

# How Jay Powell and the Fed Battled President and Pandemic and Prevented an Economic Depression



## Trillion Dollar Triage: How Jay Powell and the Fed Battled a President and a Pandemic---and Prevented Economic Disaster by Nick Timiraos

★★★★☆ 4.4 out of 5

Language	: English
File size	: 1196 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 403 pages



When the COVID-19 pandemic hit the United States in early 2020, the Federal Reserve was quick to react, slashing interest rates and launching a series of emergency lending programs. These actions helped to prevent an economic depression, but they also put the Fed on a collision course with President Donald Trump, who repeatedly criticized Powell and the Fed for not ng enough to support the economy.

The Fed's actions were controversial at the time, but they have since been widely praised by economists for preventing a much deeper recession. In the end, the Fed's actions helped to save the U.S. economy from a depression, and they also helped to preserve the Fed's independence.

## **The Fed's Response to the Pandemic**

The Fed's response to the pandemic was swift and decisive. In March 2020, the Fed cut interest rates to near zero and launched a series of emergency lending programs. These programs provided liquidity to businesses and households, and they helped to prevent a credit crunch. The Fed also took steps to support the Treasury market, which was experiencing a surge in volatility.

The Fed's actions were unprecedented in size and scope. The Fed's balance sheet expanded by more than \$4 trillion in 2020, and the Fed provided more than \$2 trillion in emergency lending to businesses and households.

## **The Fed's Collision with President Trump**

The Fed's actions were not without controversy. President Trump repeatedly criticized Powell and the Fed for not doing enough to support the economy. Trump wanted the Fed to cut interest rates even further, and he also wanted the Fed to buy more Treasury bonds. Powell resisted Trump's pressure, arguing that the Fed's actions were necessary to prevent a deeper recession.

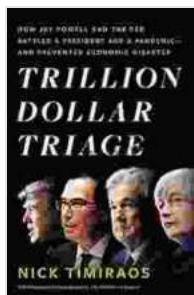
The conflict between Trump and Powell came to a head in the summer of 2020, when Trump threatened to fire Powell. Powell refused to resign, and he continued to defend the Fed's independence.

## **The Fed's Legacy**

The Fed's actions during the pandemic were a success. The Fed helped to prevent an economic depression, and it also helped to preserve the Fed's independence. However, the Fed's actions also raised important questions

about the future of monetary policy. In particular, the Fed's large-scale asset purchases have raised concerns about inflation. The Fed will need to carefully manage its exit from these policies in order to avoid a sharp increase in inflation.

Despite these concerns, the Fed's legacy from the pandemic is likely to be positive. The Fed's actions helped to prevent a much deeper recession, and they also helped to preserve the Fed's independence. The Fed's actions have shown that it is a powerful and independent institution that is committed to promoting economic stability.



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