

The Main Street Lending Program and Other Federal Reserve Actions

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Webinar

New England Council

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FederalReserveBoston



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Key Takeaways from Boston Fed President Eric Rosengren's May 19 Remarks

1. **Takeaway:** The absolutely necessary response to the COVID-19 pandemic – social distancing, aimed at protecting lives – comes at a high economic cost. The recent employment report underscores the unprecedented speed and ferocity with which jobs have been affected by this public health crisis.

Excerpt: *"I expect that the unemployment rate will likely peak at close to 20 percent. Unfortunately, even by the end of the year, I expect the unemployment rate to remain at double-digit levels. This outlook is both sobering and a call to action. Now is the time for both monetary and fiscal policy to act boldly to minimize the economic pain from the pandemic."*

2. **Takeaway:** It is important that our progress to date not be undone, and simply allowing business to reopen is not a panacea. Our *economic* challenges are rooted in *public health* concerns. If consumers are not comfortable visiting restaurants and shops, relaxing restrictions may do little to bring back business and jobs.

Excerpt: *“Public health solutions are paramount – without them, it will be virtually impossible to return to full employment. It is vital that the design and timing of reductions in business restrictions not result in worse health outcomes and higher unemployment over a longer period of time.”*

3. **Takeaway:** The Fed has taken strong actions to mitigate the economic consequences of the pandemic. We want to limit the potential for medium- and longer-term “scarring” from the crisis. This means, among other things, working to minimize the length of unemployment spells and ensuring solvent firms have necessary liquidity.

Excerpt: *“Preventing bouts of financial instability from having significant spillovers to the flow of credit to consumers and businesses is a vital crisis role for central banks, and the Fed has aggressively played that role during this very challenging period.”*

4. **Takeaway:** It is important to note that the powers granted to the Federal Reserve for emergency actions involve “lending, not spending.” All of the Fed’s programs involve loans, to be repaid – they are not grants by the Fed.

Excerpt: *“Lending can play a crucial role in a crisis and in bridging to more normal conditions.”*

5. **Takeaway:** The Main Street Lending Program (</supervision-and-regulation/credit/special-facilities/main-street-lending-program.aspx>), expected to open in the coming weeks at the Boston Fed, is one of the Federal Reserve’s more innovative and important programs. It is designed to help credit flow to small- and medium-sized businesses that were in good financial condition prior to the crisis, but now need loans that can help them until they have recovered from, or adapted to, the impact of the pandemic.

Excerpt: *“This is an important program, and we’ve worked very hard to get it right. We listened carefully to initial feedback and expanded the program in a number of ways to serve a wider range of borrowers. It will not be able to assist everyone, but we expect that it will provide an important bridge for many businesses that employ much of the American workforce.”*

6. **Takeaway:** How we respond to this public health crisis will greatly influence whether many of these temporary job losses become permanent. As Fed policymakers, we will continue to vigilantly pursue ways to help the economy return to full employment.

Excerpt: *“The economic shock is an unprecedented challenge for economic policymakers including the Federal Reserve, where we will do whatever we can to support a return to full employment and stable prices – our mandate from Congress – and our commitment to financial stability, which is important to the well-being of all Americans.”*

About the Authors



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Keywords

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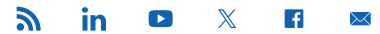
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