JAMIE RASKIN, Maryland	GLENN GROTHMAN, Wisconsin
HARLEY ROUDA, California	GARY PALMER, Alabama
RO KHANNA, California	MICHAEL CLOUD, Texas
KWEISI MFUME, Maryland	BOB GIBBS, Ohio
DEBBIE WASSERMAN SCHULTZ, Florida	CLAY HIGGINS, Louisiana
JOHN P. SARBANES, Maryland	RALPH NORMAN, South Carolina
PETER WELCH, Vermont	CHIP ROY, Texas
JACKIE SPEIER, California	CAROL D. MILLER, West Virginia
ROBIN L. KELLY, Illinois	MARK E. GREEN, Tennessee
MARK DESAULNIER, California	KELLY ARMSTRONG, North Dakota
BRENDA L. LAWRENCE, Michigan	W. GREGORY STEUBE, Florida
STACEY E. PLASKETT, Virgin Islands	FRED KELLER, Pennsylvania
JIMMY GOMEZ, California	
ALEXANDRIA OCASIO-CORTEZ, New York	
AYANNA PRESSLEY, Massachusetts	
RASHIDA TLAIB, Michigan	
KATIE PORTER, California	

DAVID RAPALLO, *Staff Director*

DAVID HICKTON, *Select Subcommittee Staff Director*

RUSS ANELLO, *Chief Counsel*

SENAM OKPATAH, *Clerk*

CONTACT NUMBER: 202-225-5051

CHRISTOPHER HIXON, *Minority Staff Director*

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

JAMES E. CLYBURN, South Carolina, *Chairman*

MAXINE WATERS, California	STEVE SCALISE, Louisiana, <i>Ranking Minority Member</i>
CAROLYN B. MALONEY, New York	JIM JORDAN, Ohio
NYDIA M. VELÁZQUEZ, New York	BLAINE LUETKEMEYER, Missouri
BILL FOSTER, Illinois	JACKIE WALORSKI, Indiana
JAMIE RASKIN, Maryland	MARK E. GREEN, Tennessee
ANDY KIM, New Jersey	

C O N T E N T S

Hearing held on September 23, 2020	Page 1
WITNESS	
The Honorable Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System Oral Statement	8
<i>Written opening statements and the written statement of the witness are available on the U.S. House of Representatives Document Repository at: docs.house.gov.</i>	

INDEX OF DOCUMENTS

No documents were entered into the record during this hearing.

**HYBRID HEARING WITH
THE FEDERAL RESERVE CHAIR
JEROME H. POWELL**

Wednesday, September 23, 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 10:05 a.m., in room 2154, Rayburn House Office Building, 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 morning. 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, and today I am pleased to welcome Reverend—Federal Reserve Chair Jerome Powell. Thank you, Chair Powell, for appearing before us today. Our goal today—well, that happens to me very often. Our goal today is to understand the course and scope of the outgoing—ongoing jobs crisis in America, what the Fed is doing to address it, and what else needs to be done.

Chairman Powell, you said back in April, and I quote, “This is first and foremost a public health crisis.” In July, former chairs Ben Bernanke and Janet Yellen appeared before the select subcommittee. Quoting from their testimony, “Nothing is more important for restoring economic growth than improving public health.” I agree. This health crisis has dragged on for eight months, and we just passed a tragic milestone of 200,000 Americans killed, far more than any other country on earth. Yet the Trump administration still refuses to show leadership and implement a science-based national strategy to address this ongoing public health emergency. The President continues to reject the advice of scientific experts on testing, social distancing, and wearing masks. These failures have allowed the virus to spread, causing millions of infections, tens of thousands of preventable deaths, and one of the worst economic crises in our Nation’s history.

Let’s be clear. Despite the rosy picture this administration tries to paint, many American families are still struggling, and millions of small businesses are on the verge of collapse, even as investors

reap record profits and gains in the stock market. Nearly 30 million Americans continue to rely on unemployment benefits. While most high wage jobs have returned, the employment rate for lower wage workers is still down more than 16 percent since January 2020, and an increasing number of these jobs are lost permanently. In August, permanent job losses skyrocketed to 3.4 million, half a million more than the month before and more than two and a half times what they were in January.

Job losses have dire consequences. In one recent survey, 12 percent of households with children indicated that they did not have enough food to eat in the last seven days. The numbers are even worse for minority families, with 16 percent of Hispanic households with children and 20 percent of Black households with children without enough food in the previous week. In the richest country in the world, tens of millions of children don't have enough to eat.

Congress helped keep an estimated 12 million Americans out of poverty when we passed the CARES Act back in March. But the expiration of Federal unemployment benefits and other relief measures this summer put millions of Americans at risk of hunger, homelessness, and mounting debt.

We need to provide additional economic assistance for American workers and families, especially low-income Americans and communities of color that have been hit hardest. The legislation we enact must comprehensively address the enormous scope of the problems we face. Again, quoting you, Chairman Powell, from last week, "The current economic downturn is the most severe in our lifetimes, and more fiscal support is likely to be needed." Again, I agree. The Federal Reserve has an essential role to play in reviving the economy, and it must do so in a way that is fair and equitable. Unfortunately, the Fed's actions so far have prioritized big businesses over the small ones that are most at risk, and it has failed to protect American workers.

Today, the select subcommittee released a staff report "Examining the Fed's Purchases in Wall Street's Corporate Bond Market." The report finds that, while the Fed helped many large companies by purchasing bonds, the terms of these purchases fail to include any protection for these companies' workers. Without worker protections, the companies whose bonds have been bought by the Fed have prioritized the interests of shareholders over workers. Layoffs have continued, even while dividends have been issued.

While I recognize that, during severe economic crises, Federal Government assistance for large corporations can be necessary to support the wider economy, public support must always be undertaken to achieve maximum public benefit. I believe the terms of the Fed's purchase of the corporate bonds could have been improved so that benefits were more equitably shared by workers as well as investors.

Of course, assistance for big businesses is never a replacement for assistance for small businesses and state and local governments. Small business revenues are down nearly 20 percent since January, and states and localities face budget shortfalls of \$1 trillion. Regrettably, the Fed's lending programs designed to help these entities have failed to make an impact because of overly restrictive rules and onerous loan terms. The Fed's key programs, in-

cluding the Main Street Lending Program and the Municipality Liquidity Facility, have barely loaned any money at all. Of the combined \$1.1 trillion in available lending, 99.7 percent remains unspent.

The Main Street program has been plagued by delays, overly restrictive loan terms, a \$250,000 loan minimum that is out of reach for most small businesses, and a lack of employee retention safeguards. The municipal program has been plagued by onerous interest rates and a short repayment period, rendering the facility useless to most jurisdictions. We must do better across the board. The Trump administration must finally implement a national plan to get the coronavirus pandemic under control. Republicans must agree to a comprehensive recovery package like the Heroes Act that provides for necessary resources to stop the spread of the virus and alleviate economic harm. And the Fed must use its tremendous resources and market power not just to bail out wealthy stockholders but also to protect low income workers and struggling small businesses that are the backbones of this country's economy. I urge my colleagues on both sides of the aisle and throughout the Federal Government to seek common ground and meaningful solutions to help the millions of Americans still struggling through this crisis. We must find solutions based on science and economics and economics, not politics or ideology.

Thank you for being here, Mr. Chairman. I now yield to the ranking member for his opening statement.

Mr. SCALISE. Thank you, Mr. Chairman, for calling today's hearing.

And, Chairman Powell, thank you for coming before us today, and thanks for your service to our country. Earlier this year, we had the chairs of the Federal Reserve, former chairs, Ben Bernanke and Janet Yellen, come before our committee. I would venture to say, Chairman Powell, that the challenges you've faced during your tenure far exceed things that we've seen from previous Fed chairmen. And as we work together through this, I just want to thank you for keeping a steady hand at the Federal Reserve which has been so important as we start seeing this economic recovery.

China, Mr. Chairman, has long declared a goal of overtaking the United States, both economically and militarily. At the outset of this pandemic, China lied about the emergence of the most dangerous virus we've seen in over 100 years. China refused to allow American scientists into their country to help assess the threat, despite the fact that many scientists within China were asking for our help. I was in some of those meetings at the White House with Dr. Fauci and others when the Trump administration was trying to get our best doctors into China to find out what was happening, and it was the Chinese Communist Party who refused our ability to find that out.

At the same time China was closing down domestic travel, they were sending thousands of people a day overseas, including here into the United States, setting the table for this global pandemic. In the months of January and February, China hoarded medical PPE. The Chinese Communist Party actually banned the exports of surgical gloves, masks, and gowns to the United States so that

they could hoard PPE for themselves while they lied to the rest of the world about COVID-19's threats and dangers.

China not only covered up an emerging pandemic, they also spread the pandemic and made sure that the rest of the world was not prepared to thwart the virus. Still to this day, this House majority calls China's role in this pandemic a distraction. The majority has held zero hearings on China's role. We've had celebrities testify before our committee, but yet, we can't get the Chinese Ambassador, as we've called for multiple times, to come and testify before this committee. We cannot fully understand this pandemic and the impact it's had on the American people without understanding the role of the Chinese Communist Party and the Chinese Government in this coverup.

But let's start with where America was prior to COVID. Prior to COVID-19, the economy added jobs every single month since the election of President Trump. Prior to COVID-19, since the President's election, the economy has added more than 7 million jobs. This is more than the entire population of the state of Massachusetts in 2018. This is 5.1 million more jobs than the Congressional Budget Office projected in its final forecast before the 2016 election.

In 2019, real median household income increased by more than \$4,000 per household, reaching an all-time high of \$68,700 of household income. This represents a 6.8 percent one-year increase which is the largest one-year increase in median income on record. As income grew by \$4,379 per family in 2019, this represents more than the entire median income gains during the whole eight years of the previous administration by more than \$1,300 per family.

Poverty also hit a record low in 2019. The official poverty rate fell to an all-time record low of 10.5 percent, and more than 4 million people were lifted out of the poverty between 2018 and 2019 for a 1.3 percentage point decrease. This was the largest reduction in poverty in more than 50 years. Minority groups led the way in the alleviation of poverty. Compared to the overall poverty rate reduction of 1.3 percent, Black poverty fell by 2 percentage points, Hispanic poverty fell by 1.8 percentage points, and Asian poverty fell by 2.8 percentage points. The poverty rate fell to an all-time record low for every race and ethnic group in 2019. The Black poverty rate fell below 20 percent for the first time in history. Between the time President Trump took office and February 2020, African American employment increased by 1.3 million jobs.

Then the virus hit our shores, and President Trump listened to the experts. In fact, President Trump did take and continues to take decisive action, carrying out a plan that is saving American lives, carrying out a plan that is getting us on the verge of multiple, not one but multiple vaccines for COVID-19. That is a successful plan.

Now, if you want to start with the first decisive action, as we finally found out, despite China's lies, what was coming in from China, not just to America but all around the world, the first thing President Trump did is made a critical, decisive decision: he banned flights from China. There were critics—we know who many of them are—using terms like xenophobia and other things, but yet President Trump was steadfast because he listened to his sci-

entists. In fact, Dr. Fauci testified from that very chair you are sitting in, Chairman Powell, just a few weeks ago before this committee that President Trump's decision on that and so many other decisions along the way carrying out his plan was the right decision and that President Trump's plan saved American lives.

Of course, the President made other decisions. He banned travel from Europe once we realized that, while flights were not allowed in from China, people from other European countries had already been seeded this disease from China, and then they were coming into the United States, so the President made another tough decision, but the right decision, according to all the scientists: he banned flights from Europe.

Then the President instituted the 15 days to stop the spread plan which, again, Dr. Fauci from that chair just a few weeks ago, testified under oath that that was not only the right decision, but that decision saved American lives as did the subsequent decision the President made to extend for another 30 days and so many other decisions that we've seen this President make.

We put the strongest economy in American history on a self-induced coma. The pain was real: 40 percent of the job losses occurred among people making less than \$40,000 a year. In my home state of Louisiana, almost 45 percent of the accommodation and food service work force had lost their jobs, an industry dominated by low-income workers.

Under President Trump's leadership, Congress responded in a bipartisan way. We passed the CARES Act. We came together to help those small businesses, to help those families who were struggling, to help those hospitals who were struggling, and, yes, also to help those states who were struggling. It put your team to work, Chairman Powell, working on carrying out this recovery plan.

While the Main Street lending facility program has perhaps taken a slightly different path than originally anticipated, the Fed provided a needed backstop and injected much needed liquidity at a critical moment. The United States had the smallest economic contraction of any major Western economy in the first half of this year during this pandemic, and now America has begun this next great American recovery. Total nonfarm payroll employment rose by 1.4 million jobs in August. With the record-breaking job gains in May and in June and in July and now in August, this economy has added more than 10 and a half million new jobs just in the last four months. We can talk about those numbers. We can also talk about how much more we need to go, but a plan that has created over 10 million jobs to get that economy back going is the right direction we need to be heading. The unemployment rate ticked down by 1.8 percentage points to 8.4 in August, beating market expectations. African-American employment has increased by 1.3 million jobs from the record that we saw.

So, how do we keep this great American economic recovery on track? I first want to emphasize a point that Chairman Powell made in your testimony yesterday, quote: Our economy will recover fully from this difficult period.

You talked about that yesterday. I'm sure we're going to talk about that more today. The Chairman also testified yesterday that,

quote, “the path forward will depend on keeping the virus under control and on policy actions taken at all government levels.”

Now, one of those areas in terms of keeping the virus under control, because, clearly, this has been a critical component of the President’s plan, is to get a vaccine. As you know, Chairman Powell, and as members of this committee know, we have three different groups of very well-respected, internationally respected drug companies that are in final testing, in Phase 3 of FDA testing, for a vaccine. We don’t know when this will complete. We don’t know if all three, one, two, maybe all three will get approved by the FDA. But never in our history have we seen one, let alone three, vaccines on the brink of actually being approved by the FDA in this quick of a period of time.

And why is it? It is not by accident. It is because of the President’s plan. It is called Operation Warp Speed that’s brought us to this point. Some of this is money that we voted on in a bipartisan way for the CARES Act, that we allowed the FDA, CDC, and other agencies to have increased ability to go out and encourage the development of a vaccine, no corners being cut. Critical, critical point. No corners have been cut. We’ve heard from many of the top scientists working on this just how detailed this is, just how many people, thousands, tens of thousands of Americans who have signed up.

I want to congratulate and thank, by the way, Mr. Chairman, the 250,000-plus Americans who signed up to participate in these trials. It’s unprecedented that Americans from all walks of life have stood up and said, “I’m willing to be a part of these trials so that we can get a vaccine that will save American lives.”

I am concerned, Mr. Chairman, that there’s some people that are trying to undermine the public confidence in this process. You started to see it just last week, some politicians, for their own personal benefit, trying to put doubt in the heads of people whether or not this process is going to yield a safe and effective drug. There ought to be no doubt. There ought to be nobody trying to use politics to interfere with this process. The highest integrity, not just in America but in the world, is taking place at the FDA. The FDA is the gold standard for the world at testing and approving drugs, and no one has suggested that that process has been compromised. I challenge anybody to name one company on this list that would cut corners or speed up the process that involves putting a drug in your body just because they’re trying to help some candidate for political office. That’s a ridiculous and dangerous notion. That kind of attempt to reduce public confidence would cost American lives.

So, let’s follow the science. Let’s let the FDA run its course. If a drug or two or three or more get approved - vaccines, therapies - we ought to celebrate that. We ought to applaud that and encourage people to listen to their doctor. Ultimately, that’s a discussion between them and their doctor about whether or not they should take this, but let that process move forward without further corruption.

And, again, I applaud the President for the work he’s done to put all of these plans in place, to lay out through CDC how schools can safely reopen. We need to encourage all elements of our economy to safely reopen. It can be done. Some are choosing to do it, and

some at the local level are choosing not to do it. We've seen and we've heard testimony about the devastating impact on children, for example, when a local school system makes the decision not to safely reopen for in-school learning. It can be done safely. The guidelines are there all around. Some are choosing to do it, and some aren't, but there's consequences to those children. There're consequences when economies are shut down, and we're seeing death rates, unfortunately, go up in other areas because people are losing their jobs, losing their way of life, companies that are collapsing.

We've got a bill, Mr. Chairman. I brought this to the majority leader's attention. Congressman Chabot from Ohio filed a bill to take the remaining PPP money. We've got \$138 billion remaining in the Paycheck Protection Program sitting idle in a bank account because the program expired. It was a highly successful program. It wasn't a Republican program or a Democrat program. We all voted on it, and it had unbelievable success, over 50 million jobs that had been created, and yet there are many of those businesses that are still struggling today, that want to get back up and running, that could use a second lifeline, and we have the money to do it. What Congressman Chabot's bill does is frees up that \$138 billion so that those small businesses who are actually having a decline in their sales—some are increased in their sales, but some are declined, let those businesses that are still struggling go a second round with that money that's sitting idle in a bank account. I would hope that the majority would bring that bill to the floor. That's tremendous bipartisan support. An article in *The Hill* today talks about a number of Democrats who are very interested in that bill, and yet we're not allowed to get a hearing on that bill on the House floor. We could come together and get that done. I know there are bigger issues that are being negotiated, but that negotiation has been going on for weeks. Let's take a program we already agree on and at least give a lifeline to those small businesses who are struggling while we work to get this great economic recovery back on track.

I look forward to your testimony, Mr. Chairman. And, with that, I yield back the balance of my time.

Chairman CLYBURN. I thank the ranking member for his statement, and I just wish to say, as we turn to our witness, Mr. Ranking Member, I've only heard one politician cast any doubt on the scientific research being done, as well as a timeline for when this vaccine may come online, only one that I've heard that from.

I would like now to introduce our witness. Today, the select committee is pleased to welcome the Honorable Jerome H. Powell, Chair of the Board of Governors of Federal Reserve System.

Thank you, Chairman Powell, for being here today.

Please stand so I may swear you in. Please raise your right hand. Do you swear or affirm that the testimony you're about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. POWELL. I do.

Chairman CLYBURN. You may be seated.

Let the record show that the witness answered in the affirmative.

Without objection, your written statement will be made part of the record.

Chairman Powell, you are recognized for your opening statement.

**STATEMENT OF THE HONORABLE JEROME H. POWELL, CHAIR,
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Mr. POWELL. Thank you. Chairman Clyburn, Ranking Member Scalise, and other members of the select subcommittee, thank you for the opportunity to update you on our ongoing measures to address the hardship brought by the pandemic.

The Federal Reserve, along with others across government, is working to alleviate the economic fallout. We remain committed to using our tools to do what we can for as long as it takes to ensure that the recovery will be as strong as possible and to limit lasting damage to the economy.

Economic activity has picked up from its depressed second quarter level when much of the economy was shut down to stem the spread of the virus. Many economic indicators show marked improvement. Household spending looks to have recovered about three-quarters of its earlier decline, likely owing in part to Federal stimulus payments and expanded unemployment benefits. The housing sector has rebounded, and business fixed investment shows signs of improvement.

In the labor market, roughly half of the 22 million payroll jobs that were lost in March and April have been regained as people return to work. Both employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain.

The downturn has not fallen equally on all Americans. Those least able to bear the burden have been the most affected. The rising joblessness has been especially severe for lower wage workers, for women, and for African Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future.

A full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities. The path forward will depend on keeping the virus under control and on policy actions taken at all levels of government. Since mid-March, we have taken forceful action, implementing a policy of near zero rates, increasing asset holdings, and standing up 13 emergency lending facilities. We took these measures to support broader financial conditions and more directly to support the flow of credit to households, businesses of all sizes, and state and local governments. Our actions, taken together, have helped unlock more than a trillion dollars of funding which, in turn, has helped keep organizations from shuttering, putting them in a better position to keep workers on and to hire them back as the economy continues to recover.

The Main Street Lending Program has been of significant interest to this select subcommittee and to the public. Many of the businesses affected by the pandemic are smaller firms that rely on banks for loans rather than the public credit markets. Main Street is designed to facilitate the flow of credit to small-and medium-sized businesses. In establishing the facility, we conducted exten-

sive outreach, soliciting public comment and holding indepth discussions with lenders and borrowers of all sizes.

In response to feedback, we've continued to make adjustments to Main Street to provide greater support to small-and medium-sized businesses and to nonprofit organizations, such as educational institutions, hospitals, and Social Service organizations. Nearly 600 banks, representing well more than half of the assets in the banking system, have either completed registration or are in the process of doing so. About 230 loans totaling roughly \$2 billion are either funded or in the pipeline.

Main Street is intended for businesses that were on a sound footing pre-pandemic and that have good, longer term prospects but have encountered temporary cash-flow problems due to the pandemic and are not able to get credit on reasonable terms as a result. Main Street loans may not be the right solution for some businesses, in part because the CARES Act states clearly that these loans cannot be forgiven. Our credit facilities have improved lending conditions broadly, including for potential Main Street borrowers. And the evidence suggests that most credit worthy small-and medium-sized businesses can currently get loans from private sector financial institutions.

Many of our programs rely on emergency lending powers that require the support of the Treasury Department and are available only in unusual circumstances. By serving as a backstop to key credit markets, our programs have significantly increased the extension of credit from private lenders. However, the facilities are only that, a backstop. They are designed to support the functioning of private markets, not to replace them. Moreover, these are lending, not spending powers. Many borrowers will benefit from these programs, as will the overall economy, but for others, a loan that could be difficult to repay might not be the answer. In these cases, direct fiscal support may be needed.

Our economy will recover fully from this difficult period. We remain committed to using our full range of tools to support the economy for as long as needed. Thank you.

Chairman CLYBURN. Thank you. Thank you very much, Chairman Powell.

Because we are running behind on time, Mr. Ranking Member, I'd like to go out of order and recognize one of our members for his questions so that he may go into another meeting.

Mr. SCALISE. Yes. We have no objection to that, Mr. Chairman.

Chairman CLYBURN. I now recognize Mr. Foster for five minutes.

Mr. FOSTER. Well, thank you, Mr. Chair, and hello, Chairman Powell. I would like to thank the chairman and my colleagues for letting me ask my questions early here as I have to leave to chair a hearing on the subcommittee on investigations and oversight in the Science Committee into political interference into epidemiological statistics at the CDC.

So, you know, the—and I'd like to begin, actually, by talking about the importance of regulatory independence. The coronavirus response provides us with two crystal clear examples of both the benefits of regulatory independence and the dangers of political interference. The independence of the Federal Reserve seems largely to have been respected during this crisis. As a result, you suc-

ceeded in the major part of your charge: to stabilize the financial system against external shocks.

Unfortunately, we've also seen a tragic example of the dangers of political interference into jobs best left to experts as tragically demonstrated by the dangerous and incompetent political interference by the Trump Administration into the jobs of professional scientific staff at the CDC, NIH, FDA, and other public health agencies. Tens of thousands of Americans have died as a result, 4 percent of the world's population and 25 percent of the deaths, and no amount of attempts to rewrite history will change that brutal fact. Many more thousands are at risk if the public loses confidence in the safety and effectiveness of an approved vaccine due to persistent manipulation or attempts to manipulate the scientific judgment of career professionals.

So, Chairman Powell, you should count your lucky stars that you have been able to do your job largely behind the firewall of independence that Congress has crafted for you and that you can depend on the integrity of the statistics that you need to do your job.

Now, in your testimony, you mentioned doing what you can to help our economy, an acknowledgment of the limits of the Fed's ability to help different segments of the economy survive. And the intervention to minimize pain on Wall Street has been largely successful thanks, in part, to the Federal Reserve's unprecedented intervention in the corporate bond market. These interventions have dramatically lowered the cost of raising capital for large corporations, and these markets are now functioning adequately, although perhaps distorted, due to significantly underpricing risk compared to what would have happened without Fed intervention.

During the previous financial crisis, we saw risk spreads over treasuries for most corporate bonds, you know, went out to several hundred basis points and persisted for about a year while, in this crisis, the yield spike was much smaller and disappeared promptly in response to the Fed's intervention.

At the other end of the market, the PPP program has been significantly successful in providing a path for survival for many of the smallest businesses largely because of the prospect of loan forgiveness, and there is bipartisan support for extending that program. But there has been difficulty in crafting an appropriate program for medium-sized businesses. You know, the Fed does have a facility for small-and medium-sized businesses, the so-called Main Street lending facility, but uptake has been rather small. In large part, this is because they're loan programs, and many businesses do not need loans. They need money to survive, but handing out taxpayer money carries many moral hazards.

So, like—so, my open-ended question here is what are the possible extensions and modifications to that program that you may have considered but may have discarded that might have made it more effective in delivering capital to midsize businesses on which so many jobs depend?

Mr. POWELL. Thank you, Mr. Foster. So, I'll first say on the corporate credit facilities, the larger companies that have access to the bond market were—that market was closed down in February and March, and these are very large companies. Their businesses were severely affected by the pandemic, and our actions were in no way

an attempt to relieve pain on Wall Street. They were solely focused on opening up those markets so that those companies could finance themselves and keep their workers working, and I think we've had good success in that. The two facilities we erected together really have worked to allow companies to finance themselves, not so much to borrow from us but our backstop. So, I think those are—we're pleased at the success we've had so far with that.

You asked about Main Street. Main Street is a—this is medium-sized companies and smaller companies that sort of fall between the PPP program and the corporate credit facilities, and that's a world where lending takes place through banks. Every bank credit agreement is carefully negotiated and unique in its own way, so there isn't the standardization that allows you to intervene quickly in the bond market. So, it's very, very difficult, and the only way for the Fed to reach those companies was through the banking system. So, we had to create standardized products that would meet the needs of as broad as possible a range of companies and do that in a way that was consistent with section 13-3 and the CARES Act.

As you've seen, we've had repeated waves of efforts to broaden the appeal of that program. We've done most of the things that we can think of, or, basically, all of the things we can think of that are clear gains, we've done. We're looking to do more, but the uptake is modest. You're correct in saying that, but I would say, more broadly, credit is pretty broadly available in the space of small-and medium-sized companies. Banks are lending. If the economy performs worse than we expect, then Main Street will be there to take on a heavier load. But I would say the things that we've done have been—have really been to widen the appeal of that program and its effectiveness. And I don't—nothing major that we're looking at now—there is nothing major that we see now that we—that would be consistent with opening it further.

Mr. FOSTER. Well, yes. I'm afraid I'm over time here, but I urge you to remain creative and to see what you can do to make that more effective.

I yield back.

Chairman CLYBURN. Thank you very much, Mr. Foster.

The chair now recognizes the ranking member for five minutes.

Mr. SCALISE. Thank you, Mr. Chairman.

I do want to give an update. Just—literally, just a few minutes ago—I know I showed this chart in my opening, but literally a few minutes ago, there was an announcement that a fourth company has just been entered into Phase 3 of FDA testing, and that's Johnson & Johnson. It was a drug that was showing tremendous progress during Phase 2, but just less than an hour ago, we got the word that the FDA has now moved Johnson & Johnson into Phase 3 of testing on a vaccine that they're seeing tremendous progress in. This is four different major, internationally respected drug companies in America that are on the verge of a vaccine for COVID-19 that can be approved by the FDA. Again, I applaud President Trump for his leadership at putting this plan in place through Operation Warp Speed to remove red tape so the scientists can actually focus on saving lives, and this is what it's yielding. Let's continue to embrace that revolutionary pace of scientific research.

Chairman Powell, I want to ask you about where we are in the economy. Clearly, as I talked before, we saw historic job creation, job growth, personal income levels increasing for people in every demographic group at every income level prior to COVID. Now we're working through this pandemic. As the whole world is dealing with it, we're trying to get through this as well. But between April and August, how many percentage points have we seen unemployment fall in America as we've started to reopen our economy?

Mr. POWELL. You know, I think the official number is something like from 14 and change to 8.4 percent today. But you said it in your remarks. Two things are true. One, we've really made substantial progress, and that's great to see and faster than we expected, frankly, but there's plenty left to do.

Mr. SCALISE. Clearly. And when you compare, let's say, to the 2008 great recession, I've seen numbers that it took over 10 years for our economy to recover from that. Is that about what you've seen?

Mr. POWELL. Yes. Of course, that was different. This was a situation where we shut the economy down, so we had outsized loss of employment and loss of economic activity, so you would expect that the first new quarter would be good. As I say, this is—and this has been a good start to a recovery.

Mr. SCALISE. Right. And, of course, the economy was shut down in part to make sure our hospitals weren't overrun but also to slow the death rate, as we learned about this virus after China lied to the world, which we still ought to have a hearing on before this committee—of all things we should be having a hearing on, it's China's role in creating this. But because of the President's action, if you look throughout the world, this is a global pandemic. It's affecting every country. We mourn every loss of life here in America. We've crossed the 200,000 death number. We mourn all of those deaths. You look around the world. Many countries actually are experiencing a higher death rate than the United States, and so that's where we need to keep doing the things we're doing to bring that number down as we are. You see these other countries that are above us. They will benefit, by the way, from the work we're doing to develop a vaccine. As we work and we put money in place to develop a vaccine and the President's Operation Warp Speed is getting us to the brink of that, that work will also benefit all of these other countries around the world. And notice, by the way, you don't see on this list China. You don't see on this list Russia because they don't even release their numbers, so the world doesn't really know the full impact. But as you can see, we all want to get to that place where we've conquered this disease. Fortunately, because of science and the leadership of the President, we are on the brink of a vaccine to actually get around the hump, and that helps us to safely reopen the economy even more.

I want to ask you about safely reopening schools because first, I'll ask in a—I mentioned this in my opening. We've done a lot to help small businesses. The Paycheck Protection Program has been highly successful. If we were, for example, able to go a second round for those businesses that are still struggling, let's say 25 percent or more loss compared to where they were before where they

could actually go for a second round of Paycheck Protection Program relief, would that be helpful to the economy, in your view?

Mr. POWELL. Yes. I'd say—I would say it this way. The returns to making people feel safe enough to engage in ever more activities, from an economic standpoint, those returns will be very high.

Mr. SCALISE. And safely reopening schools. We've seen CDC protocols, American Academy of Pediatrics. There's a way to do it. Some are doing it; some aren't. Is it a benefit to the children, and is it a benefit also to the economy to safely reopen schools?

Mr. POWELL. Yes, with emphasis on safely. People have to feel confident, and we have to, you know, observe those—

Mr. SCALISE. Right. People can wear masks. You can put in plexiglass. Students can be 10 feet from the nearest teacher. There are all of those standards in place. A lot of that's laid out by the President's plan. If anybody cares to read it, it's all online. You can go get it right now. So, hopefully we will continue to encourage people to follow those guidelines and safely reopen, continue to encourage the great work this President's done to get us to the brink of a vaccine so that we can finally safely reopen the economy and get this country back on track. Thanks for the work you're doing. I'm sure we'll talk more about it.

Mr. Chairman, I yield back.

Chairman CLYBURN. Thank you very much, Mr. Ranking Member. The chair now recognizes himself for five minutes of questions.

Chairman Powell, I notice in your opening statement here, you mentioned the fact that these small businesses, Main Street loans are—have to be repaid under the law. Now, how did the minimum loan get to be \$250,000? I don't think that's in the law.

Mr. POWELL. No. So, we designed this—this program for medium-sized companies, basically, and we had a—if you may recall, we had a—I think we had it \$2 million originally, and then we moved it to \$1 million minimum, and then we moved that to \$250,000. So, actually, the demand in the facility, there really hasn't been any under a million dollars. It would be a different facility, truthfully, if we were going to try to lend money in very small chunks like that. It would—you know, doing the due diligence on hundreds of thousands of very small loans would be a really different program. And I would tell you that it's more—that part of the market is better suited to the Paycheck Protection Program. But it would be—the current facility would not work for much smaller loans. We'd have to start a new facility that had a lot less protections for the taxpayer and that kind of thing.

Chairman CLYBURN. So, with 99.7 percent of the money still sitting there, you don't think you can come up with a program that would use the money, \$1.1 trillion, to try to keep people employed, try to keep businesses open? It's still sitting there.

Mr. POWELL. Well, the purpose of these facilities was to reopen the private capital markets. About a trillion dollars of lending has taken place just between the corporate credit facilities and the municipal facility. All of that was closed down in—effectively in March and April. We put these facilities in place, and now there are record amounts of borrowing happening in the corporate facilities—the corporate facility and in that space, rather, and in the muni—muni space. We set up a facility, and then the private market

started working again. With Main Street, it's not so simple because you don't have those kind of externalities. We've worked hard to reach borrowers. Again, as I said in my opening statement, we're looking for borrowers who were in good shape before the crisis and had good longer term prospects, but because of the pandemic, they've lost—had a real effect, and now they can't get loans elsewhere. So, that's a relatively modest group in size, and we've done everything we can to reach out to them. And, you know, we are—we do—are experiencing a steady flow of borrowers, and we expect that to continue and to pick up if the economy weakens.

Chairman CLYBURN. Well, Mr. Chairman, I—in view of this issue, I'm going to call your attention to the report that we just published this morning. We find that, in the dual mandate that the Fed has, one of them is maximum employment. Yet the Fed bought corporate bonds issued by companies, we found this in our report, that laid off more than 1 million workers since March. That doesn't sound like maximum employment to me. And of these companies, 383 paid dividends to their shareholders during the pandemic. Laid off over a million people, paid dividends to 383—I mean, 383 companies paid dividends while laying off people. That doesn't sound like maximum employment.

Mr. POWELL. It doesn't sound good, but let me explain it a little bit. So, the secondary market corporate credit facility, what we did was we bought very, very small amounts of bonds across 800 different issuers, and those are out—already outstanding bonds. We're not making loans to those companies. They're not—they're not getting a loan from us at all. We're buying from another buyer. And the reason we bought from 800 was we didn't want to be deciding which company to buy from and which not. So, that's what we did. We didn't ask these companies whether we could buy their bonds or not. I think if we'd said we, you know, "We want to buy your bonds because we want to make you part of an index," they would probably have said no, and, "We want you to do—we want you to do certain things." They would have opted out. We had no basis to ask them to do anything. We didn't ask their permission. That was the point of this. It wasn't to allocate credit. And these are—these are tiny amounts in the grand scheme of things. None of those companies sees themselves as having gotten a loan from the Fed. Again, there are 800 of them, and we're buying very, very—we're down to buying, I think, \$20 million worth of bonds now daily, and we're barely present in that market at all. So, I think it's—you know, the real thing is the primary market facility, which is where we were going to make loans to those companies, we've made zero loans. And the reason is that when we set the facility up, borrowers and lenders started lending again because we were an effective backstop, so—and these were big American companies that were under tremendous strain, and they could have laid off hundreds of thousands of people and didn't because of this facility. So, I would say it's been a success.

Chairman CLYBURN. Well, as I—my time has expired, but I would like to say that 227 of these companies over the last three years have been accused of illegal conduct, 227 of them.

With that, I yield five minutes to Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman.

Chairman Powell, yesterday, you said our economy will recover fully from this difficult period. Would it recover faster if some states weren't still largely locked down?

Mr. POWELL. You know, the decision about when to lock down and how to open up is one that's given to others other than the Fed, so I wouldn't have a view on that.

Mr. JORDAN. But just simple terms. I mean, you think about it. We've got California, New York, New Jersey, Pennsylvania, Michigan still largely locked down. That's—that's, like, one-fourth of our population. I'm—frankly, I'm amazed at the American comeback, the recovery that's happening in spite of the fact that you've got these states, some of our biggest states in population, still largely locked down. I think it's a simple question. If they were opening faster, would our economy be recovering faster?

Mr. POWELL. So, you know, the question is of opening —is about reopening— in a way that is sustainable.

Mr. JORDAN. Yes.

Mr. POWELL. And it's just not a matter of reopening. You've got to do it in a way that's sustainable. If you look at some of the European countries right now that were doing so well a few months ago, now they've got a big outbreak. So, I think it's a very difficult judgment, how fast to reopen given how urban your population is because that—there seems to be a lot of spread in urban areas. So, again, we have a lot of responsibilities. You've given us a precious grant of independence if we stay out of politics and stick to our knitting. And I wouldn't prejudge state and local governments in their decisions here.

Mr. JORDAN. But are you somewhat amazed, as I am, that the economic recovery is as strong as it is in spite of the fact that these states are still largely locked down? I think that's amazing when the unemployment numbers have come down like they have in spite the fact that you've got five—these are, like, 5 of the top 10, 11 states in population in the country still largely locked down.

Mr. POWELL. Yes. I don't know that there—they may be locked down in the sense people are working from home, but I'm not sure their GDP is lower systematically. I'd have to look at that. If you think about a place like New York, you know, a lot of what's happening in New York is the financial markets, and people are working from home. Their output, such as it is, will be high even though they're still somewhat locked down.

Mr. JORDAN. Was the economy pretty good prior to COVID?

Mr. POWELL. I would say yes. A lot to like about a tight labor market. A lot to like about 3 and a half percent unemployment.

Mr. JORDAN. It was great, wasn't it?

Mr. POWELL. You know, there are always problems in an economy, but this was as good an economy as we've seen in a very long time.

Mr. JORDAN. Wages were up?

Mr. POWELL. Wages started moving up, particularly for people at the low end of the wage spectrum, in the last couple of years. As the—as unemployment got down and the labor market got tight, you saw the benefits going. As I said, there's a lot to like about a tight labor market.

Mr. JORDAN. The poverty rate was down?

Mr. POWELL. Yes.

Mr. JORDAN. Economic—was the economy better than—better for everyone in our population?

Mr. POWELL. I would—I don't know about everyone, but I would say that the benefits—and I said this recently in a set of public remarks. The benefits began to be more widely shared. As unemployment got lower and lower, what you see is businesses are hiring people who haven't been successful in the labor market and pulling them in, and they're getting training, so there's a lot to like about that.

Mr. JORDAN. The economy was good—it was better for African Americans, Hispanic Americans. It was better for all Americans, wasn't it, low-earning Americans, high-earning Americans? Wages up, unemployment down. It was better for everyone, wasn't it?

Mr. POWELL. In a lot of measures, yes.

Mr. JORDAN. Unemployment was low prior to COVID?

Mr. POWELL. Yes.

Mr. JORDAN. Low—lowest in 50 years?

Mr. POWELL. Lowest sustained period of—since the 1960's, yes.

Mr. JORDAN. Here is what—here is what Secretary Mnuchin said just two weeks ago when he testified in front of this same committee: I believe there's no question that the reason we have unemployment high right now is that certain states are not opening up.

Do you agree with Secretary Mnuchin's statement?

Mr. POWELL. I cannot validate that, no. I'd have to go back and look. I'm not sure that's right.

Mr. JORDAN. You don't think the Secretary is right, that if states would open up, unemployment numbers will come down?

Mr. POWELL. This is a—you're asking me a data question, which is, are—basically, does the unemployment rate correlate with the level of lockdown in particular states, and I've learned in my almost nine years at the Fed to talk to the economists before I could answer that.

Mr. JORDAN. But it would seem common sense, Chairman Powell, that if your state is largely locked down and not letting restaurants open and not letting things happen, not letting people go back to work, saying some businesses are essential, some aren't, it would seem just common sense if you begin to open up, unemployment is also going to come down. I think that's all the Secretary is saying. I'm just asking if you agree with Treasury Secretary Mnuchin.

Mr. POWELL. Yes, again, I'd want to look at the data. I mean, there's common sense in what you're saying, but, again, I think of New York, in particular, people are working from home, but they're not unemployed. So, it wouldn't change things. I mean—you could—look at it this way: You could reopen all the restaurants in the United States right away, and you'd have technically unemployment go down. Would that be a smart thing to do? That would be a question for others.

Mr. JORDAN. OK.

I yield back.

Thank you.

Chairman CLYBURN. I suspect, Mr. Chairman, we would see a flourish in the economy with undertakers and cemeteries.

With that, I'll yield five minutes to Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Chairman and Members, of course. I came here today to continue discussion with Mr. Powell or the Feds. And I'm always pleased to see them, and we work well together. But, you know, Mr. Scalise always starts out by talking about how great the President has been in handling this pandemic, this COVID-19.

He's constantly using the time to talk about China and China's responsibility in all of this. One of the things I'd like to find out from Mr. Scalise—I don't want to do it today—is whether or not he would advise the President and his daughter to give up the trademarks that they have with China and the business relationships they have with China in the interest of punishing China.

Mr. SCALISE. Will the gentlelady yield?

Ms. WATERS. No, I will not yield.

Mr. SCALISE. I'd be happy to talk about that.

Mr. JORDAN. You asked him a question.

Ms. WATERS. In addition to that, I would like to ask Chairman Powell, did you hear that the CDC had basically issued an advisory that said that the virus could be airborne for six feet or more and infections, and then they took it back within 24 hours? Did you hear that?

Mr. POWELL. I'm actually having a hard time hearing you, but I don't think I did, no.

Ms. WATERS. What I want to know is, did you hear about the CDC having issued a new advisory that the virus was airborne and it could infect those six feet away because of the emissions, you know, from an infected person? Did you hear about that?

Mr. POWELL. Yes. Yes, I did. Sorry.

Ms. WATERS. OK. You have said that this is a health problem that we have, and while everybody is trying to dump on you about the economy and what you're doing or not doing, did you indicate ever in your speeches or in your talks that, to the degree that we're able to handle the health problem, that certainly would help us with strengthening our economy. Is that true?

Mr. POWELL. Pretty much every set of remarks I give I say that the path of the economy's going to depend on our ability to retain control, to get control of the virus and keep control, and that we have the power to help that by following the advice of the experts, by wearing masks and keeping distances and that kind of thing. In fact, those things help us reopen the economy faster.

Ms. WATERS. Did you also hear recently that there are some states, some of which were mentioned here this morning, where the virus is spreading, it is not subsiding? Did you know that there are some states that are in that situation?

Mr. POWELL. Yes, ma'am.

Ms. WATERS. And did you know that the President of the United States of America did not begin even talking about or letting the public know that we were confronted with the virus until after maybe a couple of months that he knew? Did you hear something like that?

Mr. POWELL. I would have no comment on that, Madam Chair.

Ms. WATERS. Thank you. Well, let me just say that, when we have members who are talking about how good the President has been, how, you know, the President has been a leader, and we

know that we can identify several things that the President has or has not done that has caused extended problems with this virus, I think that we should pay attention to the experts and do everything that we can do to help the economy by getting a handle on the infections and the virus that is taking place.

I am absolutely disturbed about the fact that someone is pushing to talk about opening up our schools when we have 40,000 students that have been infected. So, having said all of that, and an answer to Mr. Clyburn about the \$250,000, it was once \$1 million. Because of me and my committee, working with Ms. Velázquez, you agree to reduce it from \$1 million to \$250,000.

Is that right?

Mr. POWELL. We did reduce it to \$250,000, yes, ma'am.

Ms. WATERS. OK. And in a hearing just yesterday or so, when you were asked about this, along with Mr. Mnuchin, Mr. Mnuchin said, well, perhaps it could be reduced to \$100,000 as the criteria for small businesses being able to make loans in the Main Street program.

Is that right?

Mr. POWELL. Yes. The Secretary did say that.

Ms. WATERS. And what you have said is that you are basically involved in monetary policy, not fiscal policy, but what has happened with COVID, you have kind of been involved in ways that you would normally not be involved, and you'll take another look at this, even though you tried to explain here today about the Main Street program and how it works now.

I have to tell you, while I agree with you on a lot of things, I'm really concerned about Main Street also. I'm concerned that, when we think about Main Street, we really don't think about the size businesses that you have incorporated in Main Street. Some of us see those as big businesses, to tell you the truth.

Would you tell us what that amount is that covers the Main Street program?

Mr. POWELL. It's less than 15,000 employees or 5 billion in revenue. That's the top end. We don't actually set a bottom end, I don't believe, in terms of size, but it was designed to go between the PPP facility, broadly, between the PPP facility and the corporate credit facilities for the big companies.

Ms. WATERS. My time is expired, but I'd certainly like to continue to ask you to see what you can do to help us with our small businesses and the amount of money that is left that you have.

Thank you.

I yield back.

Chairman CLYBURN. The chair now recognizes for five minutes, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Chairman Powell, welcome. Always good to see you.

Last week, we had a hearing with regards to some of the state and local needs. And we had a gentleman who—Mr. Holtz-Eakin, who you probably know, who was former CBO director. We asked him the question about how many dollars he thought we needed to have in our budget to make whole the state and local folks. He said that revenues are coming in on the state and local side at record revenues in 16 different states over last year with regards to sales

tax revenue, but not coming in too well, obviously, with income tax revenue. And to make them whole, you would take about 200 to \$250 billion.

So, my question to you is, does that seem reasonable? Is that in the ballpark of what you would anticipate to make the state and local folks whole from the losses that we've incurred over the last several months due to COVID?

Mr. POWELL. So, I asked for views on that. I just happened to a couple of days ago, and there's actually a wide range of estimates. But that's certainly within the range of estimates. You can get to a higher estimate. Of course, expenses have gone up too.

Mr. LUETKEMEYER. But my point is, if we're in the range of \$200 billion to \$250 billion and we know that from the leadership on the other side, they're looking at trying to do a trillion to \$2 trillion of additional money for state and locals, that doesn't seem to be matching up with where we need to go, and seems to be the leverage point that the other side wants to use to try and hold up changes to the PPP program and other things that are necessary to keep our economy going and address the needs of those who are left out of this.

But I mean, that's a fair statement?

Mr. POWELL. Yes. I have a strong desire to not play a role in your discussions over how much.

Mr. LUETKEMEYER. You're a smart man, Mr. Powell.

Thank you very much.

You know, one of the things that's been talked about here is your different facilities and congratulate you on your quick response. I know the Fed usually—and don't take this the wrong way, but in my opinion of them, it's like trying to turn a ship around in the middle of the ocean. It takes a long time to get anywhere with the Fed. But you guys were very responsible, like a speed boat in the middle of a lake with regards to how you set these facilities up and did a fantastic job. Thank you so much.

But it seems to me like there's a misunderstanding of how these—how the economy works with regards to helping out bigger businesses. I'll give you, for instance. I've got Boeing right in my district and another big plant just outside my district. I know it's one of—in this report, this is one of the companies that's mentioned here, but if you don't help a company out like that to make them stay whole, stay in business, you're going to lose all the jobs that are there, not just the ones that they laid off. And you'll also lose the small businesses that make parts for all these planes.

I'll give you an example. I got one plane that is made in my district; 1,800 small businesses provide parts for that. And all the employees of those small businesses would be affected. This is big business, and once it gets back on its feet, it will probably hire back a lot of those folks just like a restaurant that lays off two people and once it gets back going full speed again will hire those two people back.

Is that a fair statement of how this situation works?

Mr. POWELL. Very much so. Same with the auto companies. A lot of big American companies have thousands of suppliers, as you know.

Mr. LUETKEMEYER. So, it's important that we salvage these big businesses to make sure that we keep those services and things going, as well as provide—maintain those jobs that we can be retained down the road, pick up the rest, and also help the small businesses that help to feed into these businesses.

Is that—

Mr. POWELL. Yes.

Mr. LUETKEMEYER. With regards to regulatory stuff. You know, I can't let a hearing go by without talking about CECL, so I'm sure you expected that. You've probably got something in your notes. If not, you've got it off the top of your head. But to me this is, you know, CECL is some of the regulatory stuff, as well as forbearance, that has got to be playing in, I think, in your role here in this pandemic to make sure that we continue to address the credit needs of the folks across the board, and make sure that the capital and reserves are not mismanaged and mishandled.

Your agency, the Federal Reserve, comptrollers, FDIC, were all part of an interim rule that was made with regards to CECL, and I think we need to continue to push this down the road, and we proved that it's pro-cyclical. Treasury came out with a report last week, which is kind of ambivalent about all of this, which is unfortunate, but do you see that we need to continue to waive and postpone the implementation of CECL till this pandemic has passed so we can see what's going on?

Mr. POWELL. I think what we've done is pretty effective. If we came to that view, we wouldn't hesitate to act, but I guess we gave companies up to five years to insulate themselves from the capital effects of it.

Mr. LUETKEMEYER. So, the interim rule is two-year delay, three-year implements. I mean, you guys see that there's a problem there with regards to forbearance. Again, to me, we don't want a repeat of 1908 and 1909 when the regulars came in and were forcing because of their rules and regulations to force banks to foreclose and push out some of our customers. So, to me, I realize that there's some rules that'll be put in place, but if you have a law in place that both the banks and the regulars can point to that as guidance to be able to help them through this period to make sure that forbearance is given to make sure we don't close down industries and businesses.

Would you agree with that?

Mr. POWELL. Yes. I think we came in with a strong banking system and that gives us the ability to make targeted temporary adjustments to regulation. We've done plenty of that, and I think that's just a byproduct of all the work everyone did in strengthening the system over the last—

Mr. LUETKEMEYER. I had a long discussion the other day with former Chairman William Isaac, and he made the comment that, back in the 1970's, he was part of a group that actually went to try and help the REITs survive that period. And there was a five-year forbearance period that was granted to the REITs to try and salvage them. It would seem to be a good way to address our needs today to make sure that we don't push businesses out of being able to do business.

Agree?

Mr. POWELL. Thank you.

Mr. LUETKEMEYER. Thank you.

Chairman CLYBURN. The gentleman's time has expired.

The chair now recognizes Ms. Velázquez for five minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman, and thank you, Chairman Powell.

The Main Street Lending Program as the Fed role would ensure credit falls to small and midsize businesses with the purchase of up to \$600 billion in loans. The program did not make any loans until July. Why did it take the Fed four months to set up the Main Street Lending Program when it was able to set up credit facility for big businesses in just a few weeks?

Mr. POWELL. Main Street is many, many, many times more complicated to set up because, in the case of the companies that have market access, there's quite a bit of standardization in the bond market, and it was straightforward to set up that facility, and we did so very, very quickly. The difference is that Main Street deals with medium-sized companies who get their funding in the banking system and every bank credit agreement for every company is basically individually negotiated. There's nowhere near the degree of standardization. So, it was a much more complicated problem to solve, and, you know, it took us a lot of outreach, and we took in public comments. It was quite a bit of work to get to where we are.

Ms. VELÁZQUEZ. OK. I hear you. You said yesterday the program as set up tends to help larger sized businesses proven by nearly one-third of loans being over \$10 million.

Can you understand why many of us believe the Fed is failing Main Street?

Mr. POWELL. So, the—if I heard you correctly, most of the banks that are active in lending are smaller banks, and the loans are fairly small. I don't know what the average loan is, but there's lots of business between \$1 million and \$10 million, which is not a big loan for a company that has the kind of employees that one of these companies would have.

Ms. VELÁZQUEZ. So, Congress already authorized a specific lending facility to help small businesses in the CARES Act. The Fed chose instead to set up the Main Street Lending Program.

Does the Fed have sufficient legal authority to provide liquidity to small businesses who still need credit assistance to followup on the points raised by Chairwoman Waters?

Mr. POWELL. I think there was a particular Main Street facility that was outlined in the CARES Act, but that was expressly not binding on us. It said: Nothing in this facility shall be seen to dictate to the Fed and the Treasury in designing your own Main Street facility. So, we designed the one that we have, which is designed to be as broadly applicable as we could possibly make it.

Ms. VELÁZQUEZ. So, the CARES Act told you to set up a facility for truly small businesses that needed the assistance, but you decided to create your own facility despite having the authority, which is the issues that we're raising here.

So, last week, the Fed updated its guidance telling participants that loans made in compliance with Main Street program requirements won't be faulted by examiners. Why was this change made,

and how will it help encourage greater participation in the program?

Mr. POWELL. We want to work with our banks to make sure that they understand that we won't run in and criticize these loans. So, Main Street is supposed to be for loans that wouldn't otherwise be made. In other words, if the loan was already going to get made, then we didn't really need Main Street for that. So, they're riskier to some degree, and there's more risk in them, and we want to encourage the banks by telling them that we understand that and that we will not run in and criticize these things unnecessarily if you make a loan that is consistent with Main Street.

Ms. VELÁZQUEZ. So, Mr. Chairman, will you commit today to taking a hard look at how to fix the program and even set up a new facility from scratch, as you mentioned yesterday, to help small firms on Main Street as we intended, as Congress intended?

Mr. POWELL. I would say this: it would be very hard to create a facility that reaches very small businesses. The reason is this—and that's why I think you were wise in the CARES Act to create the PPP for smaller companies. To extend credit to hundreds of thousands of very small businesses, these are largely personal loans, you know. Business founders are borrowing on their credit cards or their bank line with a personal guarantee.

Ms. VELÁZQUEZ. I hear you, but, Mr. Chairman, you stated yesterday—or I don't recall when—that the coronavirus is a great increaser of inequality, yet you decided not to collect voluntary demographic data on borrowers in the Main Street program.

Would you commit to including a voluntary demographic questionnaire with loan applications going forward? How do we know that the smaller businesses are being helped by the Fed?

Mr. POWELL. We did not collect that data, and we don't have any plans to do so. It's not a requirement in the law. We're really implementing the law that you passed.

Ms. VELÁZQUEZ. I yield.

Chairman CLYBURN. The time has expired.

The chair now recognizes Mrs. Walorski for five minutes.

Mrs. WALORSKI. Thank you, Mr. Chair.

Thank you, Chairman Powell. I appreciate you being here.

The part of northern Indiana that I represent is home to major manufacturers of RVs, boats, and cargo trailers. In fact, 85 percent of the RVs you see on the road come from my area. Our community's also known among—also the hardest hit during an economic downturn. In fact, Elkhart County in my district had the Nation's highest unemployment rate during the great recession. However, the coronavirus has turned that on its head. Suddenly RVs and boats are in hot demand, so the local economy in my area has been doing incredible, all things considered, but I've still had plenty of small business and nonprofits in my district reach out to me, even in the last week saying they still need help.

Recovery is neither instantaneous nor even. That's why it's sad that Democrats, led by Speaker Pelosi, have chosen politics over our economic recovery. Let's not forget that the HEROES Act they point to is nothing more than a wish list messaging bill that had no chance of becoming law. It wasn't the product of serious negotiations or committee hearings. Instead, it's chock full of giveaways to

special interests and the rich which have nothing to do with rebuilding our economy.

The HEROES Act had more mentions of the word “cannabis” than the words “job” or “hire.” It gave more money to state and local governments that haven’t even fully spent CARES Act money, and it restored the unlimited deduction for state and local taxes, or SALT. Over half the benefits of the SALT deduction go to those with annual incomes of \$1 million or more, while only 1 percent of the benefits go to those making under \$100,000 a year.

The nonpartisan Joint Committee on Taxation found that restoring the unlimited SALT deductions for just two years would cost almost \$137 billion. Meanwhile, the Paycheck Protection Program, which has been a vital lifeline in my district and my state for small businesses to keep the lights on and save jobs, expired last month. And Speaker Pelosi refuses to allow a vote to keep helping Main Street survive.

Chairman Powell, which would you think would be better for our economic recovery, and I think you’ve already answered this, giving \$137 billion to the rich by restoring the SALT deduction for two years or using that money to fund more PPP loans?

Mr. POWELL. Again, I don’t want to get into your fiscal debates with one another, but I do think small businesses would benefit from more PPP support, and I think there’s probably very wide agreement on that.

Mrs. WALORSKI. We definitely have benefited in my district and my state. Chairman Powell, I think it’s an understatement—I don’t think it’s an understatement to say that PPP was one of the most critical lifelines for small business and not-for-profits in my district. They wouldn’t have survived otherwise, but two weeks ago, Democrats in the Senate blocked a coronavirus relief package that would have started—restarted PPP and added new provisions like allowing for those hardest hit to apply for a second round.

Over here in the House, Republicans have filed a discharge petition to stop the political games and bring a commonsense bill to the House floor that would restart PPP, allow a second loan for those hardest hit, and simplify the forgiveness process.

Chairman Powell, can you talk about what you’ve seen from the macro level on PPP? And I know you’ve just talked about the need for a second stimulus. Should a bill that I just described, which restarts PPP, allows for a second loan, and simplifies forgiveness be a part of that?

Mr. POWELL. I guess I’d start by saying that the good economic data we’ve seen since really May is, to a significant extent, reflects what you did in the CARES Act. Also just the general reopening of the economy, but those checks, the unemployment insurance, all of that really helped to keep people in their homes, keep them spending, and, you know, it’s a tribute to the fast and forceful response that all of you made.

I think we helped as well, but I think the power of fiscal policy is unequalled by really anything else. You know, I’ve said on a number of occasions, I think it’s likely that we’ll need more fiscal support. And the reason I say that is we’ve still got, in the payroll numbers, we’ve still got 11 million people who haven’t gone back to work. If you look at broader measures of unemployment, it’s ac-

tually more like 16 million who are working part time or have left the labor force and things like that.

So, there's a long way to go. We've come a long way pretty quickly, and that's great, but there's a long way to go. So, I just would say we need to stay with it, all of us. The recovery will go faster if there's support coming both from Congress and from the Fed.

Mrs. WALORSKI. Yes, and I want to thank you for your efforts. I also want to thank the guidance and the amount of wisdom that President Trump has had in continuing to appeal for restoring and recovering of our local businesses. I've had two calls in the last couple of days since I've been out here. One from a woman on the west side of South Bend that's a social worker running a behavioral modification agency and one from a restaurant, 100-year-old restaurant in North Manchester. And those calls were so disturbing because what they're asking for is that second round of stimulus. And we were hoping that we could have got that in this week while we're here. We're still hoping we can get it in.

I would just plead with Speaker Pelosi and hoping that she listens to these comments today that we've got to restore and we've got to let these businesses in our districts rebound. Lives are still at stake. You know, we are still looking at saving American lives and saving American livelihoods at the same time, and there is a balance, but we need her help to actually get us there.

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

Chairman CLYBURN. Thank you for yielding back.

The chair now recognizes Mr. Kim for five minutes.

Mr. KIM. Thank you, Mr. Chairman.

And, Chairman Powell, a pleasure to have you before our Select Subcommittee here.

I wanted to just start by raising something that a former—your predecessor, former Chairman Bernanke had mentioned. He had said in the op-ed earlier this year that after the 2008, 2009 recession, an \$800 billion Federal program authorized by Congress was already offset by states through cuts in spending and layoffs. He said, quote, “Together with the subsequent turn to austerity at the Federal level, state and local budget cuts, meaningfully slowed the recovery.”

He actually told me in a previous hearing before this committee that, in estimate, he saw that the cost at the state and local level led to perhaps about a half a percentage point off the growth rate at a time that the economy was trying to recover. I feel like I've heard some similar statements coming from you before, but I just wanted to confirm.

Do you agree with former Chairman Bernanke, his assessment, that cuts to the state and local funding negatively impacted the economic recovery after the 2008, 2009 recovery recession?

Mr. POWELL. Yes. So, I think there's been a great deal of research on that question, and it does generally support that view.

Mr. KIM. And, last week, you said that the current economic downturn is, I think, quote, “the most severe in our lifetime,” that it's something that's worse than what we experienced a decade ago.

What I thought about Bernanke's point is, you know, just how he's trying to frame it here. So, I guess I wanted to just ask you, would our national economy right now be in a stronger position to

recover from this pandemic and crisis if we could avoid state and local job cuts and slashes in the way that we saw in 2008, 2009?

Mr. POWELL. Well, again, I don't want to give advice to Congress on what I'll do, but, yes, and Chairman Bernanke also said, you may remember, that if we play our cards right, if we provide the right amount of support, in a few years, this doesn't really need to leave a permanent mark on the economy. And I would also say that your first effort, the CARES Act, was much bigger, of course, than the 2008 response, but, yes. Overall, I would agree that there's going to be a need for further support, and I do believe that we'll get further support. Not sure when or in what quantities or what nature, but—

Mr. KIM. I appreciate that. And, look, I want to respect your position here, and I'm trying not to drag you into the middle of the discussions and the debates that we're having here in Congress, but just try to understand the frame by which we should be approaching this. I find that oftentimes we are talking about this as if it's solely about the support and the help that our states and our local governments need. Certainly, we need to be focused on that. You, yourself, had raised the point that one in seven workers in our country is employed by a state or local government, about 13 million workers. That is a huge part of our work force.

That is certainly something here in New Jersey we experience with full force, but another point that I've been just trying to highlight based off what Bernanke said and your comments today is that this is about our country as a whole, our economy as a whole. It's not just about helping certain states or certain cities, both red and blue, both Republican and Democrat, but it's about our national economy as a whole. So, I just wanted to linger there on this front because I often hear that the criticisms make it sound like it's trying to—that they're raising concerns about money mismanagement at the state level or bailouts of preexisting debt, arguments like that.

So, Chairman Powell, I want to just dig into that a little bit. Have you seen any evidence from before, whether 2008, 2009, or the CARES Act or other situations where funding for state and local governments during times of crisis created incentives for mismanagement?

Mr. POWELL. You know, that's not something—that's really not something I've looked at.

Mr. KIM. Well, I think that that's something that we've been trying to press for and trying to understand.

So, I understand where you're coming from on this, but, as I said for me, I'm trying to figure out if there's a way we can square the circle here and get through this. I don't know if you would comment on whether or not there's a way to be able to provide funding for state and local governments that might be able to ensure that that money is in a fiscally responsible way.

Mr. POWELL. So, that's very much in your hands to do. I honestly—we don't really bring anything to that. The idea of what form to provide, what strings to put on it is really squarely on your plate.

Mr. KIM. Well, I asked that question to your predecessor. He said that, quote, that the money could be structured in a way that could

eliminate that incentive. He specified that there could be things done by block grants or by formulas that don't relate to existing tax burdens, things like that.

Is that something that you think we should be looking in to?

Mr. POWELL. It certainly sounds like a reasonable thing to look in to, but as the current Fed Chair, it's really not up to me to, you know, get into these questions and try to design the legislation, you know. I think those things are very much in your bailiwick.

Mr. KIM. No. I appreciate that, and I agree completely, but your approach in helping us understand the national struggle that we might face if we don't move at the state and local level is helpful.

So, with that, Mr. Chairman, I turn back to you.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Mr. Green for five minutes.

Mr. GREEN. Thank you, Chairman and ranking member, and thank you, Chairman Powell, for testifying today.

I graduated in the top of my medical school class but barely passed econometrics at West Point. So, I deeply respect you and your colleagues. I want to digress a second and discuss school closures, which I and many other physicians, educators, and behaviorists believe have drastically harmed our children.

We should follow the science, and as a physician, I know the science is definitive. The CDC has stressed the importance of kids returning to school saying, and, I quote, "The harms attributed to closed schools on the social, emotional, and behavioral health, economic well-being and academic achievement of children, in both the short and long term, are well-known in significant," end quote.

There's already extensive research on the summer slide, according to the Northwest Evaluation Association. In the summer following third grade, students lose nearly 20 percent of their school year gains in reading and 27 percent in math. By the summer after their seventh grade, students lose an average of 39 percent of their school year gains in reading and 50 percent of their school year gains in math, perhaps explaining my difficulty in econometrics. Imagine the detriment a yearlong slide will have on our children. We can't allow this to happen.

School closures also endanger the emotional and mental health of children, a recent published—article published in the *Journal of Child and Adolescent Psychiatry* found that post-traumatic stress scores were four times higher in parents and children in quarantine than those not in quarantine. The CDC has added that suicides are through the roof. And in one of the scientific journals that I read as an emergency physician, just last month, the shutdowns showed an enormous increase in drug overdose and addiction at all ages, yet Democrats continue to call for more school closures. They seem willing to put children and parents through all of this, despite the facts that of the 587,948 children diagnosed with COVID, only 103 have died. And nearly all of them have significant medical comorbidities.

Now compare that to over 6,000 suicides a year in children, 4,000 who die a year in automobile crashes, but the left is clearly not stopping children from riding in cars. There's no question we know which comorbidities put people at higher risk for COVID. We can

protect at-risk children with virtual learning while letting the rest go back to in-person school.

We hear the left rambling about science and numbers. Well, they're clearly ignoring them to keep schools closed, and the consequences are significant. Chairman Powell, I just—I would like to ask you, and I've kind of shared a little bit of the medical side of this, what are the economic impacts on these school closures?

Mr. POWELL. Well, let me say again that these decisions get made, a lot of them, at the local level. And I'd imagine you would agree that that's appropriate. You want these decisions, this is peoples' lives, it's their kids, and to the extent they get made as close as possible to them, that makes a lot of sense to me any way.

Mr. GREEN. No, I'm asking you to elaborate for us on the economic impact. What's the impact to the economy on these school closures? I just shared that there's an increase in suicide; there's an increase in opioids. Only 103 have died out of 580,000 that have been diagnosed. I can share those numbers. I'm a physician. I'm asking you the economic impact of all these closures.

Mr. POWELL. I just want to make it clear that I do not have a judgment on the pace of school closures whatsoever. I'm not—I don't have one, and I wouldn't say if I did. But, you know, just as a straightforward matter, if the kids are home, then some of the parents are going to stay out of the work force, and lots of people have tried to quantify that. I don't have an estimate of it.

But parents who have to stay home to take care of their kids will be there. As to whether that's a good thing or a bad thing, honestly, it has to do with the safety of kids and teachers, too, as well. The teachers are probably much more at risk than the young kids are, I imagine, but nonetheless these are decisions that are really not for the Fed and—

Mr. GREEN. I understand the decision on whether or not to open a school, you know. I was trying to get—you implied a little bit there. As parents are staying home, that's a decrease in economic output, and, therefore, it has a downstream affect in our economy.

So, there is an economic impact, as well as the behavioral impact that the CDC has highlighted. The increase in suicides, overdoses, all that stuff in light of 103 deaths out of 587,000 that have been diagnosed.

Mr. Chairman, looks like I'm out of time, so I yield.

Chairman CLYBURN. Thank you very much. The gentleman yields back.

The chair now recognizes Mr. Raskin for five minutes.

Mr. RASKIN. Thank you very much, Mr. Chairman. Listening to our colleagues wax eloquent about how great the economy was before millions of people were thrown out of work and before we saw spreading hunger and before, you know, a record number of Americans are unemployed, is like listening to Herbert Hoover talk about how great the economy was before the Depression.

I'm also a little surprised that they've decided to go back to China as a way to distract people from the President's epic failures in managing this crisis. We know that there were 37 different occasions in January, February, March, and April when President Trump praised the performance of his great friends in the autocratic Chinese Communist Party.

Take for example, January 22, Twitter, one of the many great things about our trade deal with China is it will bring both the USA and China closer together in so many other ways. Terrific working with President Xi, a man who truly loves his country. January 24, China's been working very hard to contain the coronavirus. The U.S. greatly appreciates their efforts and transparency. It will all work out well. In particular, on behalf of the American people, I want to thank President Xi.

I wish I had 20 minutes to read through all of his tweet statements praising his friends in the Chinese Communist Party. February 10, at a campaign rally in Manchester, New Hampshire, I spoke to President Xi, and they're working very, very hard there, and I think it's all going to work out fine.

February 13, I think they've handled it professionally. They're extremely capable, and I think President Xi is extremely capable, and I hope it's going to be all resolved, and so on. So, either President Trump is an easy mark who got played and exploited by China or he's been collaborating in all of the sins that our colleagues are talking about.

Chairman Powell, from the beginning of the pandemic, people have tried to portray this as a tradeoff between national public health efforts and national economic efforts. Now that we're eight months into the nightmare of COVID-19, which has cost more than 200,000 of our people their lives, what can you tell us about your assessment of this framing that there's a tradeoff between public health policy and economic policy?

Mr. POWELL. I don't really think there is a tradeoff. I think that we all want to reopen the economy as fast and as sustainably as possible, and I think the thing that we can all do to help that happen is to do what the experts tell us to do, which is to wear masks and keep social distances, and don't do those things that will, you know, support the further spread of the disease.

Again, the two things go together. They're complementary; they're not in contradiction.

Mr. RASKIN. OK. And the President and his advisers have embraced a policy of herd immunity, which the President sometimes calls herd mentality, which really means a policy of mass human sacrifice that has already cost us 200,000 lives and perhaps hundreds of thousands more on the way if they get their way of just saying let the disease wash over the population.

Is there any economic reason to compel us to adopt a policy of herd immunity as opposed to trying to go out and defeat the disease?

Mr. POWELL. So, I never comment on the President's comments or policies as just as a general rule.

Mr. RASKIN. OK. I want to go to the question of dividends because there are 383 companies that paid dividends to their shareholders during the pandemic who also were the beneficiary of the Fed's lending program. For example, the food service company Cisco laid off about a third of its work force a month before paying a dividend to its shareholders, and yet they were a beneficiary in your program.

Caterpillar announced a \$500 million distribution to shareholders on April 8, two weeks after saying that they would be fur-

loughing workers. So, why is it that they are continuing to fire workers, give dividends, and they are the beneficiary of the Fed's stimulus money?

Mr. POWELL. So, I guess I would say they really are not beneficiaries of the program. That refers to the fact that we bought small amounts of outstanding bonds, already outstanding bonds, from about—from in the market, bonds of about 800 different companies. And we didn't make a new loan. They got no credit because of it, and, you know, so they didn't—they're not actually beneficiaries.

We haven't made a single loan to a corporation as part of the primary corporate credit facility.

Mr. RASKIN. OK. So, I guess I'm a little puzzled by that because, at least it was my understanding, that all of these companies are partaking of the Fed's 13(3) authority. Is that not right?

Mr. POWELL. What we're doing is we're buying—we wanted to buy in the secondary market to support the overall market function for these big companies that have bond market access, right. So, we didn't want to pick winners and losers, so we're buying very small amounts. We created an index of 800 companies, and we're buying very small amounts of their already outstanding bonds. We didn't ask their permission.

When 800 companies are having small amounts of their bonds purchased, no one's really benefiting. Really the market—what it did was it supported market function, which enabled a broad group of companies to go out and finance themselves, and that did happen. It happened so successfully that we actually didn't have to make any direct loans to these companies.

Mr. RASKIN. OK. And finally—

I yield back, Mr. Chairman.

Thank you.

Chairman CLYBURN. Thank you.

The chair now recognizes Mrs. Maloney for five minutes.

Mrs. MALONEY. Good morning, Chairman Powell. It's very good to see you again.

Mr. POWELL. Good morning.

Mrs. MALONEY. I want to ask you about economic recovery and specifically who benefited from the economic recovery. It's clear to me that large corporations have benefited from the Fed's rescue programs much more than small-and medium-sized businesses ever since the Fed promised to essentially back stop the corporate bond market.

Large corporations have been able to borrow record amounts of money at rock-bottom rates in order to stay in business, but small-and medium-sized businesses, on the other hand, had to wait for months for the Fed to set up the rescue facility for them. And when the Main Street Lending Program finally went online, it was woefully insufficient.

So, this has, unfortunately, led to the perception that the Fed will do whatever it takes to support large corporations but will only do the bear minimum to support smaller and medium-sized businesses. In previous testimony, you have stressed the logistical hurdles to providing meaningful relief to medium-and small-sized busi-

nesses, logistical hurdles that the Fed hadn't considered before the pandemic.

So, my question is, in the future in order to avoid a situation where large corporations get substantial, immediate relief but then smaller and medium-sized businesses are forced to wait for months for inadequate relief, do you think the Fed should build out a robust infrastructure ahead of time to ensure that it can deliver adequate relief in a timely matter to smaller and medium-sized businesses?

Mr. POWELL. So, I do think that the question of how to apply the lessons that we're learning from Main Street is a really good one, and it's one that we'll be revisiting, I'm sure, over time. I guess I would say, though, that this is the first time in our lifetime and I certainly hope the last time that we faced such a crisis of credit availability for nonfinancial companies that the Fed had to use 13(3) to create facilities to lend to them.

So, it's highly unusual, and, nonetheless, we will learn a lot, and there may be other ways we can improve upon this. So, I would say that. I guess I would also say that, you know, the surveys do show that most small-and medium-sized companies do have access to credit, and that's not to say they all do. And certainly credit terms have tightened.

I think the smaller the company, the tighter the credit terms right now. So—and I would, of course, not fully agree with your characterizations of Main Street. I think we are reaching a growing group of companies. We have ongoing interest in the program, and it's there as a back stop. It can get a lot larger if the need does grow.

Mrs. MALONEY. Do you think Congress needs to act in this area in any way? Do you think Congress should—

Mr. POWELL. I do think, particularly for smaller companies. It's really not practical for the Fed to try to create a facility that would deal with millions or hundreds of thousands of very small loans because a loan is something where you need documentation under the law to avoid insolvent companies and have evidence that the company can repay it.

I think something like the PPP program could continue to do a lot of good in the small-and medium-sized company space because it's going to take longer than we had hoped for some companies to be able to get back online.

Mrs. MALONEY. Thank you. And I also want to ask you about—and I'm sure you recall in March there was a tremendous turmoil in the markets and especially in the Treasury market. This was very scary for our country because the Treasury market is probably the most important market in the world, and at the time the Fed took dramatic action to shore up the Treasury market. It provided unlimited amounts of cash in the form of short-term loans on Treasuries and also directly purchased trillions of dollars in Treasuries through another round of quantitative easing. These actions were successful, and I applaud the Fed for taking them, but now that we've had time to study what went wrong, there seems to be a broad consensus that highly leveraged hedge funds were at the center of the problem, and this was the conclusion of the bank for international settlements. The Office of Financial Research, former

Fed Chairs Yellen and Bernanke, even Governor Quarles has highlighted the central role that leverage hedge funds played in the Treasury market dysfunction.

So, in light of the broad consensus, do you think there needs to be additional reforms to hedge funds to ensure that it doesn't happen again? Do you think Congress should consider leverage limitations on hedge funds, or should we just stick to the current structure and let the Fed rescue the Treasury market whenever there's trouble?

Mr. POWELL. So, actually, I think that there are a number of important causes. The one you mentioned regarding hedge funds is part of it, but it's far from the whole story. There are lots of other factors. More broadly, though, what we're doing is we're going back now as we did after the financial crisis, the global financial crisis 10 years ago, and we're looking at where were the stress points? How did all of the work we did for the last 10 years, how did it hold up? What happened that was new? And we're going to be doing a lot of work on that. We are doing a lot of work on that, and a big—a central part of it will be the Treasury market and what changes do we need to make in and around the Treasury market so that we don't have this happen again.

Mrs. MALONEY. My time is expired.

Chairman CLYBURN. Thank you very much.

All time has expired for questions. We will now yield for closing statement to the ranking member.

Mr. SCALISE. Well, I thank the chairman, Chairman Clyburn, for hosting the hearing.

And, Chairman Powell, again, thank you for the work you're doing during an incredibly difficult time. The Federal Reserve has stepped up like so many other Federal agencies to manage what is an unprecedented time in America's history, a time that we mourn the deaths we've experienced in America. We are managing through finally getting our economy back open, seeing economic growth, helping families get back on their feet, which is an ongoing process, while we also follow the science and get to a cure to get multiple vaccines, hopefully in the stage of approval from the FDA, which could happen in a matter of weeks to see this revolutionary work that's being done with a partnership between the FDA, CDC, working with the best scientists, not just in America but in the world, to get us to vaccines by some of the most respected companies in the world. Most of them headquartered here in America, something we ought to be proud of, something this President has led the effort on.

I know there's a lot of talk about China. There ought to be a lot of talk about China because China lied to us, and not just to America but to the whole world. If China would have been candid with just the United States, let alone the other countries around the world, we all could have seen dramatic reduction in deaths. You know, when you look at the deaths all around the world, obviously, we are concerned about all the deaths. We want to do everything we can to stop deaths here in America, doing the things we can do.

Do you know if just five states who many of us on this committee worked to uncover, we still haven't gotten the answers we want, we still haven't gotten the transparency we want, but five states broke

with President Trump's guidelines, went against the CDC guidance from the scientists, and sent nursing homes patients who were COVID positive in hospitals back to the nursing homes. More than 25,000 seniors died who shouldn't have. If just those five governors would have followed the President's guidelines from his medical experts, we would not even be on this list of the top ten deaths. So, we need to keep working to get those answers. But the fact that we haven't had one hearing on this committee on China, the country not only who started this virus but the country who lied to the rest of the world, to increase the number of deaths that occurred in every country. We need to have that hearing to get those answers, to get the facts out because we know a lot more about this disease today. The Secretary of HHS, Secretary Azar, has talked about, if you walked into a hospital back in March, if you had some of those preexisting conditions that we now know about that put you at a higher propensity of dying from COVID, if you walked into that same hospital today, your chances of walking out of that hospital alive would be dramatically higher because of medicine.

Doctors know a lot more today than they knew just a few months ago. They know how better to treat patients. We all know from the data who's most at risk to save more people, to get that data out there, but we also know, as Dr. Green and others have pointed out, that closing down schools when they can safely reopen is hurting kids. It's going to kill kids.

Deaths are up amongst young people, not from COVID but from non-COVID related things. There are so many studies that are showing the harm that's being done to kids for those school systems that won't safely reopen. The protocols are there for how to safely reopen. The money is there. We passed in the CARES Act \$150 billion to states. Not one single state has spent all that money, and that money can be used to safely reopen schools.

The time for excuses is over. The can-do spirit that's got us on the verge of a vaccine by multiple companies, and now today, literally, as we were holding this hearing, a fourth company's been added to this, Johnson & Johnson, but we're on the brink.

This is a—you're talking about revolutionary moonshot items that are being performed by medicine because of the can-do spirit of America. We know we can do this. We know we can get our economy back up and running to the greatest economy we had maybe in the history of our country before COVID. We can get back there. Every income group was doing well, but, as Chairman Powell pointed out, the lowest income level groups were doing the best prior to COVID because they were becoming part of the middle class again, something we all ought to applaud, something we all ought to achieve, and work to get back to. We can work to get back to that. We are. We have work to do. We ought to pass that bill that's sitting out there floundering before we leave, the bill by Congressman Chabot to take that PPP money, 138 billion sitting idly that can be turned on today to help those small businesses who are dying on the vine, who we don't want to go away. We don't want those jobs to go away. We can get that done. We ought to get that done. That bill ought to be on the suspension calendar. It would pass overwhelmingly if the majority would just bring it up.

So, I appreciate that you've talked about what you're doing, what others are doing to get this economy back going. We've obviously talked about what the President is doing following the science to confront this virus, to get us to the brink of a vaccine that hopefully everyone who wants to take it will feel comfortable taking because the FDA's the gold standard. And it only happens if they approve it. If they approve it, we all ought to celebrate that achievement because it would be historic for the world that quickly to get a vaccine approved.

So, with that, Mr. Chairman, I know we're going to have other hearings, and hopefully we'll bring up some of these other issues as we move forward, but I appreciate you holding this one. And, again, Mr. Powell, thank you for the work you're doing.

I yield back.

Chairman CLYBURN. I thank the ranking member for his closing statement and for yielding back.

In closing, let me thank you, again, Mr. Chairman, for your testimony here today. As I shared with you in a previous conversation, you are among the public servants for whom I have a great deal of admiration and respect, and I appreciate your being here today to help us try to determine how best to get beyond this pandemic, how to improve our economy, and help the millions of Americans struggling to find jobs, pay rent, mortgages, and put food on the table.

As you know, Mr. Chairman, this select subcommittee is modeled on the Truman committee during World War II. As many of my colleagues know, Harry Truman is one of my political heroes. I became acquainted with him as an elementary school student back when he ran for President. I just admired, a gentleman from Louisville, Missouri, being limited in education but had a great deal of what it took to make this country what it is today. I'm one of those few Democrats who's not referred to—I don't call myself a New Dealer; I'm a fair dealer.

Harry Truman's fair deal is what started me into politics, and Truman said this about that committee that this subcommittee is modeled after. Harry Truman said that he sought to prevent policies that, and I'm quoting him here, that make the big men bigger and let the little men go out of business or starve to death. That is what Harry Truman said back in 1941 when we were trying to recover from World War II. And this committee was modeled after that, and according to our research, that committee, Harry Truman's committee, cost the government about a million dollars, but according to our research, it returned over \$16 billion to the Federal coffers. But beyond that, the research has said that his work saved the lives of millions of children, untold numbers of children whose lives were saved by that committee.

And I would say to my friend, the ranking member, he talked about those four companies that are on the verge, hopefully on the verge of coming up with a safe—I want to emphasize safe—vaccine. The fact of the matter is that those companies are really the recipients of a significant Federal investment. And I hope that they will get us to saving lives.

However, I caution, according to my readings, neither one of these four companies included children among the testing that they're doing. No children.

So, we know that this virus affects children and adults differently, yet all of the protocol has been on adults. We have no idea what it would do to children, and we have no idea what will happen when children are brought back into the classrooms and what it will do to teachers if we believe that children may be asymptomatic in many instances.

So, let me remind my friend, the ranking member, that the Centers for Disease Control and Prevention has made clear that in-person learning presents the highest risk for spreading the virus compared to remote or hybrid school. Now I don't know what's going on in Louisiana, but I do know that school closings in my home state where the legislature is Republican controlled—the governor is a Republican, so this is not about Democrats versus Republican. No Democrat closed any school in South Carolina. The schools are closed. He and I banter a lot about Clemson and LSU. I don't know what you're all doing down at LSU, but Clemson is closed.

Mr. SCALISE. Would the gentleman yield?

Chairman CLYBURN. I'll be glad to yield.

Mr. SCALISE. And this is just a good, candid conversation. I know we had a hearing—the Vice President came down to LSU's campus. We 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. There are a lot of HBCU colleges, but Southern, I think, is the only full system, and both of them have opened for in school. They offer hybrid, and I know a lot of systems, each school system is different.

We have a Democratic governor. We actually work very well together. I think he's done a good job of allowing school systems to open and give them the tools they need. Most have, not all. I think New Orleans starts this week in school, so some have delayed opening. And they've had good success. Obviously, they put protocols in place for, if one student tests positive, how to handle that in that classroom, but overall it's been going on for probably over a month now. I know our kids go to school in the city of New Orleans, and they've been in school for a few weeks now, and it's working very well. But each school system is obviously handled differently, but the tools are there, and I know we've put a lot of that, the work you and I did, all of us did in this committee and our full House colleagues, the cooperation we did in the CARES Act has been part of that.

So, I appreciate that, and we're going to continue to follow that progress. Maybe we can have a hearing on the Operation Warp Speed status of these four drugs and what else we can do to spur that kind of progress.

I'll yield back.

Chairman CLYBURN. And I thank the gentleman. You made my point very well. You're doing it. You opened in Louisiana to a fuller extent than South Carolina. Louisiana has a Democratic governor. South Carolina has a Republican governor. So, this isn't about Democrats versus Republicans. It is about who has the science working for them. We had this administration to ask us to reopen

schools. A lot of schools reopened, but according to my information, 21,000, 21,000 children and teachers contracted the virus: 21,000. And a lot of these schools have been forced to close. The University of North Carolina stayed open for a week and closed, sent the kids home. They made it very clear that some of them who did not—this wasn't the University of North Carolina, another school. All the students lost their tuition, couldn't get it back.

So, we have a responsibility here to really do what is necessary for the country. So, I would hope that, as we go forward with these hearings—and I think on the 2nd, we'll have a hearing, Mr. Azar will be here. You invoked his name today, and I would hope you will ask questions of Mr. Azar as to why the President was so laudatory of China. That may have been the chilling effect for many of us in dealing with that issue.

Mr. SCALISE. And would the gentleman yield on that?

Chairman CLYBURN. I'll be glad to yield.

Mr. SCALISE. Clearly, we learned a lot more about China. We were trying to find out information about China in those early weeks. Clearly, once we found out, you've seen this President very aggressive against the Chinese Communist Party; in fact, talking about why we need to bring manufacturing back from China. The masks, the PPE that we couldn't get because—even a company like 3M, an American company, they were making PPE in China, and the Chinese Communist Party banned them from exporting that back into the United States. So, it showed that we need to bring that manufacturing back to America. I think we would probably agree on that. That's something the President, our President Trump, has been very aggressive about against the Chinese Communist Party because we've learned this. Again, they were lying to the world. It wasn't just America they were lying to. So, if somebody's telling you one thing and, at one point, you're trying to get information, but for the time being, they're telling you something. If you find out later it's a lie, clearly, your attitude toward them will be very different, which we are seeing.

I yield back.

Chairman CLYBURN. I thank the gentleman. I would hope that we would hear the President apologizing to the American people for having misled us as to what China was doing. He is the one that said China was doing a great job. We listened to him. And I believe that maybe it's time for him to be public in apologizing to the American people for having misled us.

So, I want to say, Mr. Chairman, at the end of my statement here, that the Truman statement I mentioned earlier, it really grabs me. I've studied Truman all of my life, and I think there's so much that's kind of interesting. At the end of his Presidency, he was a pretty unpopular fellow. But the more historians look back on him, the more they elevate him in the history books. And I believe it won't be long before he'll be in the top three or four when people get a chance to compare how his committee dealt with this crisis, calling on the research from World War I. And if you recall, World War I ended in, what, 1917. The Spanish Flu hit in 1918. It too was a double whammy on our economy like we have today.

So, I'm a little bit worried about whether or not we are heeding to the history here, whether we aren't repeating this big man

versus little man thing here, when we have such a high level, 250,000, may have been good to get down to. I think we ought to look at what not to go down to 100,000 or maybe even 50,000 and have—it says to me—for us to be in this thing for as long as we've been in it and \$1.1 trillion sitting there—99.7 percent of it has not been used—it says to me that we just don't want to make the kind of policies that are necessary for little businesses—flower shops, little restaurants need to be reopened, and they need to receive this money. I can name you—take you to restaurants where, if they had \$100,000 of that money, they could reopen safely. They could create the outdoors that's necessary for them to carry on their businesses. With \$100,000, I can assure you restaurants that would have outdoor patios, that they could keep open and go back into business, but they can't do it without that kind of assistance.

So, I want to thank you, Mr. Chairman. I do mean it when I say that you are among those that I admire and respect, and I hope that we can work together going forward to get this economy moving. We cannot do it unless we protect our children, unless we protect the health of our teachers, unless we do better by small businesses.

Without objection, all members will have five legislative days within which to submit additional written questions for the witness to the chair which will be forwarded to the witness for their—his response.

I ask our witness to please respond as promptly as you are able to.

With that, this meeting is adjourned.

[Whereupon, at 12:16 p.m., the subcommittee was adjourned.]

