

## **Fed Chair Jerome Powell and Treasury Secretary Janet Yellen Brief Congress on U.S. Economy Post-COVID**

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[Federal Reserve](#) Chairman Jerome Powell and [Treasury](#) Secretary Janet Yellen made their first joint appearance on Capitol Hill Tuesday afternoon when they began two days of testimony on the government's COVID pandemic relief efforts. Given Congress's hyper-partisan nature, Republicans will likely pile on about the Democrat's recent \$1.9 billion spending package and the Democrats will assail the Republicans for not supporting the recovery.

### **Brief to Congress**

Yellen will likely continue to repeat her public comments over the past few months that the United States can afford to incur more debt given that interest rates remain historically low. Expect her to point out that despite much higher debt, the cost to service those obligations is the same as it was in 2007. It's also likely that Powell and Yellen will continue to promote their fiscal and monetary policy agenda and their assessment that the United States economy continues to bounce back from the devastating downturn that started with the end of Q1 2000 through Q3 2000, notwithstanding that the economy has not yet fully recovered from the COVID pandemic.

While statements that the economy continues to recover, the U.S. economy and job market are still down more than nine million jobs as Yellen noted in her preview remarks Monday evening. She still takes a rosy recovery with her projections looking at 6.5% GDP growth during 2021 and the unemployment rate falling to 4.5% by the end of the year. Yellen credited Congress with passing the third stimulus bill noting that she "is confident that people will reach the other side of this pandemic with the foundations of their lives intact."

### **The U.S. Economy Post-COVID**

One of the recent concerns in the markets lately is whether the massive stimulus package will cause a surge in interest rates that may hamper the recovery. In response to that concern, Powell noted that the Fed expects a "pop" in inflation beginning this March, but stated that it would be a "one-time sort of bulge in prices." Powell will likely note that while that "pop" in inflation will likely occur, the Fed will not act on forecasted inflation but only its hard data analysis that shows that the U.S. economy is getting back to "full employment," including a sustained achievement of the Fed's target 2% price gains.

At the end of the day, Yellen's prepared testimony to the House's Financial Services Committee said that "I am confident that people will reach the other side of this pandemic with the foundations of their lives intact. And I believe they will be met there by a growing economy. In fact, I think we may see a return to full employment next year."

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