Chairwoman Waters, Ranking Member McHenry, and Members of the committee,

Thank you for the opportunity to speak with you today on the importance of capital to our nation's businesses, as well as the broader topic of the current performance of the US economy. I had the privilege of serving as the Assistant Secretary for Economic Policy at the US Department of the Treasury during the previous administration. In that role, I worked closely with the Small Business Administration to quickly implement the Paycheck Protection Program and ensure that the economic devastation that might have resulted from the pandemic was not realized.

Part of my team's work was to engage with a vast array of lenders across our nation to ensure that eligible small businesses were able to obtain their PPP funds. I worked closely with CDFIs and MDIs to better understand the issues they were confronting and to prioritize resolution of challenges they and their borrowers were facing. Treasury also worked quickly to bring FinTechs into the program. Recent academic work by Sabrina Howell and co-authors finds that FinTechs disproportionately lent to minority communities with smaller dollar loans. Their smaller physical footprint and investments in underserved communities meant that they could more economically serve those populations and improve PPP access. In December 2020, Treasury worked closely with Congress on legislative updates to PPP, extension of a second round of loans for the hardest hit small businesses, and enactment of ECIP to provide additional capital funding for CDFIs and MDIs.

The results of our efforts are apparent in the data. When the nation began shutting down, we were looking at weekly first-time unemployment claims of approximately 6 million per week. Quick passage and implementation of the CARES Act caused the unemployment rate to peak in April 2020 at 14.7 percent, well below the 20 percent many feared at the pandemic's onset. Instead of losing 8 million jobs in May 2020 as many predicted, we saw more than 2.5 million Americans return to their jobs. My co-authors and I estimate that as many as 17.7 million fewer Americans were unemployed during the pandemic as a result of PPP, with nearly 13 million of those workers at companies with fewer than 100 employees. The pandemic recession has been declared the shortest in US history and we have been expanding since May 2020.

While the funds deployed at the beginning of the pandemic proved vital in keeping us out of a depression and resulted in a V-shaped recovery once our economy reopened, challenges remain. All of us on the panel recognize that it is important for our nation's businesses to have access to the capital they need to operate and expand. The ECIP improved the capital positions of CDFIs and MDIs, which will likely result in greater capital availability for their customers. However, while capital availability was a critical issue during the crisis, is not now the primary issue confronting our nation's businesses. According to the most recent NFIB survey, just three percent of small businesses surveyed reported that their borrowing needs over the last three months were not satisfied.

Instead, the NFIB survey reports that the main issues confronting our nation's small businesses are inflation and employment. "Twenty-two percent of owners reported that inflation was their single most important problem." In addition, "Forty-seven percent of owners reported job openings that could not be filled." Both of these problems are the result of poor policy decisions made by Congress and the Biden Administration.

Recent fiscal stimulus has proved greatly excessive, leading to households' liquid funds rising from $11.0 trillion at the end of 2019 to $14.4 trillion at the end of Q3 2021, a 31% increase. Simultaneously, paying people to not work, taking energy resources out of our economy, mandates that remove people from the workforce, and excessive regulations have greatly reduced our capacity to meet the current level of demand. The number of Americans working is still nearly two million fewer than were employed prior to the pandemic. As a result of these factors, the Consumer Price Index was reported last week to have increased 7.5% over the last twelve months, the highest increase we have seen in the last 40 years. Even taking into account wage increases over the last year, this translates to an $800 reduction in annual purchasing power for the average worker.

While we have seen a slight uptick in hiring over the last few months, arguably this is the result of the expiration of some of the pandemic era policies that should not have been extended as long as they were. Since the expiration of enhanced unemployment benefits, job creation is approximately 50K jobs more per month than prior to the expiration. The recent expiration of the child tax credit that lacked work requirements will also likely increase the number of Americans participating in the labor force. Such an expansion would be welcomed by our nation's employers who, according to the latest JOLTS data, reported 10.9 million job openings at the end of December. Bad policy has sidelined too many Americans at a time when our businesses need more workers.

While this committee's work to improve access to capital for America's businesses is important, the most important thing we can do for our economy right now is to declare an end to the pandemic. It is time for the American economy to return to normal. In addition, Congress should stop providing money to prime age, able bodied adults who don't work. It should act to reopen our domestic supply of energy, maintain a competitive tax environment, and not over-regulate our economy. Following those policies prior to the pandemic, our nation saw a 50-year low in the unemployment rate, historic gains in household income, reductions in income inequality, and record low poverty rates across all races. We would be well-advised to return to that approach.

I look forward to participating in this important conversation.