

U.S. DEPARTMENT OF THE TREASURY

Remarks from Secretary Janet L. Yellen at the National League of Cities Congressional City Conference

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Remarks as prepared

INTRODUCTION: THREE STORMS AND A PANDEMIC

Thank you everyone. This is my first time attending a National League of Cities conference via Zoom, and I hope it might be *everybody's last* time attending the National League of Cities conference via Zoom.

I find these virtual get-togethers aren't quite as good as the real thing. But still, I'm so glad to be here because I know they can be useful.

I've been in office a little over month, and every week or so I've been holding a virtual roundtable with a different group. Two weeks ago, for instance, I met with a group of mayors from small cities. One was Mayor Nic Hunter of Lake Charles, Louisiana.

When someone inevitably writes the book of what it was like to live through the past year, they might want to begin the story in Lake Charles. It's a port town of about 80,000 on the Gulf of Mexico. There's a lumber mill outside the city limits, and three casinos line the lake. The regional airport, which offers a few dozen flights a day to places like Dallas and Houston, employed hundreds of people until the pandemic.

COVID-19 hit Lake Charles like it hit so many other places. The lumber mill closed. The casinos laid off thousands of workers. Mayor Hunter doesn't have exact numbers, but he estimates the casino layoffs alone raised the parish's unemployment rate by a full percentage point.

As pandemic spring turned into pandemic summer, the mayor heard a common refrain among people he talked to: "What else could go wrong?" And that's when the storms came.

On August 26, Hurricane Laura made landfall with 150-mile-an-hour winds and entered the record books as the strongest storm to hit Louisiana since the Franklin Pierce

Administration. It was essentially a 30-mile wide tornado. Six weeks later, Hurricane Delta carved a similar path through the city, with less wind but more flooding.

By the time those major winter storms hit Lake Charles in mid-February, the mayor said, “No one was asking, ‘What else could go wrong?’ anymore.” The city had endured four federally declared disasters in twelve months. He’d put the question to his local FEMA representatives: “Had a city ever seen so many disasters in such a short time?” They didn’t think so.

It might be that Lake Charles has the unfortunate distinction of the most disaster-stricken city in the most disastrous year in recent memory. The region’s mortality rate shot up 25% in 2020, according to the mayor. “If the federal government can do something to help my city return to a semblance of normalcy,” he said, “they should do it.”

I don’t think Mayor Hunter is alone in feeling this way. Not many cities suffered as much as Lake Charles did during 2020, but all cities suffered. The pandemic infected their citizens, and its adjacent economic crisis inflected their finances.

Nearly two-thirds of Lake Charles’ tax revenue, for instance, came from sales taxes, and with the casinos and other businesses closing, they had to scale back. The mayor hit pause on building new infrastructure. I know many of your cities were forced to do the same. Others had to lay off workers. Compared to the start of 2020, there were 1.4 million fewer state-local-government employees by year’s end. And these weren’t dispensable employees. Most of them were teachers.

So, my guess is that there are many, many city officials who agree: If the federal government can do something to help their cities operate normally, we should do it. And my message to you is: That is not only a completely understandable request after such a horrific year; *it is also very good economic policy.*

THE CASE FOR THE AMERICAN RESCUE PLAN

There are no benefits to enduring two historic economic crises in a 13-year span, except for one: Our mistakes are fresh in our memories. We can learn from them.

During the Great Recession, when cities and states were facing similar revenue shortfalls, the federal government didn’t provide enough aid to close the gap. It was a profound error. Insufficient relief meant that cities had to slash spending, and that austerity undermined the broader recovery. One study concludes that for every \$1 local governments cut in spending

during a recession, there is a corresponding drop in GDP of more than \$1—and possibly as much as \$3.

But history does not need to repeat itself, and now I don't think it will.

Over the weekend, the Senate voted to pass the American Rescue Plan. Soon, the bill could be out of Congress and on its way to the President's desk.

To the many mayors and city officials who advocated for this bill: Thank you. I know your voices made a difference. They made a difference in the bill's passage, and now they will make a difference out in the country.

The rescue plan will fund a massive immunization campaign. It will ensure people are able to keep a roof over their heads and that unemployment insurance checks still come in the mail. And of course, the plan also includes \$350 billion to state and local governments so that we don't repeat the mistakes of the last recession.

In the coming days, our Treasury team is going to work to get this aid out as in the quickest way possible – and the one that produces the greatest impact. To do that, we're going to need your input and advice.

If we do our job, I am confident that Americans will make it to the other side of this pandemic – and be met there by some measure of prosperity. By the end of the year, I expect your city economies will resemble 2019 much more than 2020.

That's going to be a part of this bill's legacy – helping Americans endure the final months of this crisis.

But there's also another piece to it. I think that the passage of the American Rescue Plan will finally allow us to do what most of us came to government for – not simply to fight fires and resolve crises, but to build a better country.

After all, for so many people, simply returning to a 2019 economy is not sufficient – or even desirable. That year, despite strong labor markets, masked some deep structural problems in the economy.

People worry about a K-shaped recovery to this pandemic, but long before COVID-19 infected a single American, we were living in a K-shaped economy. Some people did very well. But many more did not. Men without a college degree had not seen their real pay go up in half-a-century. The same was true for Black Americans *writ large*. Even before the pandemic closed

daycare centers and moved school online, millions of women were being pushed out of the labor force, often due to the lack of affordable childcare.

And by the way, we should ask: Was it a coincidence that Lake Charles was hit with three freak storms in just twelve months? If we do not address the threat of climate change, I worry many American cities will live the Lake Charles experience in the back half of this century – with many federally-declared disasters each year.

Indeed, if we want the United States to remain a leading force in the late-21st century, then we are going to have to attack these challenges. That's the opportunity we're given with the passage of the American Rescue Plan: This law will see us through the immediate crisis; clear away the chaos in front of our eyes and, eventually, let us lift our sights to the future.

CONCLUSION

I've spent almost my entire life thinking about economics and how it can help people during hard times.

My father was a doctor in Brooklyn. He was also a child of the Depression. He had a very visceral reaction to economic hardship. When one of his patients lost a job or couldn't pay, it hurt him – and he'd tell us about it. Those remain some of the clearest moments in my childhood.

Economics is sometimes considered a dry subject, but I have always tried to approach my science the same way my dad approached his: as a means to help people. I have always tried to see the humanity beneath the numbers.

And that is why, for as long as I am in this office, you have an ally at the Treasury. Because your work – the work of the city – is often where those two things meet. Economic policymaking finds its humanity in the city budget; in the hiring of teachers and the building of infrastructure. It's in the ribbon cuttings.

When I spoke to Nic Hunter, he said that for obvious reasons, there hadn't been many ribbon cuttings in Lake Charles recently. But the day after he had two – one for a chiropractor's office, another for a mortgage company.

I know ribbon cuttings are usually ho-hum work. But when my team followed up with the mayor, he said the events had been more emotional than he'd ever expected. And I think all of us are going to experience that feeling this year: how meaningful it feels to build something back.

If 2020 was defined by surprise at what else could go wrong, I hope this year we're defined by surprise at what else feels so right.

Thank you very much.

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