

# Secretary of the Treasury Janet L. Yellen Touts Build Back Better Act and Bipartisan Infrastructure Bill at the University of Nevada–Las Vegas (UNLV) Center for Business and Economic Research Outlook Conference



November 9, 2021

WASHINGTON - Today, U.S. Secretary of the Treasury Janet L. Yellen delivered remarks at the University of Nevada-Las Vegas (UNLV) Center for Business and Economic Research Outlook Conference. In her speech, Secretary Yellen highlighted the Infrastructure Investment and Jobs Act - the once-in-a-generation investment in our nation's infrastructure that will grow our economy sustainability and equitably.

In her prepared remarks, Secretary Yellen said:

“On Friday night, Congress rendered a final and favorable vote on President Biden’s infrastructure bill, which will soon be signed into law. This kind of infrastructure bill – something on the scale of the project to build the Interstate Highway System – has been the ambition of lawmakers for a long, long time. Now it’s finally happened. [...] Built Back Better is the biggest investment in American infrastructure since Eisenhower built the Interstate Highway System.

There’s a somewhat famous historical anecdote about a 28-year-old Lieutenant Colonel Dwight Eisenhower and how he participated in one of the first cross-country roadtrips. This was 1919. An army convoy left Washington, DC on July 7. It reached San Francisco 62 days later, in mid-September, during which time various vehicles broke down along dirt roads, collapsed wooden bridges, and had to be towed by horses. It impressed upon the young Eisenhower that a modern economy could never be built with the current infrastructure and made him see, as he later wrote in his autobiography, “the wisdom of broader ribbons [of road] across the land.

Well, we have lived our own version of Eisenhower’s cross-country trip during the past 20 months. The pandemic has shown us that our current infrastructure is not fit for a modern economy.

One of the more memorable articles I read during the pandemic was about students from Orrum, North Carolina, who would regularly drive to a McDonald's parking lot. They'd go there to do their classwork because they were some of the millions of Americans who can't access high-speed broadband at home – and McDonald's was the nearest place with WiFi.

Remote work and study aren't going away after the pandemic. The internet is now a crucial public utility, essential for success in American life, and an economy where fast-food chains are the best providers of that utility is not a healthy economy. High-speed internet has to be a public good, and that's what Build Back Better makes it. The law funds a nationwide project to connect every home to broadband. [...] And all of those are included in the bill that passed on Friday. America's businesses will find it much easier to connect with markets abroad.”

### *Full Remarks as Prepared for Delivery*

Hello everyone. This is Janet Yellen, and I want to thank UNLV for the chance to share a few thoughts today. I also want to thank the economics faculty, students, and other members of the UNLV community for sending along some very smart questions. I'm going to try to answer a few in my remarks today.

But first I have to say: Your timing for this outlook conference is quite good. The past two weeks have been momentous for fiscal policymaking, easily the most consequential weeks in recent memory.

On Friday night, Congress rendered a final and favorable vote on President Biden's infrastructure bill, which will soon be signed into law. This kind of infrastructure bill – something on the scale of the project to build the Interstate Highway System – has been the ambition of lawmakers for a long, long time. Now it's finally happened.

Then, there's a second piece of legislation, following close behind the infrastructure bill, the so-called “reconciliation bill.” This is the one that includes investments in childcare, in education, in sustainability. The House is on track to pass it later this month before The Senate takes it up.

Of course, anything can happen. No legislation is final until the ink of the President's signature is drying on the paper. But I am optimistic, and I think it is worth beginning to place this pair of laws into its proper historical context.

“History” really is the right word. I've been involved in economic policymaking for nearly fifty years, and I've seen many people compare many legislative proposals to The New Deal and

The Great Society. But nothing has come as close as these two pieces of legislation, which we collectively refer to as President Biden's Build Back Better Agenda.

Build Back Better is on par with past groundbreaking legislation for how significantly it will grow the economy; for how directly it will impact the everyday lives of working Americans, lowering costs and cutting taxes for them; and for the number of ways that it does these things.

In fact, if you were to parse through and unpack both pieces of legislation, you'd find at least five history-making measures in their own right; the kind that only happen once every few decades, and in some cases, once every century.

That's what I want to talk about today. I can't cover every aspect of the twin bills in our limited time together, but I do want to spend a few minutes going through each of those five historic measures and what they mean for our medium- and long-term economic outlook (as well as talking about how these measures are fully paid for).

First, let's talk about what happened on Friday night. Built Back Better is the biggest investment in American infrastructure since Eisenhower built the Interstate Highway System.

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are the best providers of that utility is not a healthy economy. High-speed internet has to be a public good, and that's what Build Back Better makes it. The law funds a nationwide project to connect every home to broadband.

There is ongoing debate over what qualifies as infrastructure. I won't wade into that here, except to say that broadband unequivocally qualifies, as do investments in transit and supply chains – ports, and airports. And all of those are included in the bill that passed on Friday. America's businesses will find it much easier to connect with markets abroad.

Build Back Better is also the most significant improvement in sixty years in how we care for people in this country. Especially children.

Today, roughly half of Americans live in child care deserts," areas where there's only one daycare spot for every three kids. The child centers that do exist are often in disrepair, operating on razor-thin margins, with workers whose wages keep them at the edge of poverty.

This is not only a profound moral failure, it is also a profound economic failure. A lack of affordable childcare has contributed to the decline in prime-age labor force participation, especially among mothers. One study found that from 2018 to 2019, 2 million parents of young children had to quit a job, not take a job, or greatly change their job because of problems with childcare.

For these reasons, Build Back Better finally treats the work of caring for families as what it is: not some social issue, separate and apart from building a strong economy, but as the foundation of a strong economy. It not only ensures older Americans have access to good home care, it invests deeply in young families.

- The bill ensures access to high-quality childcare, in part by incentivizing workplaces to build daycare centers, and puts a cap on how much families pay for it. Right now, the average family has to spend about 13 percent of their income on childcare, more than they spend on food. Build Back Better would cap the cost at 7 percent.
- It also guarantees universal pre-K for every child. Thirteen years of schooling – K-through-12 – has been the norm for 90 years. Now, we're giving families the ability to sign their 3 and 4-year-olds up for two more years.
- Another way it improves care – albeit indirectly – is by extending the expanded Child Tax Credit, which provides 39 million households up to \$3,600 in tax cuts per child. The bill

also permanently makes the Child Tax Credit fully refundable, meaning that the neediest families will continue to receive the full Child Tax Credit over the long-run.

The third way Build Back Better makes history is climate. These bills are our country's largest-ever investment in reducing carbon emissions. The reconciliation bill alone contains more than half-a-trillion dollars to green our economy, while the infrastructure bill includes funding for major projects, like dotting the American landscape with 500,000 electric vehicle charging stations. We think it will accelerate the adoption of electric vehicles in the same way that the building of gas stations enabled cross-country travel.

That is not to say Build Back Better will solve climate change, full stop, or that's its final word on how this administration will fight climate change. It's isn't. But as far as first steps go, these are giant leaps. Altogether, Build Back Better will prevent an enormous amount of carbon from being pumped into the air – more carbon, we project, than the Amazon Rainforest sucks out of the atmosphere each year.<sup>[1]</sup> Our goal is to halve US emissions by 2030, and these investments, we think, will get us a significant part of the way there.

The fourth history-making measure is how we pay for the previous three: Build Back Better is one of the most significant tax reforms of the past half-century. It makes our tax system much fairer, in large part through a focus on compliance.

America effectively has two tax systems – one for the wealthy and one for everyone else. The vast majority of Americans already pay what they owe because they get a W-2. The employer sends the IRS the same form it sends employees. Taxes are deducted from paychecks, and employees pay what they owe.

But for the wealthiest Americans, who aren't wage or salary workers and earn income via opaque ways – like proprietorships – the tax system is essentially the honor system. The government doesn't have the equivalent of a W-2 to verify that they're paying their full bill. This is a large part of the reason that fifteen percent of taxes owed to the federal government are not collected.

We had expected that over the next decade \$7 trillion dollars would fall through the cracks of our tax system in this way but Build Back Better includes \$80 billion so the IRS can go after wealthy tax evaders.

In the batch of questions I received ahead of this event, I saw that Professor Malamud asked about wealth tax proposals, particularly those advanced by Berkeley's professors Emmanuel Saez and Gabriel Zucman. While those specific proposals did not make it into the bill, the bill

does make the tax code substantially more progressive. Our compliance efforts to ensure wealthy people pay what they owe will raise an estimated \$400 billion – and that’s probably a conservative projection. Another \$400 billion will come from closing loopholes utilized by wealthy taxpayers; and another \$200 billion through a surtax on the country’s highest earners, people making more than \$10 million a year.

All told, we expect the revenue raising and savings provisions in the plan to generate more than \$2 trillion, and they do that without raising taxes on those making less than \$400,000 a year at all. In many cases, people will see a tax cut.

An important piece of that \$2 trillion will come from what I consider to be the fifth and final historic aspect of Build Back Better: It includes the most significant international economic agreements so far this century.

More than 130 countries, representing nearly 95% of global GDP, have now agreed to change how multinational corporations are taxed, in part by imposing a minimum tax on their foreign earnings. Build Back Better would ensure that agreement is reflected in US law.

Our international tax system is long overdue for an update. It was designed for the global economy as it existed in the 1920s and since then, tax competition among nations has created a beggar-thy-neighbor approach to government policy, where working and middle-class people around the world lose.

It works like this: In an attempt to lure production and business to our shores, countries, including the United States, lower corporate rates. But that tactic has a fundamental flaw: When America lowers its rates for the purpose of attracting business, other nations see it. They can lower their rates in response to undercut us – and they have. In this way, we become trapped in a global race to the bottom to see who can lower their corporate rates further and faster.

The US has not won this race. Not only do lower corporate rates ultimately fail to attract business, they erode our tax base, leaving us less revenue to invest in the core ingredients of economic growth: infrastructure, childcare, R&D.

The new tax deal pulls the United States out of this race to the bottom and enters us into a new and more productive form of competition. With a global minimum tax of at least 15 percent, there’s no incentive left for nations to try to undercut each other. Instead, nations will be forced to compete on the real metrics of strong economy: Who has the most skilled workers? The strongest infrastructure? The most cutting-edge-R&D.

Peter Grema, a senior studying economics, had sent me a question about this deal: “Will a global minimum tax help address some of the wealth disparities at home?”

Peter, the answer is a definite “yes” because these new competitions are ones we can win, and the revenue we generate from this tax will be re-invested in all the programs I described today to help working families.

So, those are the five ways Build Back Better makes economic history. The bills contain:

1. the biggest investment in modernizing American infrastructure since Eisenhower and the Interstate;
2. a revolution in how we how we care for children;
3. the country’s largest ever investment in fighting climate change;
4. one of the two or three most consequential tax reforms of the past 50 years;
5. a historic overhaul of the international tax system

Any one of these measures would reorient our medium- to long-term economic outlook in much more positive direction, but together they do something far more transformative.

One of the questions I received was from Professor Emir Malikov, who wrote, “Following the Great Recession, accelerated productivity growth was short-lived and faded away. Are you optimistic,” he asked, “[that this recovery will be] different and that we will be able to sustain higher rates of productivity growth at least in the medium term?”

A few weeks ago, I would not have been as certain, but to answer the question, I am optimistic now. I do believe that the passage of these pieces of legislation will lead not only to higher rates of productivity but to positive changes across a wide array of metrics: They will increase the size of our labor force and expand the productive capacity of our economy. These investments, we expect, will lead to a GDP increase over the long-term without increasing the national debt or deficit by a dollar. In fact, the offsets in these bills mean they actually reduce annual deficits on net over time.

But more important than what Build Back Better will do to macroeconomic measures is what these new laws will do to the economy as people experience it every day. About this time forty years ago, I had just started returning to work after my husband and I had our son, and I think about couples that are in a similar position right now – and what these bills might mean for them. They’ll be able to find great childcare and spend far less of their budget on it. In a few years, their kids can enter a good, free pre-school, which we know confers all sorts of benefits to kids later in life. Kids who attend pre-K tend to do better in

later grades; they're more likely to graduate high-school and college and find higher-paying jobs once they do. And those kids will live in a world where climate change is not as urgent of crisis as it is today because we made the investment to keep Earth a livable, thriving place

More than anything else, government officials tend to invoke future generations – our children and grandchildren – as their reasons for doing things. And I don't think it's controversial to say that, today, many young people greet those sentiments with an eyeroll. There's a broad feeling that past generations, having climbed the ladder, pulled it up behind them.

That is the feeling, at least, and I don't think it's entirely unwarranted. But I do hope that these twin laws, in time, render it somewhat diminished.

I hope the students of UNLV and young people across this country come to see Build Back Better for what it is – an attempt to pass forward an economy and a country with strong foundations; and that it made that generational handoff with some measure of success.

Thank you for having me.

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[1] <https://www.science.org/content/article/amazon-rainforest-ability-soak-carbon-dioxide-falling>