

U.S. DEPARTMENT OF THE TREASURY

Remarks by Deputy Secretary of the Treasury Wally Adeyemo at the Aspen Economic Strategy Group's Rebuilding the Post-Pandemic Economic Recovery Event

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WASHINGTON — Deputy Secretary of the Treasury Wally Adeyemo delivered the following remarks at the Aspen Economic Strategy Group's Rebuilding the Post-Pandemic Economic Recovery event.

As prepared for delivery

Thank you very much to the Aspen Economic Strategy Group for inviting me to join you for this important conversation.

As a former member of the Economic Strategy Group, I am well aware of this group's ability to produce and disseminate powerful ideas that will help create shared, lasting prosperity.

I first joined the Department of the Treasury in February 2009, in the midst of the Great Recession. Real GDP peaked in the second quarter of 2008, returning to pre-crisis levels only after two and a half years. The unemployment rate was 8.3 percent, and we now know it would take approximately a decade to return to pre-recession level, leaving millions of Americans struggling for far too long, creating the type of scarring that has long-lasting impacts.

This Administration has taken that experience and its lessons to heart. President Biden's response to the pandemic was designed to get our economy back on track sooner and keep American families and businesses whole until we reach the other side of the pandemic.

Looking at where we stand today, I believe that approach is succeeding. At no point during this crisis did personal incomes fall below their pre-crisis level. We reached our pre-pandemic GDP level last quarter—in half the time it took after the Great Recession. And after peaking at 14.8 percent last year—higher than at any point during the financial crisis—the unemployment rate now stands at 4.6 percent, the same level it took nearly ten years to reach after the last crisis.

This is not to say we don't face further challenges as we recover from a once-in-a-century pandemic—we do. We are acutely aware that pandemic-induced upward pressure on prices hurts American pocketbooks, with supply chain disruptions and labor shortages straining American businesses. The Administration is focused on taking steps to address the immediate effects of these constraints and invest in long-term capacity to prevent them from arising in the future.

Still, our path to full economic recovery depends on our ongoing efforts to defeat the pandemic. As President Biden has made clear, our best defense against the spread of new variants is to get vaccinated, get boosted, and to follow the advice of our public health officials.

Because of an unprecedented vaccine campaign, today, over 197 million Americans are fully vaccinated, and 82 percent of adults have received at least one shot. As a result, tens of thousands of businesses have reopened, and we've added more than 5.5 million jobs since January.

As we continue to work to end the pandemic, we must also take steps to implement policies that will allow us to build a post-pandemic economy that works for everyone. I would like to share a few thoughts on three critical economic issues we must address in order to ensure we are building an inclusive and competitive post-pandemic economy.

The first opportunity I want to discuss is the transition to a digital economy—the ongoing shift in economic activity to online markets, digitalization, and the technology sector.

Even before the pandemic, the digital economy was already driving economic growth. From 2000 to 2020, the share of U.S. adults who use the internet grew from just over 50 percent to 90 percent, and the share of U.S. retail sales conducted through e-commerce rose almost fourteen-fold. COVID-19 only accelerated this trend. From the first quarter of 2020 to the second, the e-commerce share of retail sales increased nearly 40 percent.

According to a survey of corporate executives, the pandemic accelerated the integration of information technology in their businesses by the equivalent of several years' worth of technology adoption in just a few months. We are likely still in the early days of this economic transformation.

The acceleration of this shift during the pandemic has underscored that access to high-speed internet is essential to economic opportunity. This is why the President made universal broadband access a key element of his agenda. The \$65 billion to deliver high-speed internet

to all Americans and close the digital divide contained in the Bipartisan Infrastructure Package has the capacity to transform communities in the same way the Rural Electrification Act of 1936 improved productivity in agricultural communities throughout our country.

As we have all discovered this year, the digital economy is dependent on goods like semiconductors. During the third quarter of this year, global sales of semiconductors increased 27 percent over the third quarter of 2020. And as the digital economy expands globally, this need will only continue to rise. The wide-ranging impacts of the current shortage of semiconductors, and other critical goods, has accelerated our focus on the need to build resilient supply chains. This is why the Administration has proposed incentives to boost domestic semiconductor production and other advanced manufacturing, as well as stood up efforts to address near-term supply constraints.

It is essential that as the digital economy grows, we take steps to make sure that all Americans have the ability to benefit from the prosperity the transition is creating.

The second opportunity that demands urgent action is climate change.

We know climate change is an existential risk with real economic consequences. Extreme weather events and climate disasters cost the U.S. approximately \$100 billion last year alone, and those costs are only rising over time. We know the public sector alone cannot make the investments needed to address the threat of climate change, which could reduce global output by 10 percent if we fail to meet our 2050 net-zero emissions target.

To date, private capital has not moved quickly enough to address this challenge and capitalize on this opportunity. We need decisive government action to create the conditions for transformative private investment—just as we have in the past, from DARPA's investments that led to the modern internet to Operation Warp Speed's acceleration of the path to COVID-19 vaccines.

That's why the President's Build Back Better proposal includes over \$550 billion to combat climate change and catalyze the private investment we need. For example, by offering tax credits for consumers to purchase electric vehicles—alongside the Infrastructure Deal's funding to build EV charging stations—we can crowd in private capital to support electric vehicle production. We are also committed to mobilizing additional resources for climate finance.

We must focus on ensuring that we make the transition to a net-zero economy in a way that allows us to address the challenges that climate change presents while also positioning us at

the forefront of the innovation and job creation this transition will catalyze.

The fundamental shifts facing our economy constitute an inflection point. If managed effectively, they offer a chance to reduce inequality and create an economy that works for everyone. If mismanaged, they risk further exacerbating our country's economic disparities.

Today, the top one percent of US households owns 32 percent of household wealth, while the bottom 50 percent holds less than two percent. Unfortunately, though perhaps not surprisingly, this disparity also falls along racial lines. The median wealth of white households is 7.8 times that of Black households and 5.2 times that of Hispanic households.

The cost of inequality falls most heavily on the most vulnerable — families who lose the roof over their heads to eviction or cannot put food on the table. But inequality also exacts a cost on all of us, holding back broad-based economic growth. Research suggests that if women, people of color, and low-income children had the same opportunities as high-income white males, the U.S. would have four times as many inventors as it does today—with those innovations adding to growth and productivity.

The President's economic agenda puts these disparities squarely in its crosshairs. This starts with a generational investment in America's children. The expanded Child Tax Credit enacted under the American Rescue Plan lifted 3.5 million children out of poverty, and the President's economic proposal calls for extending the expanded CTC and making it permanently refundable.

In addition, the President is calling on Congress to provide universal preschool for all 3 and 4-year-olds, the largest expansion in American public education in a century. These two policies will significantly reduce childhood poverty and improve educational outcomes for millions of American children.

Addressing inequality also requires us to take steps to reduce the barriers to the flow of capital to underserved communities. The Biden Administration is providing \$22 billion in capital through the Emergency Capital Investment Program and Small Business Credit Initiative, much of which will flow to underserved areas and communities of color. These federal investments will lay the groundwork to expand opportunities in these communities, but additional private capital is needed to help unlock their full economic potential. A number of private companies have taken steps to meet this challenge, but much more action is needed.

We also need to remain focused on affordable housing. The growth of housing supply in the United States has consistently undershot demand since the Great Recession, and the pandemic has only made this problem worse. This is why the President has proposed a number of incentives to increase the supply of affordable housing, and why this Administration is already providing tens of billions in assistance to renters and homeowners struggling due to the pandemic.

Finally, one of the most important things we can do to address inequality is to make sure our tax system raises the resources needed to build an economy that works for everyone. This means ensuring those that can afford to contribute more – especially corporations and those making more than \$400,000 a year – take on more of the burden of providing resources to fund everything from our military to expanding educational opportunities for our children and creating opportunities for those that have been left behind for too long. Today, corporate income tax revenue as a share of GDP is less than a third of what it was in 1960s. Federal revenues as a share of GDP have gone from 20 percent in 2000 to 16 percent in 2020. The President's tax proposals address these trends, and we look forward to the implementation of a number of these policies as part of the Build Back Better Act.

Let me conclude by returning to where I began. We know that challenges remain to restore the economy to secure footing. We are committed to tackling those challenges using the full array of our economic tools—from programs to help bring Americans back to work through vaccinations and childcare support to long-term investments in our infrastructure.

But as a look at where we stand today, I see the progress we have made as evidence that the lessons we learned from the last crisis put us on a stronger path to recovery in this one, and closer to when we can confidently say we are in the post-pandemic economy.

Thank you again.

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