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**By Jerome H. Powell**

### **Tools to Avoid a Meltdown and Save Livelihoods**

In late February 2020, I attended an overseas meeting of the G-20 nations' finance ministers and central bank governors. At the time, the U.S. was enjoying its longest economic expansion on record, and though my Fed colleagues and I had been monitoring Covid-19, we did not yet see it as likely to have a major impact at home. But that weekend, it became clear that the virus was spreading quickly—and widely. I left with the conviction that its effect would not be confined to faraway lands, as I had thought, but would reach every part of the globe.

One week later, the Fed held an emergency policy meeting with one item on the agenda: How could we help people get through what was going to be a terribly difficult time? Addressing a fast-moving global pandemic was mainly the realm of healthcare providers and experts, and some asked what the nation's central bank could realistically do. But we concluded that we had to act forcefully. The danger to the U.S. economy was grave. The challenge was to limit the severity and duration of the fallout to avoid longer-run damage.

The ensuing downturn was unprecedented in speed, breadth and intensity. Financial markets seized up, including the critical market for Treasury securities, as global investors began a headlong flight to cash. Large portions of the economy shut down, schools closed and much of the country retreated indoors. In two short months, the pandemic took 20 million American jobs—more than double those lost in the Great Recession.

The pandemic inflicted a cruel and uneven toll on lives and livelihoods. It reversed the broadening gains of a decade of expansion. With unemployment at a 50-year low, wages had

been moving up, especially for the lowest paid workers. Racial disparities in unemployment were narrowing, and many who had struggled for years were finding jobs. But the new job losses were heaviest among relatively low-paid workers, among whom minorities and women are overrepresented. Many smaller businesses faced the possibility of permanent closure.

The scope of the crisis required an all-in government response. Congress provided its largest economic recovery package of the postwar era. At the Fed, we used all the tools at our disposal to prevent a financial meltdown and ensure that credit could continue to flow to households and businesses.

Today the situation is much improved. A little more than half of the initial job losses have been regained. With the arrival of vaccines, the outlook is brightening. The American people have persevered through this difficult time with determination, resilience and ingenuity. We owe a debt of gratitude to our fellow citizens on the front lines of the response, from health care workers to vaccine researchers, from those who kept grocery stores open to those who taught children at kitchen tables.

But the recovery is far from complete, so at the Fed we will continue to provide the economy with the support that it needs for as long as it takes. I truly believe that we will emerge from this crisis stronger and better, as we have done so often before.

*The writer is chair of the Board of Governors of the Federal Reserve System.*