

Remarks by Secretary of the Treasury Janet L. Yellen at the 90th Winter Meeting of the U.S. Conference of Mayors

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As prepared for delivery

Thank you, Mayor Suarez, and thank you all for welcoming me. More than that, thank you all for your tireless work over the past two years.

There have been few harder – or more crucial – jobs during this pandemic than being a mayor. Local governments have been the first line of defense against this pandemic, and as much as anything else, it has been the work of the city that has kept our recovery on track. That’s what I want to talk about today.

Almost exactly a year ago – 364 days this morning, to be precise – I was putting on a very large coat and getting ready to drive to the National Mall to watch President-elect Biden and Vice President-elect Harris take the oath of office.

It was a historic day for the country, but one that played out against the backdrop of real jeopardy:

Roughly thirty-nine hundred Americans would die of COVID that day – and the next. More Americans were applying for unemployment insurance than during the worst week of the

Great Recession, and millions of people said they didn’t have enough food to eat. Some economists were making dire predictions – that the pandemic would plunge our economy further into recession, with many more jobs lost.

Of course, such predictions never materialized. In fact, if somehow you transported a group of economists – including me – from that moment to today... and just showed us the current topline data... we would be quite thrilled. Unemployment is now at 3.9 percent – the sharpest one-year drop in the rate ever. GDP now exceeds pre-pandemic levels, and 2021 witnessed one of the biggest reductions in child poverty and child hunger in American history.

Yes, Omicron has presented a challenge and will likely impact some of the data in the coming months, but I am confident it will not derail what has been one of the strongest periods of economic growth in a century.

None of this was guaranteed. I think it's important we recognize that. There's a very real counterfactual where Omicron did derail our recovery; a scenario where the new variant hurdled our economy backwards towards its state on Inauguration Day 2021.

It's an important question to ask: Why didn't that happen?

Well, there are innumerable reasons. One, obviously, is that most of the country is now vaccinated. But it's also quite clear that you – that mayors – had something to do with it. The reason January 2022 is not January 2021 is, in large part, due to what's happening in local governments.

I think the best place to begin the story is 10 months ago, in March. That was the pivotal moment, a time where the future could've forked in different directions. In fact, it was the last time I spoke to many of you at a gathering of city leaders. The American Rescue Plan – or the ARP – had passed the Senate and awaited a final vote in the House.

Many of you had teleconferenced into various congressional offices to push the bill to that point and to make the case for one of its largest programs: The State and Local Fiscal Recovery Fund, \$350 billion dollars to help communities make it to the other side of the pandemic.

At the time, I think we all believed that state and local funding was important; that it was essential. In retrospect, though, that program in particular – and the ARP in general – proved absolutely essential. You can draw a straight line between the ARP's passage and our economic performance during Delta and Omicron.

As this group knows better than anyone, the first year of the pandemic decimated government budgets, forcing states and communities to layoff or furlough a collective 1.3 million workers.

These were the employees we rightly called “essential” – teachers, first responders, public health officials.

How would your cities be different if those essential workers stayed off the job? It's a question that probably has a very unpleasant answer. I think about the challenge schools are facing now, and then I imagine how they'd navigate that same challenge... but with hundreds

of thousands fewer teachers and other school staff. I expect that would've been the case without the ARP.

Of course, you are the experts, but it seems hard to overstate how quickly and completely the ARP changed the everyday institutions that keep our society working. Hawaii, for instance, had planned to furlough 10,000 employees, but on the day President Biden signed the Rescue Plan they cancelled the layoffs. Denver was able to rehire for 265 city staff positions left vacant because of pandemic-related cuts, while Wichita, Kansas is hiring for 161 jobs, everything from animal control officers... to security screeners... to street and park maintenance workers.

Many places have used the ARP funding not only to hire for public sector jobs, but to rebuild elements of the private sector that are essential to weathering pandemic. Columbus, Ohio, for example, is providing \$1,000-dollar signing bonuses for new teachers at childcare centers. They're also granting scholarships to low-income families so their kids can attend.

This, I think, is some of what the \$350 billion did: When Omicron started spreading around our cities, it did not find them broke and broken; it found them much readier to respond.

In some ways, the ARP acted like a vaccine for the American economy, protecting our recovery from the possibility of new variants. The protection wasn't complete, but it was very strong – and it prevented communities from suffering the most severe economic effects of Omicron and Delta.

Of course, the relief package did not predict when exactly those variants would emerge, but it did anticipate that our recovery would run up against some unforeseen barriers. The pandemic produced a highly unusual economic crisis – one tied not to the movements of markets but to the spread and evolution of microbes. The crisis could ebb and flow. It would hit different places in different ways at different times. The state and local fund was designed with that in mind, too.

Rather than one burst of money that could only be spent in certain ways, it called for sustained funding, and our Treasury team has worked hard so you can use the money as flexibly as possible.

Indeed, in response to Omicron, cities and states across the country have used ARP money to put on a clinic in quick and creative government. Many have provided extra support to vaccine campaigns. Others have built up their public health infrastructure. In recent weeks, Minnesota has authorized over \$80 million in ARP funds for everything from the distribution of rapid COVID tests to emergency surge staffing in hospitals.

Then are cities like St. Louis, which saw that two trends were colliding: the spread of new variants and the expiration of the nation's eviction moratorium. There was a risk that people were going to lose the roofs over their heads, something that would not only complicate our efforts to stop the spread but also complicate people's lives for years to come.

St. Louis had been busy dispersing dollars from the ARP's emergency rental assistance program, but also chose to use \$58 million of its state and local dollars to keep people in their homes and shelter those experiencing homelessness.

Today, eviction filings are 60 percent below their pre-pandemic levels in large part because of work like that. We've avoided a national eviction crisis because mayors like you have helped build the infrastructure to deliver over three million rental assistance payments into the pockets of renters.

In this country, we don't often recognize the crises that do not happen; we don't celebrate the bridge that doesn't collapse. But maybe in this case, we should. Last year, the first time I spoke to a group of mayors, I said that fiscal policy often finds humanity in the city budget. But in 2021, it may have been that our economy found its salvation in the city budget.

Of course, the job of fully implementing the ARP is not done yet, and our team is ready to continue working with you on projects from building affordable housing... to rehiring of educators... to the laying of broadband. But there's a good argument that without your work thus far – and without the Biden Administration's relief funding – we would be reliving something approximating the early days of the pandemic. And not just now, but for some time to come.

That was the lesson of 2008. 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. Cities had to slash spending, and that 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. After 2008, state government employment didn't recover from the Great Recession until 2019.

Today, I can state unequivocally: That history will not repeat itself.

More than just protecting and accelerating our recovery, I think that the passage of the American Rescue Plan finally allowed 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. It gave us a window to start building a better post-COVID world.

By helping us alleviate the immediate crisis, the American Rescue Plan created the environment for new, transformational legislation: the infrastructure bill, the biggest investment we've made since Eisenhower built the Interstate.

And congressional negotiations are ongoing regarding the Build Back Better legislation. While we don't know the final form this will take, it will revolutionize how we care for children in this country, invest in climate change, and overhaul the international tax system to ensure corporations pay their fair share.

Paired together, these pieces of legislation amount to a once-in-a-generation transformation of our economy. They will lead to higher rates of productivity, an expanded labor force, and greater GDP growth.

None of it would've been possible without the American Rescue Plan and your partnership with Treasury to implement it. I am forever grateful for your partnership during the last ten months, and I look forward to continuing to work with you over the years ahead.

Thank you for having me.

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