# LESSONS LEARNED: THE FEDERAL RESERVE'S RESPONSE TO THE CORONAVIRUS PANDEMIC

## HEARING

BEFORE THE

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

OF THE

COMMITTEE ON OVERSIGHT AND REFORM

HOUSE OF REPRESENTATIVES

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**Tuesday, June 22, 2021**

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

The subcommittee met, pursuant to notice, at 2:07 p.m., in room 2154, Rayburn House Office Building, Hon. James E. Clyburn (chairman of the subcommittee) presiding.

Present: Representatives Clyburn, Waters, Maloney, Foster, Raskin, Krishnamoorthi, Scalise, Jordan, Green, Malliotakis, and Miller-Meeks.

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

Without objection, the chair is authorized to declare a recess of the committee at any time.

I now recognize myself for an opening statement.

I am pleased to welcome Federal Reserve Chair Jerome Powell.

Thank you for being here today, Chair Powell.

Today's hearing will examine the Fed's response to the economic crisis caused by the coronavirus pandemic, the current state of the recovery, and what steps we must take to ensure a strong, sustainable, and equitable economic future.

The pandemic resulted in the loss of over 22 million jobs. In March 2020, Congress passed the CARES Act, which allocated up to $500 billion for emergency lending by the Fed, including for loans to small and medium-size businesses, as well as states and municipalities. The lending programs established by the Fed for these recipients helped prevent some economic damages but were limited in their effectiveness.

The Fed's Municipal Liquidity Facility sought to provide much-needed emergency lending to state and local governments, but the program's restrictions limited its impact at a time when many states and localities were in dire need. During the crisis, state and local governments shed 1.5 million jobs, and there is little evidence that the Municipal Liquidity Facility saved jobs or led to their return.

The Fed's Main Street Lending Program similarly imposed restrictions that made its loans unattractive to struggling businesses and partner banks. Today's hearing will help us learn from the shortcomings of these programs and the Fed's efforts to improve its future crisis response capabilities.

The Fed has admirably highlighted the toll of economic crisis on the American people, and its unequal impact on Black, brown, and low-income workers. The Fed's report last month on the economic well-being of United States households in 2020 shows that Black and brown Americans suffered disproportionate economic pain last year. I look forward to hearing from Chair Powell today on how we can continue to make the recovery more equitable.

Congress and the Biden-Harris administration have accelerated the recovery. As Chair Powell predicted in late March, the dramatic ramp-up in the vaccination campaign, which occurred as a result of the Biden administration's leadership, with support from Congress in the American Rescue Plan, has enabled—and I quote him here—"us to reopen the economy sooner than might have been expected."

The American Rescue Plan also delivered desperately needed financial assistance which has been and will continue to be a lifeline for American families. The American Rescue Plan provided direct relief checks, extended unemployment, and increased healthcare access.

And we have seen the results of that extraordinary action. Over the last four months, the economy has added over 1.6 million jobs, and new unemployment insurance claims have dropped significantly. As Chair Powell predicted in March, Congress's aggressive action to provide fiscal relief through the American Rescue Plan is "accelerating the return to full employment."

But there is more work to do. There are still 7.6 million fewer jobs than before the pandemic, with Black and brown Americans still unemployed at disproportionately high rates.

As Chair Powell said earlier this year, to raise Americans' standard of living over the long term, Congress must make investments to increase the productivity of the economy. I agree, and Congress is working to do just that. The American Jobs Plan and the American Families Plan will make the investments we need to ensure a strong, sustainable, and equitable economic recovery.

The American Jobs Plan will sustainably modernize our transportation infrastructure, bring affordable household access to millions of Americans, build schools and housing, upgrade water and power systems, and create well-paying jobs for essential home-care workers.

The American Families Plan will invest in preschool and higher education, allow parents to return to the work force by providing childcare assistance, and support families by extending the American Rescue Plan's expanded child tax credit.

Congress is working hard crafting legislation to enact the American Jobs Plan and the American Families Plan so that we will build back better in our recovery from the pandemic. I look forward to hearing from Chair Powell about what else we can do to ensure that our country's economic policy is effective, efficient, and equitable.

Thank you for being here, Chair Powell.

I now yield to the ranking member for his opening statement.

Mr. SCALISE. I thank you, Mr. Chairman. And I also welcome Federal Reserve Chairman Powell.

Thank you for being with us, and I look forward to having an interesting conversation about the state of our economy.

But I first want to begin by making sure to reiterate a point that we've been making for over a year, and that is that House Democrats still refuse to hold a hearing on the origin of COVID–19.

If this virus did, in fact, leak from the Wuhan lab—by the way, which a growing mountain of evidence now indicates is the real possibility—everyone in this country and around the world who has been touched by this evil virus deserves to know what happened and how it happened. Given the Chinese Communist Party's documented cover-up and lies, every member of this subcommittee should agree.

If this is a manmade virus, then this is exponentially worse than Chernobyl. Yet not a single hearing by the House Democrat majority. Two-hundred-and-nine House Republicans wrote Speaker Pelosi asking that the committees of jurisdiction simply hold hearings. I have asked repeatedly that this select subcommittee hold a hearing on this important topic.

We were told that the Science Committee is looking into it. Mr. Chairman, every single Republican member of the Science Committee signed this letter to Speaker Pelosi. The Science Committee hasn't even scheduled a hearing on this subject. Not a single committee——

Mr. RASKIN. Would the gentleman——

Mr. SCALISE [continuing]. has, indicating clearly that Speaker Pelosi has sent word that the House will not investigate the origins of COVID–19.

We are amid a long, global competition with China. Much of the world must decide whose values to espouse and with whom to align. Speaker Pelosi and the House of Representatives should not be covering up for China's lies and potential crimes. We should be coming together on a bipartisan basis to search for those answers and shine the light of transparency on the origin of this virus to the world and to do it on a bipartisan basis.

I urge you to reconsider and schedule a hearing on the origins of COVID–19, without further delay, Mr. Chairman.

Now let's get back to the focus of today's hearing, the economic crisis.

Chairman Powell, welcome back to this subcommittee. We appreciate your openness and accessibility during these challenging times.

Inflation has been defined as "too much money chasing too few goods." It also happens to be a nearly exact description of the Biden economic plan.

Last year, Congress worked together on a bipartisan basis to provide much-needed relief from the government-imposed lockdowns. America did not know a whole lot about this novel coronavirus, and we did not, at the time, have a vaccine.

Some in Congress used this crisis to spend trillions of dollars on things that had little or nothing to do with COVID. We still have hundreds of billions of dollars from the many relief packages that are still left unspent.

We also learned that the revenue shortfalls some predicted state and local governments would face were dramatically inaccurate.

Congress provided hundreds of billions in aid to states that are running billions of dollars in surpluses. This is borrowed money, keep in mind.

Republicans have a clear set of policies for the economy. Since we passed the initial CARES Act last year on a bipartisan basis, Republicans at the national and state level have called for schools to be reopened, to get in-person learning going again. We called for an end to enhanced unemployment and other policies that discourage people from going back to work.

We called for full, from the beginning, support for Operation Warp Speed, because that is what got us not one, not two, but now three safe and effective vaccines. We've also called for safely reopening our economy and for repurposing the unused COVID funds for real infrastructure, not with job-killing taxes that would actually slow our economy down even more.

We're focused on growing our economy and increasing supply—supply of workers, expanded investment—and for bringing back jobs to America, strengthening supply chains and returning the American people to a country that is open and free.

Twenty-five Republican Governors have moved to end the enhanced unemployment insurance program that is clearly causing so many of these labor shortages we see around the Nation.

The Biden inflation agenda of too much money chasing too few goods is causing major harm to hardworking families: a $1.9 trillion COVID bill that had almost nothing to do with COVID, but airdropped more borrowed money into the economy while restricting supply; canceling the Keystone Pipeline; siding with teachers' union bosses to keep schools closed, when the science said to open up the schools, causing long-term damage to millions of our youngest children; extending the enhanced unemployment insurance, and paying people more to stay home than to work.

And, alarmingly, President Biden actually wants to give away our intellectual property for the vaccine to China. On top of that, he's proposed a $3.5 trillion tax hike that will crush American workers, small businesses, and family farms. He wants a higher tax rate than Communist China. Add to that, he wants another $4 trillion of spending.

Too much money chasing too few goods. Welcome to the Biden inflation agenda.

The Washington Post's lead story yesterday said, quote, "The U.S. economy is emerging from the coronavirus pandemic markedly transformed, as businesses and consumers struggle to adapt to a new landscape with higher prices, fewer workers, and a range of inconveniences."

They go on to say, "What Americans are encountering, though, is almost unrecognizable from just 16 months ago. Prices are up. Housing is scarce. It takes months longer than normal to get furniture, appliances, and numerous parts delivered. And there is a great dislocation between millions of unemployed workers and millions of vacant jobs."

*The Washington Post* is hardly a conservative news outlet.

Larry Summers, top economic advisor to both President Clinton and President Obama, has been warning since February that President Biden's agenda is inflationary. The Consumer Price Index is up the most since 2008. The 6.2-percent increase in the Producer Price Index is the highest on record. Milk is up five percent; bacon is up 13 percent; used cars are up 30 percent; transportation, up 16 percent. The list goes on, unfortunately.

Housing prices are soaring, and economists are warning of a rental crisis. The cost of building new homes has made it prohibitive for home builders, restricting supply while flooding the economy with cash.

Inflation is outpacing wage gains, the past few months. In the first five months of the Biden Presidency, 500,000 fewer jobs were created than in the last five months of the Trump administration, and the Biden administration started with approved vaccines already in place on day one.

Chairman Powell, these Biden inflationary policies have put you in a tough spot. I have confidence, Chairman Powell, that the Fed has tools to deal with inflation, but those tools are harsh. Raising interest rates and constricting the money supply, they work, but, as we saw with Paul Volcker, it causes tremendous pain.

The job of taming inflation belongs to Congress and this administration. Take the $4 trillion in new spending proposals off the table. Send a message to the markets that we will do a bipartisan infrastructure bill that is paid for with unused COVID relief money. There's plenty of it. Let's agree to end the enhanced UI, drop the massive tax hikes.

President Biden proposed shipping jobs overseas with many of his agenda items. Why don't we reverse that? Why don't we come together on a bipartisan basis to focus on getting a long and sustained recovery from this pandemic? That would be a good start.

Mr. Chairman, with that, I yield back.

Mr. CLYBURN. Thank you very much, Mr. Scalise.

Chair Powell, please rise and 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?

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. Chair Powell, you're now 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, thank you, Ranking Member Scalise and other members of the select subcommittee, for the opportunity to update you on our ongoing measures to address the hardship brought by the pandemic.

Since we last met, the economy has shown sustained improvement. Widespread vaccinations have joined unprecedented monetary and fiscal policy actions in providing strong support for the recovery. Indicators of economic activity and employment have continued to strengthen. And real GDP this year appears to be on track to post its fastest rate of increase in decades.

Much of this rapid growth reflects the continued bounce-back in activity from depressed levels. The sectors most adversely affected by the pandemic remain weak, but have shown improvement. Household spending is rising at a rapid pace, boosted by the ongoing reopening of the economy, fiscal support, and accommodative financial conditions. The housing sector is strong, and business investing—investment is increasing at a solid pace. In some industries, near-term supply constraints are restraining activity.

As with overall economic activity, conditions in the labor market have continued to improve, although the pace has been uneven. The unemployment rate remained elevated in May, at 5.8 percent, and this figure understates the shortfall in unemployment, particularly as participation in the labor market has not moved up from the low rates that have prevailed for most of the last year. Job gains should pick up in coming months as vaccinations rise, easing some of the pandemic-related factors currently weighing them down.

The economic downturn has not fallen equally on all Americans, and those least able to shoulder the burden have been the hardest hit. In particular, despite progress, joblessness continues to fall disproportionately on lower-wage workers in the service sector, and on African Americans and Hispanics.

The Fed pursues monetary policy aimed at fostering a strong, stable economy that can improve economic outcomes for all Americans. Those who historically have been left behind stand the best chance of prospering in a strong economy with plentiful job opportunities. And our economy will be stronger and perform better when everyone can contribute to and share in the benefits of prosperity.

Inflation has increased notably in recent months. This reflects, in part, the very low readings from early in the pandemic falling out of the calculation, the pass-through of price increases in oil prices to consumer energy prices, the rebound in spending as the economy continues to reopen, and the exacerbating factor of supply bottlenecks, which have limited how quickly production in some sectors can respond in the near term. As these transitory supply effects abate, inflation is expected to drop back toward our longer-run goal.

The pandemic continues to pose risks to the economic outlook. Progress on vaccinations has limited the spread of COVID–19, and will likely continue to reduce the effects of the public health crisis on the economy. However, the pace of vaccinations has slowed, and new strains of the virus remain a risk. Continued progress on vaccinations will support a return to more normal economic conditions.

The Fed's policy actions are guided by our dual mandate to promote maximum employment and stable prices for the American people, along with our responsibilities to promote the stability of the financial system.

In response to the crisis, we took broad and forceful measures to more directly support the flow of credit in the economy and to promote the stability of the financial system at the onset of the pandemic. Our actions, taken together, helped to unlock more than $2 trillion of funding to support businesses large and small, nonprofits, and state and local governments between April and December 2020. This, in turn, helped keep organizations from shuttering and put employers in a better position to keep workers on and to hire them back as the recovery continues.

Our facilities were designed as backstops to private credit markets, not as replacements. Once lenders and investors understood that borrowers would have access to emergency loans, conditions improved.

For example, yields in spreads on municipal bonds started to fall dramatically following the announcement that some municipal notes would be eligible at our money fund facility, and that we were opening the Municipal Liquidity Facility. This is detailed in the charts accompanying my testimony.

Over the succeeding months, issuance of municipal debt surged. Over the period from April to December 2020, state and local governments and other muni issuers borrowed almost $380 billion in the private markets at extremely attractive rates, and 2020 as a whole saw the highest volume of municipal issuance on record.

We've deployed these lending tools to an unprecedented extent. And our emergency lending tools require the approval of the Treasury and are available only in unusual and exigent circumstances, such as those brought on by the crisis. Many of these programs were supported by funding from the CARES Act. Those facilities provided essential support through a very difficult year, and they are now closed.

We continue to analyze the facilities' efficacy and to review the lessons learned from their establishment and operation. And additional analysis is included in my written testimony.

To wrap up, we understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission. We at the Fed will do everything we can to support the economy for as long as it takes to complete the recovery.

Thank you.

Mr. CLYBURN. Thank you very much, Chair Powell.

Each member will now have five minutes for questions. The chair now recognizes himself for five minutes.

Chair Powell, as you have suggested in the past, our delivery of direct assistance to the American people—and I'm quoting you here—"is going to wind up very much accelerating the return to full employment."

You have also observed—and I'm quoting you again—"the economic downturn has not fallen equally on all Americans." We have observed that in our own communities. And I know the Fed has extensive data that are backing it up and is looking closely at steps that can be taken to address economic disparities.

Now, my question is, why do you believe that economic equity is important for the strength of our economy as a whole, and necessary to successfully fulfill the Fed's core mandate of price stability and maximum employment?

Mr. POWELL. Thank you, Mr. Chairman.

So disparities in economic outcomes along various lines have been a persistent and growing feature of our economy for several decades. We can contribute to addressing those through our tools.

It does, of course, take a much broader set of policies from the legislature to really make significant progress on this.

So, what we can do, really, is to focus principally on the employment mandate and to assure that we achieve maximum employment, which we now define as a broad and inclusive goal, meaning we will not just look at the headline numbers for unemployment, we will look at all kinds of measures of unemployment, including unemployment and employment for various groups, ethnic groups, gender groups, and things like that. We'll look at—it is a broad and inclusive goal.

We will also, under our new framework, respond to shortfalls only in full employment. We will not raise interest rates preemptively because we think employment is too high because we fear the possible onset of inflation. Instead, we will wait for actual evidence of actual inflation or other imbalances.

So those are the—that is the most important thing that we can do.

I mean, I think the point is that there's a growing realization, really, across the political spectrum that we need to achieve more inclusive prosperity. Real incomes at the lower end of the spectrum have stagnated relative to those at the top. Mobility across income spectrums has declined in the United States and now lags that of most other advanced economies.

These things hold us back as an economy and as a country. And I do think these are important issues that relate to the overall performance of the economy and, therefore, are in scope for us to analyze and call out.

Mr. CLYBURN. Well, thank you for that.

You know, one of the primary goals of the select subcommittee is to ensure that our response to the pandemic is effective, efficient, and equitable. Now, I appreciate that the Fed, under your leadership, recognizes the importance of all three of these attributes for future economic strength.

I'm not a social scientist, by any means, but I am well aware that in past recoveries—and we don't have to go all the way back to the 1930's to see this phenomenon; we saw it taking place in 2009. And that recovery was slow because, I feel, we did too little when we should've been going bigger and bolder, which we've done here.

And I appreciate the fact that you are recognizing that and helping to build America back under this Rescue Plan, this Families Plan, all these things that are necessary to make sure that all elements in our society build—or, come back, not just to where we were but hopefully beyond. And I thank you for the way you have handled this, and I look forward to continuing to work with you on that.

And, with that, I'll yield to the ranking member.

Mr. SCALISE. Thank you, Mr. Chairman.

Mr. Powell, Chairman Powell, if we can go back to the pre-pandemic and look at, first, where the economy was, how it was performing, were we experiencing a record economic expansion prior to the pandemic?

Mr. POWELL. The longest in our history.

Mr. SCALISE. And so, we saw the lowest overall unemployment. Is that correct?

Mr. POWELL. That is. Well, since—in 50 years, really. Yes.

Mr. SCALISE. Since the 1960's, let's say.

Mr. POWELL. That's right.

Mr. SCALISE. How about how it was affecting everybody? I know we've got some that try to say it didn't impact all groups. We've seen other numbers—I've surely seen other numbers that show that everybody benefited but especially those lowest-level entry levels. We saw record startups, African-American unemployment, Hispanic unemployment at all-time records. Is that what you saw as well?

Mr. POWELL. Yes. And, really, that started to happen in the last two or three years of the very long expansion, which shows you the benefit of a very strong labor market. We saw all-time record-low unemployment since 1972 or so when we started tracking it for African Americans and very low for Hispanics as well.

Mr. SCALISE. Right. And, obviously, the Tax Cuts and Jobs Act passed, that is when we started seeing that happen. In fact, right before the bill was signed into law, we saw major companies—AT&T started and then every day there would be more announcements of companies announcing bonuses and increased wages for their employees because of a more competitive tax rate globally.

Did you see that same thing?

Mr. POWELL. You know, we don't comment on particular—the effects of particular bills, as you can imagine, of any kind.

Mr. SCALISE. I'll give you that. And, obviously, there's enough documentation of those reports as people would announce that they were doing it strictly because America had become competitive again. We had the highest corporate rate in the world. We made ourselves not only competitive, we had a 21-percent rate when the world average was 23 percent, and then we saw all of those great benefits.

We also saw record-high markets, didn't we?

Mr. POWELL. We did, yes, I guess.

Mr. SCALISE. So, when we saw the government-ordered lockdowns, whether it's businesses, schools, didn't that ultimately hurt this record-setting economy?

Mr. POWELL. You know, I don't know that I can say that. I mean, I think the—of course, the economy was very hard hit by the pandemic, and it's assigned to others to decide how we should've reacted. It's really not something that the Fed has expertise in or the ability to judge.

Mr. SCALISE. Yes. Would you say that the lockdowns were caused by a reaction to COVID–19 becoming a global pandemic?

Mr. POWELL. Yes.

Mr. SCALISE. And did COVID–19 come from China?

Mr. POWELL. I really—I don't know.

Mr. SCALISE. Well, hopefully this committee will have that hearing on the origin of COVID; we won't have to wonder about it. Obviously, there's a lot of data out there that indicates not only did it start in China, but that it also started in the Wuhan lab. Whether it was intentional or accidental, that is a question no one should have doubt about when we could be having those hearings. So, we'll continue to call for that.

But you could see that straight line between the pandemic hitting, from this virus that came from China, and then the shutdown that had a devastating impact not only on lives—over 600,000 in America, millions worldwide—but also on this economic crisis that we're dealing with.

Now I want to turn to the inflation crisis that we're seeing. As you can see right behind me, we've seen a dramatic increase in the cost of many household items, everyday items that families buy—milk up five percent, bacon up 13 percent, gas up 56 percent, used cars up 30 percent—as we're seeing a shortage of products, harder for people to get products, supply chain backups, harder to get workers. We're seeing, as the result of that, about a five-percent inflation rate recently.

So, I would ask you, Chairman Powell, is five-percent inflation acceptable to you?

Mr. POWELL. No. Certainly not.

Mr. SCALISE. So, clearly, we want to address this crisis.

Now, when you look with the unemployment crisis, there's 9.3 million job openings right now, which is a record high, yet the economy only added back 500,000 jobs in May.

We've seen the enhanced unemployment being a big factor. In paying people—40 percent of the people that are getting these checks are getting more money not to work than work. That was a policy decision made here in Washington, a very flawed one. You're seeing many states try to address it.

But, ultimately, as we have this labor shortage, as it's creating supply chain backups, as it's starting to get worse, especially on the inflation side, Chairman Powell, will the economy ever reach a full pre-pandemic level if this labor shortage continues?

Mr. POWELL. Well, if it continues. I strongly suspect that labor supply and job creation will be moving up well over the rest of this year.

Mr. SCALISE. And I think that will follow, as you see, many Governors, half the Governors in the country now have decided to end, on their own, that enhanced unemployment, and that is getting people back to work in those states. Unfortunately, some states want to continue paying people not to work, and that's causing inflation in other areas.

Hopefully we can confront this, address it. I wish you well as you look at the tools you have available to you, but hopefully we, as policymakers, get this right as well.

With that, Mr. Chairman, I yield back.

Mr. CLYBURN. I thank the gentleman for yielding back. I'm sure he's going to join me later in making sure we increase the minimum wage so we can do something about the——

Mr. SCALISE. There is no minimum wage right now, Mr. Chairman. They're giving bonuses to people to go back to work.

Mr. CLYBURN. Yes, but I don't think the minimum-wage people got bonuses. Or did they?

Mr. SCALISE. I've seen wages in almost every state go up well above minimum wage.

Mr. CLYBURN. Almost every state. Missed South Carolina. I'm sure they caught Louisiana.

Mr. SCALISE. I know my restaurants in the New Orleans area cannot find workers, and they're looking and paying more than they were pre-pandemic. And New Orleans has got the best food in the world. I'm sure South Carolina's not far behind, but——

Mr. CLYBURN. Oh, no, no, no.

Mr. SCALISE. They would like to get those workers back too.

Mr. CLYBURN. Yes, Gullah Geechee's a little better.

With that, I'd yield five minutes to Ms. Maloney.

Mrs. MALONEY. Thank you, Mr. Chairman.

Thank you. It's good to see you again, Chairman Powell.

I want to start by asking about the Fed's monetary policy, and inflation in particular. I am very concerned that the Fed is going to raise rates too early, which would seriously harm the economic recovery.

As you stated last week, much of the recent rise in inflation had actually been expected. I strongly believe that the recent spike in inflation will only be temporary, and that shouldn't cause the Fed to raise interest rates too soon.

In the early months of the pandemic, prices fell incredibly low, so now, a year later, the year-over-year rise in prices looks very high. But that was only because prices fell to artificially low levels last year at this time. This is something that everyone saw coming for many months, so it shouldn't come as a surprise at all.

How much of the recent rise in inflation do you attribute to artificially low prices from early in the pandemic, and how much do you attribute to other effects like supply bottlenecks pushing up prices and a genuine rebound in economic activity?

Mr. POWELL. Well, a pretty substantial part or perhaps all of the overshoot in inflation comes from categories that are directly affected by the reopening of the economy, such as used cars and—used cars and trucks in particular. There's sort of a perfect storm of very strong demand and weak supply due to the reopening of the economy and various factors. We see airplane tickets, we saw hotel prices, we see other things.

So those are things that we would look to to stop going up and ultimately to start to decline as these situations resolve themselves. They don't speak to a broadly tight economy and to the kind of thing that has led to high inflation over time.

I will say that these effects have been larger than we expected, and they may turn out to be more persistent than we've expected. But the incoming data are very much consistent with the view that these are factors that will wane over time and that inflation will then move down toward our goals.

And we'll be monitoring that carefully. Of course, we're prepared to use our tools as appropriate, if that turns out not to be the case to, you know, to guide inflation to two percent.

Mrs. MALONEY. Thank you.

Let me followup on that, because we know that inflation statistics are fundamentally flawed right now due to the pandemic. We typically measure inflation using a basket of goods and services that represents what people usually purchase, but the pandemic completely scrambled what everyone was spending money on. People weren't traveling or going out to restaurants, so spending on those items stopped entirely, while spending on groceries surged dramatically.

As a result, a lot of economists question whether we should be relying so heavily on inflation statistics that we know don't represent what people are actually spending money on.

So, my question is, do you have any concerns with relying on traditional inflation statistics, which we know are unreliable right now in setting monetary policy?

Mr. POWELL. I think the overall point is that the data that we're looking at in the labor market and for inflation and for growth, it's in such an unusual setting of reopening the economy, we have to be very humble about our ability to really try to draw a signal out of it. And it may take some patience to see what really is happening.

Specifically on inflation, you're really talking about consumer price inflation, the CPI. We actually use, at the Fed, PCE—Personal Consumption Expenditure—inflation. And the basket is actually updated on a monthly basis for PCE. And that's one of its more attractive features, from our standpoint.

Still, at a time like this, when people are changing their, you know, consumption patterns in ways that are outside of experience, I would say there's also a challenge there, even though we are—our measure is, in fact, updating monthly in terms of its basket.

Mrs. MALONEY. Switching gears a little, I want to ask about the Main Street Lending Program.

It seems clear that both the Main Street Program and the Municipal Program generally improved credit access. Fed officials have acknowledged that the Main Street Program would likely have been more productive with different bank incentives and more generous terms.

And, as you know, the eligibility threshold for the Municipal Program excluded many cities and counties that were deeply affected by the pandemic.

What do you believe are the most important adjustments the Fed could make to the Main Street Lending Program to make it more effective in future crises?

Mr. POWELL. Well, I would say the Main Street Lending Program overall was effective. It made a couple thousand dollars—a couple thousand loans, and it helped a lot of businesses.

So, if I could take away a lesson there, it is that it's very difficult to reach small businesses across America. And I would look to the PPP program and things like that. A lot of these very small businesses didn't need unforgivable loans. These were statutorily unforgivable; they could not be forgiven.

Mrs. MALONEY. Uh-huh.

Mr. POWELL. And so, I would look in that direction going forward.

In terms of Municipal Liquidity Facility, I think that the overall assessment of that is that it was a resounding success. And the test of it is not how many loans we made; the test of it is how much lending took place.

The municipal markets were collapsing. There was no lending going on. The people who put their money in those funds that wind up making all the loans were taking their money out. We announced the facility, and all of that turned around. And by through much of last year, municipalities, states, had great access to market, including ones with relatively low ratings. Record amounts of borrowing took place at low, low rates.

So, it really worked. I mean, it really stands for the proposition that a backstop is better than a direct loan, in a lot of cases. So, we would look at it that way, and I think that's the way it's generally seen.

Mrs. MALONEY. My time has expired. Thank you. I yield back.

Mr. CLYBURN. I thank the gentlelady for yielding back.

The chair now recognizes Dr. Miller-Meeks.

Mrs. MILLER-MEEKS. Thank you, Mr. Chair.

And, Mr. Powell, thank you so much for coming up for us today and for your testimony.

There has been—I think, first and foremost, that the improving economic position we see today, do you think that it would be in existence without Operation Warp Speed and three safe and effective vaccinations?

Mr. POWELL. I think that the vaccines and the widespread adoption of them are absolutely essential to the recovery.

Mrs. MILLER-MEEKS. Thank you.

And, currently, about 40 percent of workers on enhanced unemployment are paid more than they did while they were working. Coincidentally, there is a labor shortage.

In my home state of Iowa, as of May 2021, 87,000 workers dropped out of the labor force since February 2020, a five-percent decrease in the size of Iowa's work force. Notwithstanding, employers in my state cannot find workers. And these are jobs that are greater than $15 an hour. Even some employers cannot find people to work at salaries of between $80,000 and $130,000.

As Governor Brainard pointed out earlier this year, true unemployment is far higher than the headline rate, and the labor force participation rate is nearly six percentage points below where it was at the beginning of the 2lst century.

Shouldn't we be doing everything we can to incentivize work for our own citizens? And shouldn't we be looking at bringing in additional unskilled workers into this country at a time when we have a labor shortage of skilled workers?

Mr. POWELL. So, I'll try to answer.

So, I think a number of things, we think, are weighing on labor supply right now, and those are things that should be expected to abate and wane and go away over the course of coming months. So, we should be seeing our way to strong job creation, we think, as the year goes on.

And there I'm thinking of: A significant number of people still report themselves as not wanting to work because of being afraid of being infected or being afraid of carrying the infection to somebody they may live with who's vulnerable. Also, schools not being open, that's weighing on participation by caretakers.

And, also, unemployment insurance may be interacting with some of those other factors and causing people to go on with their job search longer.

There's another thing, though. The very quick job gains of the early recovery essentially involved going back to your old job.

That's not so much what's happening now. Now it's actually finding new jobs. And that's a matching function that is more labor-intensive and time-consuming, and there may be a bit of a speed limit on that.

We expect, though, as I said, a lot of progress to go forward.

On immigration, it's something we—really isn't in our bailiwick, and so I try to stay at a high level on a question like that.

Mrs. MILLER-MEEKS. President Biden promised not to raise taxes on anyone making under $400,000 a year. But inflation, as already been noted, has increased dramatically. And I realize you use the PCE rather than the CPI, but it's over five percent. And it's the most insidious and regressive tax, affecting low-income, minority families, hardworking taxpayers, and seniors on a fixed income.

You stated recently that want current inflation surge is likely to be transitory. Does "likely" mean greater than a 95-percent chance? A 50-percent chance? Or do you have any level of confidence in that prediction?

Mr. POWELL. I have a level of confidence in that prediction. What I have been saying, though, is that we—it's very hard to say what the timing of that will be. When will these bottlenecks disappear? When will there be enough microchips? We saw what happened in the lumber business. Prices have come way down, but they're still pretty high. When will the used-car markets get back into equilibrium?

And so, it's hard to say exactly when it will be and exactly how large the effects will be. But, honestly, if you look at the—if you look behind the headline and look at the categories where these prices are really going up, you'll see that it tends to be areas that are directly affected by the reopening. That's something that we'll go through over a period that will then be over, and it should not leave much of a mark on the ongoing inflation process.

So, there's no reason why it should leave a mark on inflation, say, a year or so ahead, because we should be through it then.

Mrs. MILLER-MEEKS. Thank you.

And, finally, "The Financial Report of the U.S. Government," published annually by the Treasury Department, says unambiguously, the current fiscal path is unsustainable. On our current path, debt is projected to exceed six times the GDP by the end of the century and annual government spending will exceed 50 percent of GDP.

Do you agree with the conclusions of this report? And, if so, isn't this an additional and one of our greatest avoidable crises that our country currently faces?

Mr. POWELL. I think that it—"unsustainable" just means that the debt is growing faster than the economy. That's been the case for a long time, and I don't think that's controversial.

I think the point I would make is that the time to work on that problem will come, and that time is when employment is high, unemployment is low, economic activity is strong, taxes are rolling in. That's the right time to go to work on a longer-term program that gradually moves us back to, you know, primary balance.

And, ultimately, you just have to get the GDP growing faster than the debt, and it has to do that for an extended period of time. That's how countries get back to a sustainable path.

Mrs. MILLER-MEEKS. And to be mindful of their spending when the economy is growing.

Thank you so much.

I yield back my time.

Mr. CLYBURN. I thank the gentlelady for yielding back.

The chair now recognizes Mr. Raskin for five minutes.

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

I'm sorry that you were harangued again this morning about the origins of the coronavirus. I'm very eager also for the House Committee on Science to take up this scientific question, and also deal with the facts that I have emphasized since the beginning: that Donald Trump repeatedly defended the performance of the Chinese Communist Party and General Xi in COVID–19. In February, in March, in April, in May, for many months, I think on 19 different occasions, he defended them as doing a great job and a wonderful job and praising their partnership. So, I'm very eager to get to the bottom of it.

Regardless of whether the virus came out negligently, recklessly, or deliberately, none of it excuses the lethal recklessness of Donald Trump in his complete mismanagement of the coronavirus in our country. And, of course, we lost hundreds of thousands of people before he left office and we got organized to crush the disease, finally.

Mr. Chairman, welcome to our committee.

I was taken with something that you said in February, when you said, "What it takes to drive productive capacity to raise living standards over time is investment—investment in people's skills and aptitudes, investment in plants and equipment, investment in software."

Do you agree that investing in our Nation's infrastructure will increase our productive capacity and contribute to long-term economic growth in the country?

Mr. POWELL. Mr. Raskin, I want to start by saying, I don't want to be seen to be addressing any particular legislative proposal. But I think it's basic economics that productivity is what—and demographics are what drive longer-term growth in a country. And one of the big ways to affect productivity is through investment. And that includes infrastructure, includes plants and equipment and people, education, skills, things like that.

So, I think that is the point that I made—was making back in February.

Mr. RASKIN. Gotcha.

Well, let me take a specific example then, and maybe you can help me with it.

Thirty million Americans live in areas with inadequate broadband, which severely limits their abilities to do their work, to develop their businesses, to participate equally in school. I have had high school kids tell me they have to go to McDonald's or Starbucks in order to get internet that they can use for their assignments.

The American Jobs Plan would make unprecedented investments to expand broadband to these rural communities, like Frederick and Carroll County in my district.

And I know that you don't comment on specific legislative proposals, but would you say that, in general, expanding high-speed broadband access to millions of Americans who don't have it, especially in rural areas, would create new economic opportunities and potential for long-term economic growth?

Mr. POWELL. Again, without commenting on particular legislation, I think I would look at broadband like that in the same way that prior generations looked at electricity.

If kids don't have access to the internet and to, basically, all the knowledge that's available through that, they're not going to be able to maximize their potential or realize their potential in this economy.

Mr. RASKIN. Well, that's a fascinating answer to me, because when I tried to look at it historically, it seemed like the definition of "infrastructure" has expanded over time. And, you know, when Eisenhower said, "Let's build the highways," people said, "What's that got to do with infrastructure? Infrastructure is bridges." And, you know, when President Lincoln did the land grants, you know, to do universities and colleges across the country, people said, "What's that got to do with infrastructure?"

And so, it does seem like the definition of "infrastructure" changes. What is your working definition of "infrastructure" as an economic concept?

Mr. POWELL. I don't—I hadn't taken the trouble to really write one down, and I wouldn't like to do it in real-time here, if I can avoid that.

Mr. RASKIN. OK. Well—or, let me just pose it, then, in kind of a more abstract way. Would you say that infrastructure is anything that allows for the expansion of productive capacity and contribution to long-term economic growth?

Mr. POWELL. I don't see anything objectionable about that.

Mr. RASKIN. Yes.

All right. Well, I just very much appreciate your emphasis on investment, because that's what we've been doing with the American Rescue Plan, that's what we want to do with the American Families Plan, that's what we want to do with the American Jobs Plan. We want to reinvest in America, to keep those jobs here in America, and to invest in our communities so we have a solid foundation for the continuing growth of the great American middle class and for the opportunity for lots of poor working people to get into the middle class.

And, with that, I will yield back to you, Mr. Chairman.

Mr. CLYBURN. I thank the gentleman for yielding back.

The chair now recognizes Mr. Jordan for five minutes.

Mr. JORDAN. Thank you, Mr. Chair.

Chairman Powell, the Fed has two mandates, right?

Mr. POWELL. Maximum employment and stable prices.

Mr. JORDAN. Maximum employment and stable prices. Seems like both have got—both got some problems today.

I want to spend a little time on the first. Why are the jobs numbers so bad right now?

Mr. POWELL. Well, I think we're digging out of a very deep hole. We've made a lot of progress, but I would agree with you, we have a long way to go.

Mr. JORDAN. Over 9 million job openings; over the past two months, only 800,000 jobs added back. That's pretty bad. Well, is there a specific reason you point to as why those numbers aren't where we would, frankly, hope they would be?

Mr. POWELL. You know, it's a good question, and my thinking is that there are some temporary factors that are weighing on job creation. And I mentioned those earlier.

Another thing is, actually, actual hiring is at very high levels but it's being offset by high levels of quits and retirements. So, the net—what's happening is that the net job creation has been lower, but actual hiring is high.

And that's—in a sense, quits is a good thing because people are looking for——

Mr. JORDAN. Got it.

Mr. POWELL [continuing]. jobs that they want more. Retirements are just something that happens.

Mr. JORDAN. What about unemployment benefits? Does that factor in as well?

Mr. POWELL. It may be a factor, and it'll be a temporary one, because something like 15 million people will see either those benefits disappear or significantly decrease.

Mr. JORDAN. My understanding is the state unemployment plus the Federal enhancement is $37,000 a year. Might that discourage people from going back to work?

Mr. POWELL. We're going to find out. We're going to find out, because it's going to be gone really quickly.

Mr. JORDAN. Well, I think we are finding out. Yet, in the stimulus package, child tax credit, family of four, it's about $110,000.

I mean, every single employer, literally every single employer I talk to in our district—and, frankly, folks I—employers I talk to around the country—tell me they can't find people to work. And you think it's more of quitting and retirements, or is it more unemployment, or a combination, or what is it?

Mr. POWELL. I think it's, in terms of things that are weighing on people getting in the labor force, I think it's those three things I mentioned.

It's still—some people are still afraid of COVID. Maybe they're living with someone who is vulnerable.

It's also schools are closed still, and having schools be open again will free up a lot of caretakers.

I think unemployment benefits, too. I think you would expect a significant, a really strong set of jobs numbers coming up beginning in the next month or two——

Mr. JORDAN. Well, didn't you expect higher numbers in April and May?

Mr. POWELL. Yes, I did.

Mr. JORDAN. I mean, it sort of surprised me. I guess when you pay people not to work, you shouldn't be surprised when you don't have workers.

I've never seen a situation like this where we now have, as the ranking member mentioned, we now have several Governors, 25, I believe, who have turned back, who said: We don't want the Federal enhancement to unemployment.

I've never seen that. I've been in politics 26 years. I've never seen Governors turn down Federal money. So, I think that just underscores how serious the problem is.

But you said you think it changes soon?

Mr. POWELL. Well, we know that these benefits run out on—the Federal ones run out——

Mr. JORDAN. What if the Democrats renew them, which they're talking about doing?

Mr. POWELL. Excuse me?

Mr. JORDAN. What if the Democrats renew them? That would be a problem, wouldn't it?

Mr. POWELL. Again, I don't comment on——

Mr. JORDAN. No. But you said you expect it to run out and that will help. I'm asking you—that's not what Democrats are saying. They're talking about renewing them. And so, if it helps if they run out, if they renew them, won't that hurt?

Mr. POWELL. Well, these are judgments for people who stand for election.

Mr. JORDAN. No, I'm just following your logic. You said, if it runs out, that will help the employment situation. I mean, I've got employers——

Mr. POWELL. I think we'll see strong job creation in the fall, I really do. And I think there are all these, as you point out, 9.3 million job openings, many millions of people unemployed.

There seems to be some kind of a speed limit. It may just be that it's hard to match up with a new job and people feel like they can wait a little bit longer and really shop carefully.

Mr. JORDAN. It seems to me, Chairman—and, again, I know you don't talk—you're not going to comment on policies—but I don't know that Democrats are doing anything right. They kept the economy locked down. They're spending money like crazy, proposing more, I think a $6 trillion budget the White House is proposing, all causing inflation.

Inflation went up the last four months, continues to increase. As you said, you've got two mandates at the Fed: stable employment, low inflation. We've got unstable employment, we've got high inflation.

And now they're paying people not to work, and that may continue.

And then, finally, on top of all that, they're thinking about raising taxes.

I mean, this is amazing to me. First you pay people not to work, and then the folks who are working, you're going to raise their taxes, and somehow they think that's going to help our economy, when, as I said now a couple times, every single employer I talk to tells me they can't find people to work.

What do you think about all those policy ideas from the Democrats?

Mr. POWELL. Again, it's not my job.

Mr. JORDAN. No, but your job is stable employment and low inflation. Right now, we have 9 million job openings and inflation that's went up five months in a row. So, something has to give.

I don't necessarily—I'm not necessarily blaming you. I'm blaming the Democrat policies. And it seems to me the idea that they're going to extend the Federal enhancement make absolutely no sense. The idea they're going to raise taxes on hardworking Americans makes absolutely no sense. And the idea they're going to spend $6 trillion also makes absolutely no sense.

So, as I said, it seems to me they're doing everything wrong, making your job that much harder.

With that, Mr. Chairman, I yield back.

Mr. CLYBURN. It's a good thing, too.

Mr. JORDAN. I don't give comments when you make your statements. Tell me what I said wrong in that statement.

Mr. CLYBURN. It's a good thing that you're yielding back so I can give five minutes to Mr. Foster.

Mr. JORDAN. It's a good thing I made those points about how bad the Democrat policies are. That's the good thing.

And I'd like to answer—and it would be nice if the Fed Chairman would answer the fact that, if you guys extend unemployment, which he said if it goes away will be good for the economy, and if you extend it, he wouldn't answer that question.

Mr. CLYBURN. With that, I yield five minutes to Mr. Foster.

Mr. FOSTER. Thank you.

And I sympathize with the chairman sort of being left speechless by the logic that we just saw demonstrated.

I'd also like to respond to some of my Republican colleagues about the origin of the coronavirus. The Science Committee Investigations and Oversight Subcommittee that I chair is, in fact, having a hearing on—hearings on the origin of the coronavirus. The first is scheduled July 14 at 11 a.m.

These hearings are going to be science based. And I think it says a lot about how seriously my Republican colleagues take science that they cannot even find a complete set of members to serve on that committee, on that Science subcommittee. They have only two members, the ranking member and Representative Sessions.

Well, with that out of the way, I just want to thank you, Chairman Powell. In your testimony, you correctly note the importance of the successful vaccination campaign. Under the Biden administration's leadership, we've now administered over 300 million vaccine doses, and COVID infections have fallen dramatically.

The CDC has advised that vaccinated people can safely engage in a wide variety of activities, and states have been able to do that and ease coronavirus health restrictions. And when they do that, our economy recovers.

I think it's clear to everyone that the return on our investment on vaccines, starting with money and directions provided by Congress before Operation Warp Speed was even announced, and following decades of federally funded research into the underlying science, has had the highest return on investment of really any that our country has ever made.

Would you agree with that?

Mr. POWELL. I don't have a number to put on that. But, yes, I would think the return on investment would be high.

Mr. FOSTER. But the return on investment is not limited to vaccinating the United States. We also benefit economically by helping vaccinate our trading partners.

Would you also agree that the return on that investment is likely to be very high?

Mr. POWELL. I would, yes.

Mr. FOSTER. Yes. And would you be willing to have some of your brilliant economists that work for you actually try to put a rough number on that, because it's an important thing for us to appreciate as we decide how much of resources to devote to helping other nations around the world?

Mr. POWELL. I will be glad to do that.

Mr. FOSTER. Thank you.

And now with COVID, our economy has experienced a number of inflation shocks—the tight labor markets, commodity shortages, release of pent-up consumer demand, chip shortages, as you mentioned, due to underinvestment in foundries and overinvestment in Bitcoin and meme stocks, proposals to move on shore the supply chains that have historically been offshore, which will in general increase prices.

And all of this, however, happens against a continuing backdrop of long-term technological job loss that was arguably accelerated by COVID.

So how do you think this is all going to net out when the transients are over, the longer term, say medium term effect of inflation?

Mr. POWELL. I mean, it's incredibly hard to say really.

If you're positing an actual reversal of globalization, that could have implications as you suggest.

But I wonder if that's really going to happen because of policies that we adopt. Technology goes instantly around the world. It's not going to be easy to stop that. The economy's become very globalized.

And also production technology is so much more efficient than it was. You can do things with the new technologies. You can manufacture things here that may or may not result in a lot of jobs in manufacturing, but you can certainly make things. There may be reshoring here that's actually quite efficient in terms of costs.

Mr. FOSTER. So, the jobs will come back to the U.S., but they'll be taken by robots.

Mr. POWELL. There is some of that——

Mr. FOSTER. There is some of that.

Mr. POWELL [continuing]. in manufacturing, as you know.

Mr. FOSTER. Yes. So, you really maintain some uncertainty on how this is going to net out for the inflation.

Mr. POWELL. A lot of uncertainty, yes.

Mr. FOSTER. Yes. OK.

Let's see. And my last thing. You've been talking a little bit about high-speed broadband, which is, I think, an important investment with huge return.

An important part of that is that when Americans get, for the first time, access to the internet, that they're also provided a secure digital ID that prevents them from becoming victims to identity fraud and allows them to safely participate in our economy.

One of your other projects you're working on, central bank digital currencies, is going to need to have a secure digital ID to allow people to transact in digital dollars in a safe way that can't be abused.

Are you working internationally to try to get these secure digital IDs as part of your negotiations on central bank digital currencies and others?

Mr. POWELL. I think it's part of the discussion. I would say we're not as far along as your description would suggest on that. But that's—it's certainly something you would need to be able to have——

Mr. FOSTER. Well, will it be addressed in your white paper coming out this summer?

Mr. POWELL. A lot of things will be addressed. I'm not sure if that would be. That's something—you certainly need that down the road. We probably will be. We're just laying it out right now.

Mr. FOSTER. Yes. No, it's important for our economic recovery as well as planning to respond to China, frankly, on central bank digital currencies. So, put it—move it up on your to-do list.

Thanks much, and I yield back.

Mr. POWELL. Thank you.

Mr. CLYBURN. I thank the gentleman for yielding back.

My understanding is that Dr. Green has joined us. If so, he's now recognized for five minutes.

Mr. GREEN. Can you hear me, Mr. Chairman?

Mr. CLYBURN. We can hear you, yes.

Mr. GREEN. OK, thank you. Sorry about that. Thank you, Chairman Clyburn and Ranking Member Scalise. And I want to thank Chairman Powell for being here today.

Last summer, when the former Fed Chairs Bernanke and now-Treasury Secretary Yellen testified before this subcommittee, I expressed some concern that the excessive spending by Congress and money printing by the Fed might cause inflation. Mr. Bernanke denied this, saying that people said there'd be inflation in 2008, but they were wrong.

Mr. Chairman, the numbers are in, and it looks like there is some inflation, at least the past couple of months, four and now five percent.

When Congress spends trillions of dollars and the Fed prints money, something's got to give.

Prosperity isn't created by government, I don't believe. It's created by workers, by businesses, by entrepreneurs creating and inventing, innovating.

I founded a healthcare company, grew that company up to over 200 million in annual revenue in just eight years, and I have a little bit of experience on understanding how to create jobs, grow business, et cetera.

And I genuinely believe those businesses out there are looking at this inflation as a tax. Now, it's a hidden tax. They see it as a tax on their ability to do B-to-B transactions or B-to-customer.

Every dollar the government spends has to come out of somebody's pocket. Whether it's through another tax or a reduction in their purchasing power, it comes out.

And if we don't get our fiscal house in order, I worry that that inflation won't be transitory, as I know you've said both in the press and probably here today. And I apologize for being a little bit late.

My first question, Chairman Powell. Are you concerned from an economic and really a national security perspective about Russia and China dumping the dollar and their, what appears to be a move to some kind of financial alliance between the two of them?

Mr. POWELL. That's not something that's really within our bailiwick or on our radar screen.

The dollar is the world's reserve currency. There really is no currency that's close to being able to compete. That's because of our democratic institutions and our record of maintaining low inflation, and because we have open capital markets and are great traders with the rest of the world. I don't see anything changing that anytime soon.

Mr. GREEN. Do you see the threat of raising the capital gains tax to 40 percent as a challenge to those capital markets?

Mr. POWELL. Again, I really don't comment on tax and spending proposals. We don't have any authority over that. The level of capital gains tax is something that is the business of elected officials, not the business of the Fed.

Mr. GREEN. I appreciate that.

Over the past 10 years, the Fed's—the Federal Government's net interest costs have grown about 25 percent relative to GDP despite the historically low interest rates.

If spending remains on its current trajectory and interest rates reach their historic average of 5.7 percent, do you think the Federal Government will be able to pay its bills?

Mr. POWELL. I have no question that the U.S. Government will be able to pay its bills for the foreseeable future. There is no case in which that would not be the case. We have the strongest and largest and most flexible economy in the world.

It's also true, though, that we're on an unsustainable path and that we're going to have to address that. And, as I mentioned, the time to address that is when the economy is strong, unemployment is low, and economic activity is high.

Mr. GREEN. Is it possible that the high interest rate that we're seeing today is the start of something that could be as bad as the 1970's? And, if not, could you explain why?

Mr. POWELL. You say higher interest rates or higher inflation?

Mr. GREEN. Inflation. I'm sorry.

Mr. POWELL. OK.

Very, very unlikely. What we're seeing now, we believe, is inflation in particular categories of goods and services that are being directly affected by this unique historical event that none of us has lived through before, called "reopening the economy after closing it."

So, you see extremely strong demand for labor, for goods, for services, and you see the supply side caught a little bit flatfooted in trying to catch up.

And you see bottlenecks with—and you see this all over the world, by the way. This is not just the United States. You see it everywhere. And it's very similar kinds of situations.

And you also, you have a central bank that's committed to price stability and has defined what price stability is and is strongly prepared to use its tools to keep us around two percent inflation.

So, all of those things suggest to me that an episode like what we saw in the 1970's—and I graduated from college in 1975, I had a front row seat—that nothing like that—I don't expect anything like that to happen.

Mr. GREEN. OK.

Mr. Chairman, I can't see the clock, unfortunately. I don't know if I have any more time.

Mr. CLYBURN. You are out of time.

Mr. GREEN. OK. Thank you, Mr. Chairman. I yield.

Mr. CLYBURN. Thank you for yielding back.

The chair now recognizes Mr. Krishnamoorthi for five minutes.

Mr. KRISHNAMOORTHI. Thank you, Mr. Chairman.

And thank you, Chairman Powell, for appearing before us.

Back in 2019 you said the following. You said: "We try to create a strong labor market. For many, many people and many, many communities, that's enough. But for people who are at the margins, the low-to moderate-income community, that's not enough. They need a chance."

And earlier that year you said you were cutting rates, in part, to help those who are, quote, "left behind."

How do you see the impact of the pandemic on these groups of people for whom you expressed empathy and concern back in 2019? And how do you see the recovery affecting them?

Mr. POWELL. Well, in the first instance, the pandemic hit the service industries very hard, industries that involve dealing with the public—hotels, travel, entertainment.

And the people in those customer-facing, public-facing jobs, they tend to be relatively low-paid jobs, and they're—minorities and women are significantly overrepresented among the people in those jobs. And that's who got laid off. Most of the layoffs, a big chunk of the layoffs disproportionately were in those industries.

So, it's clear this pandemic really hit those people hard. And why it was even more painful was that, in the last couple of years of the very long expansion that ended in March 2020, the longest in our history, you really began to see benefits going more to those groups than to the high end. I mean, wage gains at the lower end of the income spectrum were bigger than they were at the higher end. That began to be the case in year 8, 9, 10, and the 11th year.

And that was a very positive thing—high labor force participation, the benefits of prosperity being spread widely—and it could have gone on for a long time but for the pandemic.

So, we have the pandemic. And those industries are hiring people back. A whole lot of the job creation we're seeing is in those industries. You're still several million short in those industries of where employment was. But there are really high, very large numbers of job openings in a number of industries, including the service industry.

So, I really am hopeful, with the strength of labor demand—it really is remarkably strong—that over time—and not a lot of time—this will sort itself out, and we'll find ourselves in a very, very strong labor market with low unemployment, wages going up across the spectrum.

Mr. KRISHNAMOORTHI. Can I jump in for one moment? Which is—thank you for that answer.

You were talking about the matching function that's happening right now between people who are perhaps dislocated and people who—I mean, the job openings that exist.

What is your perspective on efforts by educational systems working with governments, state, local, Federal, in upskilling people to match them with the jobs that currently exist in the post-pandemic economy, through skills-based education or career technical education and the like?

Mr. POWELL. You know, I've been exposed to a number of programs of that nature, and they seem to work really well. Some of them do, anyway. The idea being companies—you actually see it in South Carolina quite a bit. You see companies teaming up with schools and technical schools in these apprenticeship programs, and they really work.

I would say that's a great idea, and it would be great to see more of it all over the country. But those things take time. They take policy support. They'll take time to really build and produce value, whereas this is something we have the immediate need to get people back to work.

Mr. KRISHNAMOORTHI. Yes, sir.

Last question. What is the impact of other countries in the world not getting their populations vaccinated at the rate that we are and the COVID fires continuing to rage over there?

What is the impact on our economy? If you have any metrics that can measure that or that you'd be willing to share, I'd be very interested in that.

Mr. POWELL. I don't have any metrics. But I will say, to Mr. Foster's earlier point, to the extent large countries around—large populations around the world are not getting vaccinated, we're giving time and place for new strains, more virulent strains of the virus to develop and spread. Viruses do not respect natural—national borders.

And so, I think it is very much in our interest to support broad vaccination around the world. It's also the right thing to do. But it clearly is the best thing for us as well, because no one is really safe until we're all safe.

Mr. KRISHNAMOORTHI. Very good. Thank you so much for your service, sir.

Mr. CLYBURN. I thank the gentleman for yielding back.

The chair now recognizes the ranking member for a closing statement.

Mr. SCALISE. Thank you, Mr. Chairman. I appreciate the hearing.

Chairman Powell, appreciate the work that you do. Obviously, some of the questions that we have, both Republican and Democrat members had, are more in the policy realm, which is not your purview.

You have tools as the Chairman of the Federal Reserve. You have mandates, as I know Mr. Jordan and you were talking about. But many of those tools are harsh tools, tools that we don't want to have to get to if we don't have to.

And I think that's really where we as policymakers need to step up and do a better job so that it doesn't fall in your lap. And I think those points were made clear.

If you look at just the two mandates of the Federal Reserve, maximum employment and stable prices, right now we don't have either. And it's because of policy decisions, policy decisions primarily by the Biden administration.

Paying people not to work is causing real damage to our economy. You can't have 9 million openings for jobs right now, at the same time that we're paying people on average $35,000 a year not to work and then wonder why we have 9 million job openings. It's pretty clear.

Every small business in America will tell you why. I hear the same thing across the board. They can't get all their workers to come back. And because of that, they can't open their business fully.

Restaurants who are struggling, just scrapping and clawing to hold everything together, want to reopen fully, and in many states are able to reopen fully, but they can't because they can't get all of their workers back.

And it's not like they've gone on to other places. They know exactly what's happening. They're being paid more not to work than to work. That policy has to end.

You even said it: When the benefits run out, it will help. The problem is, Democrats here in Congress don't want those benefits to end. And we're borrowing that money from our children and our grandchildren to keep people out of the work force. It makes absolutely no sense. It undermines your very mandates.

And, again, it would push us to a place where you would have to use tools, and we don't want to see high interest rates, we don't want to see limits on monetary policy. But that's where it would go if we leave it up to other entities, like the Federal Reserve. We need to confront this here in Congress.

We can look at how states have done well and how states have done poorly. We don't have to reinvent this wheel. You can just look at a few of the states who have done it right.

Georgia probably has the lowest unemployment, 4.5 percent. They were the first state to open. They took a lot of criticism, just like Florida when they opened their economy early. Some said, "Oh, everybody is going to die."

The only problem is, when you look at the states that stayed mostly closed, they were the states actually that had the higher COVID death rates. And right now, to this day, just looking at recent numbers on seven-day average of COVID, Georgia 14 per 100,000 cases a day, New York's 36 per 100,000, almost triple Georgia.

Georgia is fully open. New York is still mostly closed. Broadway is not even going to open until September. There is absolutely no reason for that. They should be open today. They could be open today.

Schools should have been open months ago. All the scientists—we've had people sit in the very chair you're sitting in, including Dr. Fauci, say under oath, schools should have been open months ago, and, actually, you're doing long-term damage to the kids by not reopening schools.

This isn't something that the Federal Reserve Chair has anything to do with. That's policy, policy of local governments that are hurting their economies and their people, and especially the children that are paying a big price. This is what's got to end.

We need to focus on getting the economy fully reopen, on getting kids back in the classroom.

And, oh, while we're doing that, we surely ought to be addressing the origins of COVID–19. Not a month from now. Should have been months and months ago when we started calling for it, because nobody should have to sit here and go, "Why did it happen? Why did this calamity, deaths, destruction of economies, people's whole livelihoods going away?"

Suicide rates, we didn't even talk about that today. Suicide rates, drug overdoses, all off the charts because of what we went through in the last year. And yet, not a single hearing in over a year on the origins of COVID–19.

So hopefully we can get back to focusing on the very policies that will help us get through this the right way so that it doesn't end up in your lap and things end up having to be abruptly changed to the point where it actually harms real families even worse than they've already been harmed.

Because as we've seen so many things that are happening, like all of this inflation across the board, that shouldn't be happening right now.

We shouldn't be seeing all this inflation that is brought on by President Biden's policies and his overreaction to something where the science—in fact, one of the things we've seen is a whole lot of political science being practiced instead of medical science.

So hopefully we can get back to common sense and the science that shows us where we should be going, when, instead, we're seeing a whole lot of actions that are devastating to people when they shouldn't be going through some of this pain.

So, let's focus on getting things open the right way, following that science, and doing it—again, not reinventing the wheel. Go look at the states that have done it right.

Many states have gotten it right. Many states have gotten it wrong and still to this day are doing it wrong. Let's not have the Federal Government continue to do it the wrong way by making things worse.

With that, I would yield back, Mr. Chairman.

Mr. CLYBURN. I thank the ranking member for yielding back.

I want to close by thanking Chair Powell for his testimony today. We appreciate the opportunity to discuss the lessons learned from actions that the Fed took during the pandemic to support our economy, the Fed's current outlook as our economy recovers, and the action needed to ensure a strong, sustainable, and equitable economic future.

Today's hearing has made clear that the Fed must improve its crisis response tools to ensure that communities, small businesses, and workers, not just large corporations, receive support during emergencies.

The Fed's pandemic relief efforts, while innovative and well intentioned, were often too little too late and did not have the impact they could have had to bolster the economy. The Fed must learn from this experience to improve on these responses in future crises.

The good news is that, thanks to smart and bold economic policy by Congress and the Fed alike, our economy is recovering swiftly. The American Rescue Plan is delivering desperately needed relief that is supporting a broad-based economy—recovery.

Since March, the economy has been adding an average of 540,000 jobs a month, and new unemployment insurance claims have dropped dramatically.

Direct payments have eased Americans' financial concerns and have enabled them to support their local economies. Soon, the Department of the Treasury and IRS will begin to deliver advanced payments to families from the expanded child tax credit relief that experts project will cut child poverty nearly in half.

As vital as the American Rescue Plan is, it must only be a first step toward a better economic future. The pandemic exposed significant faults in our economy, and we cannot be satisfied with a return to the pre-pandemic status quo.

I notice that our Chairman Waters has finally made it.

Ms. WATERS. Just got off a plane today.

Mr. CLYBURN. I understand, and I'm glad you got here safely. And I don't think we ought to close this hearing without hearing from you.

Ms. WATERS. Oh, well, thank you very much, Mr. Chairman. And I'm pleased I was able to get in at the end of the hearing.

But let me just say that of course I've worked with Chairman Powell for quite some time now, and I was so very pleased with the way that he worked even with the Treasurer during the pandemic, and of course now with Yellen, who is our Treasurer—Secretary of the Treasury now.

The two of them work very, very well together. And I was very pleased that, at the beginning of this pandemic, they both said you have to go big, you have to think big. And that's quite unusual for a Fed Chair, who is usually more cautious and more careful about expenditures.

Also, I'm very pleased at the way that he opened up and initiated so many facilities. Some of them I still don't understand. But I do know that there was every attempt to be able to meet the needs of the business community.

With the Main Street Facility, I was very pleased that, after opening that up and getting the information out from that, they modified some, and they brought in the opportunities for smaller businesses to have access to the Main Street Facility.

And so, I compliment and thank Chairman Powell for not only his leadership during this pandemic, but his creativity and the way he was available to us to always help us think through what more can we do, and how can we do it.

So, I'm pleased that I was able to at least come in on the end of this hearing today to say to you, Mr. Powell, I credit you, along with others who worked so very hard to get us, you know, past this pandemic and to get us back on the road so that our economy can do what we know it can do.

And I've never really been worried about inflation, but I want to keep an eye on that, and I want you to keep us informed about what is happening in our economy.

I think we're coming back, and we're going to come back strong. We've got to answer some questions about employment. We've got to find out what is happening with the need to increase the minimum wage, because I think that is what is keeping some of our people from wanting to come back to work. They're looking for better wages. They're looking for better opportunities.

So, with that, let me just say thank you, Mr. Chairman, and thank you, Chairman Powell.

Mr. CLYBURN. I thank the gentlelady. And I'm sure Chairman Powell is very pleased that I did not close this meeting without your comments.

Mr. POWELL. Thank you.

Mr. CLYBURN. Let me continue to close by reminding—many of you may recall when we passed the CARES package, as we were debating it, I said at a meeting that I thought this would give us an opportunity to build an economy with the vision, with our vision. I was chastised for having said that.

But I want to say once again, fulfilling the vision of this country, as we heard from Chair Powell today, is integral to our, what I call the pledge, as we close our Pledge of Allegiance, with liberty and justice for all.

That's the vision that all of us have for this great country, and that is why we are working hard to pass the American Jobs Plan and the American Families Plan, which will make the investments in our infrastructure and our families that are necessary to build back better.

As we listened to the testimony today and the Q&A, we were talking about why people have not gone back to work. I've talked to a lot of people in my state that will go back to work tomorrow if we could cure their childcare problems.

That's what we've got to do. We've got to make sure that this Families Plan is put in place so people's children will not be endangered when they go back to work.

So, Chair Powell, I thank you so much for testifying today.

The Fed continues to play a critical role in helping our Nation recover from the coronavirus crisis and in ensuring equitable recovery. I trust that you will never lose sight of the fact that millions of Americans are dependent on the Fed continuing to support the economy's recovery.

With that, and without objection, all members will have five legislative days within which to submit additional written testimony for the witness to the chair, which will be forwarded to the witness for his response.

This hearing is adjourned.

[Whereupon, at 3:38 p.m., the committee was adjourned.]

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