

## U.S. DEPARTMENT OF THE TREASURY

# Remarks by Secretary of the Treasury Janet L. Yellen on A Better Deal for Americans to The U.S. Chamber of Commerce

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*As prepared for delivery.*

Thank you, Suzanne, for the introduction and for hosting this important forum. The Chamber of Commerce has been a leader in responding to the pandemic and promoting a global recovery. I look forward to continuing to work with you and the private sector to realize the Biden Administration's vision for a better American economy.

## INTRODUCTION

Anyone observing the United States in recent years would see striking contrasts across our economic landscape.

We have been the largest economy in the world for over a century and our national income has risen steadily. Yet in recent decades, a rising share of that income has gone to profits and disproportionate wage gains at the top, while middle-class families have faced wage stagnation.

We are a global leader in innovation and home to the world's top universities. We recently flew a helicopter on Mars. Yet visitors from abroad might be excused for concluding that that their airports, trains, and highways are more modern and better maintained.

We have world-class capital markets, financial institutions, and angel investors who can muster funding for the most novel and ambitious projects. Yet many families are not able to finance a home, save for their children's education, or save adequately for their retirement.

So, it is understandable that many Americans feel left behind. More and more are expressing their discontent. They are right to do so.

Our country has experienced discontent before, notably in the late 1800s when huge disparities emerged across the economy in the wake of the Industrial Revolution. The short-lived populist party in its first political platform proclaimed:

“The people are demoralized... The fruits of the toil of millions are badly stolen to build up colossal fortunes for a few, unprecedented in the history of mankind.”

Fortunately, what followed that wave of populism was a progressive movement led by people willing to think big and act big to address longstanding flaws in our system. They created a new, more equitable and stable order. In the years just before and after World War I, they introduced a progressive income tax, strengthened anti-monopoly laws, created the Federal Reserve, and provided women the right to vote. Then, amidst the Great Depression, the New Deal created Social Security, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, and the Fair Labor Standards Act. That legislation, some of it controversial in its time, continues to provide opportunity, assurance, and stability that Americans count on every day.

The question today is whether we too can think big and act big. The American people are already doing this with their innovative spirit, their tireless efforts to not just make ends meet, but to improve the lives of their families.

Today, I will talk about how the Biden Administration is setting out to do our part—to tackle unaddressed problems that have built up over several decades, improving our economy in ways that will benefit our children and grandchildren. Americans are known for optimism and the ability to achieve what we set our minds to. I have full confidence that we are up to the task.

## **TACKLING UNADDRESSED ISSUES**

### **Our first problem from day one was COVID-19.**

We have experienced a tragic loss of lives over the last year—and also the loss of jobs and livelihoods. By nearly every measure—health, income, wealth, or job loss—lower-income populations have been the hardest hit, with women and people of color facing the worst outcomes.

So, our immediate priority was to end the pandemic and address its economic ravages. Securing the production and distribution of vaccines in the United States has been a monumental and a successful effort.

Beyond vaccines, our goal was to pass the American Rescue Plan to help Americans reach the end of the pandemic with their family finances intact. Because of this support, our

country is now unlikely to suffer the kind of long-lasting impairment that we saw after the global financial crisis when foreclosures and bankruptcies weighed upon the economy for years. The IMF projects that this legislation will allow our economy to regain its pre-pandemic size this year and even regain its pre-pandemic path by next year. We are ahead of other advanced economies in this regard.

At the same time, ending the pandemic gives us the opportunity to shape our recovery and tackle our most pressing socioeconomic challenges.

## **That brings me to the second problem—our long-standing underinvestment in public infrastructure and institutions that drive productivity and support workers and families.**

To address this, I believe we must reorient our framing of U.S. fiscal policy. For decades, the prevailing focus has been on the need to decrease and then limit the size of government as a share of the economy. Within that framing, there has been broad bipartisan support for ensuring that defense expenditures respond to U.S. security needs and for protecting entitlement spending, which has increased with rising healthcare costs and population aging. Discretionary spending has been compressed as a consequence.

Exceptions have been made, most often in the form of temporary support for the economy following shocks and in times of recession, both through spending increases and tax cuts. But ambitious and valuable initiatives like the Affordable Care Act engendered enough controversy to foreclose at that time the possibility of broadening the agenda.

This approach to U.S. fiscal policy, founded on a distrust of government motives and effectiveness, along with resistance to higher taxes, has had profound effects on our nation and our people.

We haven't maintained our infrastructure let alone modernized it. We haven't sufficiently supported public research and development to ensure that America will maintain its technological edge. We haven't embraced the investments in education and training that we need to keep up with technological change and to compete in the international marketplace as we once did. And we haven't built support systems for families to improve child health, education, and well-being, and provide adequate childcare.

That is why the President proposed the **American Jobs Plan** and the **American Families Plan**. These policies will promote a dynamic economy with greater opportunity for workers, higher living standards, and, over time, reduced inequality.

Public investments not only create good jobs, they also increase the value of our existing resources. The Jobs Plan proposes a range of productivity and profitability-boosting public investments totaling \$2.2 trillion over the coming ten years—about three-quarters of one percent of GDP—a large number but an achievable one. The Jobs Plan will build and modernize physical infrastructure like bridges and roads. But there will also be investments in an infrastructure for the future: broadband, research and development, public transportation, modernized schools, and a more expansive network of child-care providers.

We know that, like any private sector investment, the payoff to any one infrastructure project is uncertain. But what we propose is a portfolio of public investments that together will have a significant positive payoff directly to the American people: to workers, and entrepreneurs—whether in convenience, connectivity, educational opportunity, productivity, or business efficiency.

Alongside the Jobs Plan, we are proposing to fundamentally reform the corporate tax system. That will help offset the cost of the proposed public investments. With corporate taxes at a historical low of one percent of GDP, we believe the corporate sector can contribute to this effort by bearing its fair share: we propose simply to return the corporate tax toward historical norms. At the same time, we want to eliminate incentives that reward corporations for moving their operations overseas and shifting profits to low-tax countries. As part of this effort, we are working with our international partners on a global minimum corporate tax to stop the race-to-the-bottom.

We are confident that the investments and tax proposals in the Jobs Plan, taken as a package, will enhance the net profitability of our corporations and improve their global competitiveness. We hope that business leaders will see it this way and support the Jobs Plan.

**The third problem is that we have failed to meet the looming threat of climate change and we risk falling behind in the race for new low-carbon technologies.**

We know that climate change poses an existential threat, but we also know that it presents a historic economic opportunity for those companies, industries, and countries that seize the mantle of leadership and drive the transition to a global low carbon economy. Unfortunately, in recent years the federal government largely ignored the problem, while ceding economic leadership to other countries. For example, solar and wind are already the fastest growing segments of the global energy market, but China has taken the lead in both and is racing ahead in developing battery storage technologies as well. Our disadvantage deepened over the last four years with our exit from the Paris Agreement, the removal of dozens of important environmental protections, and our underinvestment in technologies of the future. We are now less prepared than we ought to be for the increasingly frequent and deadly impacts of climate-related weather events and less equipped to lead the global economic transformation underway.

This Administration is acting and will make up for lost time. The **American Jobs Plan** responds to the climate change challenge by investing in new energy infrastructure and supporting research and development that will incentivize innovation in renewable energy technologies. We also need to protect our energy infrastructure against malicious cyber threats. The transition to a greener economy will provide a multi-decade boost to the economy, creating jobs along the way as the private sector participates in the development of new technologies, new investments, and the new products that will drive the global economic transformation.

**And finally, the fourth problem is the absence of attention to the long-standing impediments and inequities that limit opportunities for social mobility and make everyday life more challenging for many Americans.**

Workers, particularly lower-wage earners, have seen wage growth stagnate over several decades, despite overall rising productivity and national income. There are several contributors to this troubling trend, but one important factor is an erosion in labor's bargaining power. This partly reflects a decline in unionization and the real minimum wage along with a marked increase in outsourcing, both domestically and globally. Moreover, a large share of the growth in labor income that has occurred has accrued to the top 10 percent of workers in the wage distribution.

These trends have resulted in growing inequality and divergence in wealth—a preservation of racial wealth gap and a hollowing out of the middle class. Combined with rising costs for

childcare and healthcare, increased work stress, and riskier retirements without pensions—we have seen a widening in gaps in measures of wellbeing, such as life expectancy, deaths from suicide and drug overdoses, and social isolation.

The Biden Administration has crafted the **American Families Plan** to address the troubling trend of rising inequality by providing a strong foundation for opportunity and inclusion. The Families Plan proposes major investments in education, childcare, and the care economy. As recent research shows, investment in early childhood education is one of the highest-paying long-term investments we can make, and over time will produce payoffs that far exceed the initial costs.

The Families Plan also aims to provide people the support they need to be effective employees, while fulfilling their responsibilities at home. Investment in early childhood care can be an important determinant of labor force participation—one of the key drivers of economic growth. Paid leave, similarly, can support increased labor force participation. Expanding these programs is a critical step in reversing the ongoing divergence in labor force participation rates in our country versus other developed countries.

In addition, a versatile education system that is closely tied to local labor markets should be a cornerstone of any 21st century public investment program. That begins with our commitment to making community college free for every American.

The plan also contains a series of meaningful expansions in the earned income tax credit, the child tax credit, and the child and dependent care tax credit that will collectively provide greater economic security to workers and families who have too often not felt the benefits of economic growth in decades past. All told, the Families Plan will transform our fight against childhood poverty and provide unprecedented support to low-income and middle-class families.

The American Families Plan will be paid for by a series of tax reforms that ensure that wealthy individuals are paying their fair share. And we seek to address the rise in tax evasion, which has stacked the deck for decades against responsible and compliant taxpayers.

## **AMERICA AS A LEADER IN THE WORLD ECONOMY**

The initiatives I just outlined are necessary to reshape the American economy, maintain our strong contribution to the global economy, and continue American leadership in the future.

Of course, our well-being is inextricably linked to the fortunes of the rest of the world, for better or worse. A prosperous and stable global economy will bolster U.S. economic growth and job creation, as consumers around the world will want to buy American goods, made by American workers. Treasury is working closely with our international partners as we continue to fight the pandemic and ensure strong global growth, mitigate the worst effects on the world's poorest countries, and tackle generational global issues like climate change. Yet there is a growing risk of fragmentation of the global economy evidenced by market-driven regionalization and the rise of regional global value chains.

America needs to have a strong presence in global markets. We will fight for a level playing field for trade and investment, and we will confront adversaries who take advantage by ignoring or abusing rules and norms of behavior.

At the same time, we should embrace competition abroad as we embrace it at home. Let others innovate and advance. Let us seek to advance faster and further. We ultimately benefit from the positive spillovers of innovation wherever it occurs. As in any competition, if you lose one contest, you work harder to win the next. The better the competition, the stronger you will get. That has been the American way.

## CONCLUSION

To conclude, it is the time to recommit our government to playing a more active and smarter role in the economy. The Administration's planned actions are not fiscal stimulus in the way we have seen in the past. Nor are they intended to target a particular size of government. Rather, we're proposing smart investments—to make our economy more competitive and sustainable, to provide opportunities for all families and workers, and to make our tax system fairer.

So, let us think big. Let us redouble our efforts to create opportunity, social mobility, and ultimately widespread and sustainable prosperity now and for our children's children.

In the hit musical, as Alexander Hamilton approached death, he ponders the question what is a legacy? He answers: "It's planting seeds in a garden you never get to see."

Let's build back better together—and build something that lasts for generations. We Americans deserve a better deal.

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