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ECONOMY

Powell Says Fed Actions Unlocked \$2 Trillion to Support Economy

Fed chief, Treasury secretary are set to testify Tuesday at congressional hearing



The Federal Reserve in Washington.

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By [Nick Timiraos](#)

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Federal Reserve Chairman Jerome Powell said the central bank's actions to backstop a range of credit markets after the coronavirus convulsed Wall Street this past spring had unlocked almost \$2 trillion to support businesses, cities and states.

In testimony prepared for delivery at a congressional hearing Tuesday, Mr. Powell said

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municipal debt and to purchase loans made to small businesses and nonprofits when those programs expire on Dec. 31.

Mr. Powell didn't elaborate in his testimony, released on Monday afternoon, about the central bank's disagreement with Mr. Mnuchin's decision. The Fed had earlier said it would have preferred the lending programs had stayed open because the pandemic emergency hasn't receded.



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Mr. Mnuchin is slated to testify alongside Mr. Powell at Tuesday's hearing and didn't address the conflict in his prepared testimony.

Mr. Mnuchin's decision to allow the programs to expire on Dec. 31 intensified a partisan divide over the Fed's lending activities, which both parties supported as part of the \$2 trillion stimulus package known as the Cares Act approved in March.

Mr. Mnuchin says the programs are no longer needed because markets have healed. Second, he says he lacks the authority to extend the programs because he believes the Cares Act doesn't allow for the programs to continue. Third, Mr. Mnuchin says the money would be better spent on other relief measures for which Congress can't agree on funding.

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The extensions were widely expected and don't apply to any of the lending programs that Mr. Mnuchin declined to renew.

Mr. Mnuchin had indicated he would agree to extend four programs, including the Paycheck Protection Program Liquidity Facility, which made it more attractive for small banks to fund PPP loans this past spring. The Fed agreed to extend that program on Monday.

The Fed also extended the Commercial Paper Funding Facility, which backed a critical market for short-term corporate IOUs that seized up this past March, and the Money Market Fund Liquidity Facility, which had likewise curtailed potential runs on money-market mutual funds.

The fourth program extended by the Fed is the Primary Dealer Credit Facility, which allows Wall Street banks the ability to pledge a broader range of collateral to the Fed.

Write to Nick Timiraos at nick.timiraos@wsj.com

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