

# U.S. DEPARTMENT OF THE TREASURY

## Remarks by Secretary of the Treasury Janet L. Yellen at Ford Rouge Electric Vehicle Center

September 8, 2022

*As prepared for delivery*

Thank you for that introduction. It's great to be in Dearborn and, later today, in Detroit. As the global capital of the automobile industry, this region will experience significant growth and many good jobs from the recently enacted Biden economic plan.

I'd like to acknowledge Lieutenant Governor Gilchrist for hosting me here in Michigan today. Thank you to Senator Stabenow, whose leadership on many provisions of the Inflation Reduction Act and CHIPS Act made them a reality, including her critical work on the energy manufacturing tax credit. I'd also like to thank Senator Peters for his equally strong advocacy and leadership. Thank you, also, to the members of Congress who are here with us today – Congresswomen Stevens and Lawrence – who have worked very hard over the past few months on historic economic legislation. And I am grateful to the leaders at Ford for having me at this cutting-edge EV assembly plant.

As Treasury Secretary, over the past year and a half – among other things – I have been especially focused on addressing the pandemic-caused crisis. We have been rescuing the job market from the pandemic downturn and stabilizing the economy after its unprecedented disruptions.

The pandemic exposed our vulnerabilities, but our economy had long been suffering from soaring inequality, weak growth, and a sense of falling further behind for many – too many.

Sluggish productivity growth and declining labor force participation have weighed down our economic potential. And growing disparities in economic conditions across geographies and racial groups have exacerbated inequality. The pandemic and Putin's immoral war in Ukraine remind us of our vulnerability to global supply shocks. But beyond that, the threat of climate change looms very large.

Today, I will step back and describe the Administration's efforts to stabilize the economy amid a series of shocks and disruptions. We have brought the United States back to full

employment in record time.

Then, I will discuss the meaning, for the future, of the historic economic legislation enacted by this Administration. Taken together, the Bipartisan Infrastructure Law, the CHIPS Act, and the Inflation Reduction Act authorize among the most significant investments our country has ever made. I believe firmly that they will help us achieve stable, sustainable growth. And they will move us toward a fairer and more resilient economy.

## I. ECONOMIC STABILITY

When President Biden took office in January 2021, his immediate focus was to restore the economy while protecting Americans from the threat of a deadly virus. At the time of his inauguration, the pandemic had claimed over 400,000 lives.<sup>1</sup> And 3,000 additional lives were being lost each day.<sup>2</sup> Our public health crisis had triggered an economic calamity. The unemployment rate was over 6 percent with more than 800,000 new jobless claims, on average, per week.

It's important to remember the context for the President's actions. At that time, we faced unprecedented uncertainty about the fate of our economy. The truth is: in 2020 and 2021, the tail risk of the pandemic's impact on our economy was a downturn that could match the Great Depression. Our policy response had to sufficiently address all the potential outcomes. So the federal government intervened to keep businesses open, to keep Americans in their homes, and to keep local governments well-resourced.

Our plan has worked. Due to the American Rescue Plan and our vaccination campaign, the United States experienced the fastest pace of job creation in our history. Household balance sheets are strong. Businesses continue to invest. Our broad and inclusive recovery has outpaced that of many other large economies. And measured by gross domestic income, our economy continues to expand and is operating above levels that would have been predicted pre-pandemic.

It's fair to say: by any traditional metric, we have experienced one of the quickest economic recoveries in our modern history.

Now, Americans are rightfully concerned that higher prices are squeezing their day-to-day budgets and their longer-term savings. The causes of inflation are largely global. But the pain of inflation is personal. This Administration's top economic priority is to combat inflation, even as we know the Federal Reserve has the primary role to play in restoring price stability.

The President and his entire economic team have focused particularly on our supply chains and energy markets. Last year, when supply chain bottlenecks contributed to upward pressure on prices, the Administration worked with partners to recruit more truck drivers, to fund pop-up container yards, and to get several ports on 24/7 operations.<sup>3</sup> We also have released a million barrels of oil per day from our Strategic Petroleum Reserve. By Treasury estimates, the President's decision has reduced the price of gas by between around 17 and 42 cents per gallon this year.<sup>4</sup>

In markets where we could not help lower prices by expanding supply, we have aimed to mitigate the pain directly, through cost relief. The newly passed Inflation Reduction Act boldly reduces everyday costs for families across the country. Without the law, healthcare premiums would have spiked for millions of Americans in January. Instead, 13 million Americans will continue to save an average of \$800 a year.<sup>5</sup>

In coming years, Medicare will be able to negotiate, and thereby lower the price of high-cost prescription drugs. That corrects a market distortion that has placed excessive pricing power in the hands of pharmaceutical companies.

In sum, while costs to American families remain unacceptably high, I believe this Administration's actions have made a meaningful difference. And they will continue to do so.

## II. SUSTAINABLE GROWTH

As we continue to tackle inflation, President Biden has made clear: we cannot just return to the old normal. The recent trifecta of legislation our Administration has signed into law will strengthen the foundations of long-term growth at the core of our post-pandemic economy.

Earlier this year, I described many of these policies as “modern supply-side economics.” I described how, prior to the pandemic, higher inequality was accompanied by slower growth. Now, with an economy at full employment, we are uniquely suited for a supply-side expansion that delivers sustainable growth and reduces inequality.

Just over half a year after we introduced this concept, the Biden Administration has delivered on key aspects of the modern supply-side agenda. In doing so, we are making a generational investment in the strength of our economy and in the prosperity of our citizens.

In particular, I want to touch upon three economic impacts of the newly passed Biden economic plan. They are: expanded productive capacity of our economy; increased resilience to global shocks; and greater fairness for workers and businesses.

## A. Expanding the Productive Capacity of Our Economy

The Bipartisan Infrastructure Law, CHIPS Act, and Inflation Reduction Act will expand the productive capacity of our economy. They will raise the ceiling for what our economy can potentially produce. They will provide a historic injection of funding into investments that have been too-long neglected.

Economists have long stressed the importance of basic public infrastructure for economic growth. Yet more than 40,000 bridges<sup>6</sup> – and one in five miles of highways and major roads in America – are in poor condition.<sup>7</sup>

Our plan provides the funds to fix roads, ports, bridges, and public transit. People and goods will move faster – and with fewer bumps and costly supply-chain snarls such as the ones we have seen during the pandemic. These improvements will expand output. They will enhance the

productivity of American workers. Studies show that a 10 percent increase in government infrastructure investment grows national output by over 1 percent in the long run.<sup>8</sup>

Our plan will also bring high-speed internet to unserved and underserved communities across the country. During the pandemic, I heard heartbreaking stories about parents who drove each day to parking lots with wi-fi so their children could complete their homework online.<sup>9</sup> With this closing of the digital divide, more children will be able to complete their online schoolwork right at home. The economic opportunities for millions of Americans currently without adequate internet service will be broadened. Regardless of where they live, they will have access to new jobs or customers around the world.

Economists have also long underscored the contribution of investments in research and development to American productivity growth. While recent attention on the CHIPS Act has been focused on semiconductor manufacturing, our plan also authorizes tens of billions in federal government investment into research and development across a range of agencies.

This authorization could not come too soon: the United States now ranks tenth in the world in terms of R&D investments as a share of output. Over half a century ago, the federal government spent 1.9 percent of GDP on R&D, in part to fuel the race to the moon. In recent years, it has spent a third of that. The estimated cost of the retreat in public R&D is \$200 billion per year in lost economic output.<sup>10</sup> Meanwhile, competitors in China and the rest of the

world are marching forward. The Biden economic plan marks our government's intent to return to serious scientific research and innovation.

I've heard laments of the days when America built and America innovated. The Biden economic plan provides significant investments in the capacity of the American economy to do just that.

## **B. Building Economic Resilience**

The second critical impact of the Biden Administration's modern supply-side agenda is to improve American economic resiliency. Americans know the unsettling feeling of seeing empty new car lots – or volatile gas prices due to supply shocks beyond our control. Since the private sector does not always optimize their supply chain to consider external risks, government has a critical role to play.

We have become too vulnerable to countries like China using their market advantages in certain technologies or natural resources to exercise leverage against other countries for their own benefit. Our plan takes significant steps toward reducing these economic and national security risks. At the same time, we will maintain mutually beneficial trade and keep our deep ties with other countries. This begins with two sectors that are core to 21st century resilience: semiconductors and energy.

While semiconductors are found everywhere in everyday goods, the United States produces only 12 percent of semiconductors today. That is down from more than a third in the 1990s.<sup>11</sup> The impact of a chip shortage has recently been felt acutely across our economy. Factories have been idled and consumers have faced skyrocketing prices for cars and other goods that rely on chips as a key input.

Our plan, which is powered by the CHIPS law, provides around \$40 billion in incentives to onshore semiconductor manufacturing in the United States. That helps support the cost of investing here rather than elsewhere. There will be greater certainty in our increasingly technology-dependent economy. Progress has already been made: a number of semiconductor manufacturers have already announced expansions of their U.S. footprint since passage of the law.<sup>12</sup>

The past few years have also reminded us of our vulnerability to geopolitical and climate-related shocks. These shocks have increased in both frequency and scale. As I speak here, the southwest United States is in a “megadrought” – an ongoing 22-year drought that is the

driest period in over 1,200 years.<sup>13</sup> As part of our plan, the Bipartisan Infrastructure Law allocates around \$50 billion toward climate resilience and weatherization. It will protect farmers, homeowners, and communities against the increasing number and scale of droughts, heat waves, and floods.<sup>14</sup>

Given the existential threat posed by climate change, it is imperative that we address it. Our plan – powered by the Inflation Reduction Act – represents the largest investment in fighting climate change in our country’s history. It will put us well on our way toward a future where we depend on the wind, sun, and other clean sources for our energy. We will rid ourselves from our current dependence on fossil fuels and the whims of autocrats like Putin.

In policy terms, experts estimate this law puts the United States on a path to reducing emissions relative to 2005 levels by approximately 40% within the next eight years. That places President Biden’s goal of cutting our emissions in half by 2030 well within reach. While there is much more work to do, we can finally say to ourselves and to the world that we are on a path to a net-zero emissions economy.

I am proud that Treasury is at the forefront of implementing this plan. Today, countries representing around 90% of global GDP have made net-zero commitments by mid-century or soon thereafter.<sup>15</sup> By mobilizing private capital, the clean energy tax credits implemented by Treasury will propel our economy and workers to a leadership position in the fastest growing markets and technologies of today and the future, with positive spillovers to the rest of the world.

This includes the U.S. clean vehicle sector, where we can expect greater investment – and more good jobs, like the ones here at Ford – as we develop the supply chain here at home. Further, in the process of boosting domestic clean energy production, the law will support our energy security and insulate us from the type of fossil fuel-driven energy volatility that we’ve seen in the past year.

### **III. ECONOMIC FAIRNESS**

I want to end by speaking about fairness in the economy. To me, fairness is a goal of policy. And it’s a moral issue. But progress has been elusive: long before the virus arrived, we were living in an economy where wealth built upon wealth and a growing number of working families – and communities – were being left behind.

The modern supply-side policies that I spoke of are not just pro-growth. They are also pro-fairness. The traditional approach to supply-side economics – which focuses on providing tax incentives to owners of capital in order to boost private investment – has, in many cases, contributed to deepening income and wealth disparities. We saw that in the previous Administration’s signature piece of economic legislation – a tax bill that overwhelmingly benefitted the wealthiest Americans and biggest corporations.

In contrast, the modern supply-side agenda is concerned with a broad range of productivity-boosting investments and with a broad distribution across sectors, people, and places. It recognizes that investing in disadvantaged communities often results in higher returns on investment. And it boosts growth by tapping all our resources. In layman’s terms, this approach embraces the notion that some of the best opportunities for growth occur when we invest in people and places that have been forgotten and overlooked.

We know that a disproportionate share of economic opportunity has been concentrated in major coastal cities. Investments from the Biden economic plan have already begun shifting this dynamic. Given its manufacturing focus – and manufacturing’s reliance on strong infrastructure and supply chains – we expect to see dollars catalyze innovative investments across cities and towns that haven’t seen such investment in years.

As an example, to spur regional economic development, the Commerce Department will establish at least 20 regional technology and innovation hubs. They will be geographically dispersed with priority for underserved and underrepresented communities. Such dispersal of economic opportunity across the country will mean good new jobs in industries of the future. It will also lead to cascading economic progress for local communities that are so vital to the economic and social fabric of this country.

Beyond our growth strategy, the Administration is also focused on other ways to build fairness in our economy. That includes fixing the tax system.

With the President’s leadership, we secured \$80 billion of funding for the IRS. That reverses a decade of steep decline.<sup>16</sup> Billions of dollars will go toward tangible improvements that taxpayers will see when they interact with the IRS. We will have improved customer service; more answered calls; expedited return processing and refunds; updated computer systems; and simplified tax filings.

Furthermore, this funding will also help correct a two-tiered tax system by ensuring that large corporations and high-income earners cannot avoid paying the taxes they owe. The tax gap –



the amount of money that is owed but not paid to the IRS – is huge. It is estimated at \$7 trillion over the next decade. And it's disproportionately concentrated among high earners. These earners have more complex and opaque sources of income. And due to the IRS' resource constraints, they are very rarely audited. That means that an increased burden in funding our government and investing in our economy falls on working- and middle-class families that are doing everything right.

These resources will enable the IRS to increase audits of taxpayers at the high end and collect taxes from those who have not paid their full bill. I have made clear that this funding will not be used to raise audit rates relative to recent years for households making under \$400,000 annually. Rather, with the right technological infrastructure in place, audit rates for honest taxpayers will actually decline.

This funding will help the IRS to collect billions in revenue, which can be used to reduce the deficit, fund additional public investments, or lower taxes for working families. Combined with the corporate tax reforms in the law, this funding also represents some of the most significant steps we've taken in recent years to build a fairer and more effective tax system.

## IV. CLOSING

To summarize, the decisive actions taken by President Biden to vaccinate individuals and control the virus saved countless American lives. These lifesaving measures were accompanied by policies to revive and reinvigorate the economy. Over the past year and a half, the United States has experienced a historic jobs recovery; expanded our capacity for sustainable, resilient growth; and advanced economic fairness.

So – where do we go from here?

As we look to the fall and the months beyond, our Administration is ready to build on the achievements of the past year.

The most immediate challenge is to return to an environment of stable prices without sacrificing the economic gains of the past two years. To ensure our long-term economic stability, we must keep our public finances on sound footing. We will build on the momentum of the Inflation Reduction Act's corporate tax reforms to advocate for additional reforms of our tax code and the global tax system. This includes closing loopholes and returning tax rates for high earners and corporations to historical norms. By making everyone pay their fair



share, these reforms will provide our government with additional fiscal room to make critical investments.

We will also continue to support sustainable, resilient growth. In the coming months, we expect to see significant movements of private capital into growing industries, such as clean energy production and semiconductor fabrication. We will coordinate permitting reform across the government to speed up these investments while upholding bedrock standards and laws. We also understand the importance of reliable and sustainable sourcing of raw minerals and materials – such as polysilicon, lithium and cobalt, and iron and steel – as we build the chips, batteries, and infrastructure of the future.

We especially understand the urgency of investing in and expanding America's most valuable economic asset: our workforce. Programs like free community college and expanded workforce training increase the productivity of our labor force. Further, we must invest in structural reforms that increase our labor force participation rate. A wide body of research has shown that high-quality, affordable childcare and free preschool increase the likelihood that parents, particularly mothers, will participate in the workforce. They also provide lasting benefits on the outcomes of their children.

Lastly, we will continue to pursue economic fairness. The policies I have just outlined – from the tax reforms to affordable childcare – are powerful tools to level the playing field. But there is more. In particular, I believe it is a national imperative to increase the affordability of housing, which will confer substantial health, social, and economic benefits on low- and middle-income families.

Simply put, it should be easy – not hard – to put a roof over your head. Even as the Administration's policies prevented the tsunami of pandemic-related evictions that we had feared, we must continue advancing our coordinated government approach to expand the supply of housing.

For all there is left to do, I will say this: after the progress we have made over the past few months, I am more optimistic about the course of our economy than I have been for quite a while. We are headed in the right direction.

Thank you.

- 1 <https://www.nytimes.com/2021/01/19/us/politics/biden-inauguration-coronavirus.html>
- 2 [https://covid.cdc.gov/covid-data-tracker/#trends\\_dailydeaths\\_select\\_00](https://covid.cdc.gov/covid-data-tracker/#trends_dailydeaths_select_00)
- 3 <https://www.transportation.gov/briefing-room/dot-lays-out-actions-strengthen-supply-chains-and-revitalize-economy>
- 4 <https://home.treasury.gov/news/press-releases/jy0887>
- 5 <https://www.hhs.gov/about/news/2022/08/07/statement-by-hhs-secretary-xavier-becerra-on-senate-passage-of-the-inflation-reduction-act.html>
- 6 <https://www.bts.gov/content/condition-us-highway-bridges>
- 7 <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/28/fact-sheet-historic-bipartisan-infrastructure-deal>
- 8 <https://onlinelibrary.wiley.com/doi/abs/10.1111/joes.12037> (as cited in <https://www.whitehouse.gov/cea/written-materials/2021/11/15/the-time-is-now-to-modernize-u-s-infrastructure>)
- 9 <https://www.nytimes.com/2020/05/05/technology/parking-lots-wifi-coronavirus.html>
- 10 <https://www.whitehouse.gov/wp-content/uploads/2021/04/Innovation-Investment-and-Inclusion-CEA-April-23-2021-1.pdf>  

- 11 <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/21/fact-sheet-biden-harris-administration-bringing-semiconductor-manufacturing-back-to-america-2/>
- 12 <https://investors.micron.com/news-releases/news-release-details/micron-announces-40-billion-investment-leading-edge-memory>; <https://www.reuters.com/technology/qualcomm-globalfoundries-sign-pact-double-chip-manufacturing-2022-08-08/>.
- 13 [https://www.nature.com/articles/s41558-022-01290-z.epdf?sharing\\_token=mrpFQPUp8z-4F-l6jPhKfNRgN0jAjWel9jnR3Zotv0OkweMbawmVFM1UCLmLxuyBpGKtFJa1\\_BxzJ7UFQSQZ6Emv9HL6pPShd4a3-3wO3LD9oaV6S5ENjO429qQVjjCMtKbY32gFCcenz4I68d\\_9s470cKB61XvVL09PBRG\\_HtdZC\\_TP5UQtsWi-OewYIYYnwCyFFew3Hq-GLeCFscmRU8KbbVq0W-msEUuBlfaUdjw%3D&tracking\\_referrer=www.washingtonpost.com](https://www.nature.com/articles/s41558-022-01290-z.epdf?sharing_token=mrpFQPUp8z-4F-l6jPhKfNRgN0jAjWel9jnR3Zotv0OkweMbawmVFM1UCLmLxuyBpGKtFJa1_BxzJ7UFQSQZ6Emv9HL6pPShd4a3-3wO3LD9oaV6S5ENjO429qQVjjCMtKbY32gFCcenz4I68d_9s470cKB61XvVL09PBRG_HtdZC_TP5UQtsWi-OewYIYYnwCyFFew3Hq-GLeCFscmRU8KbbVq0W-msEUuBlfaUdjw%3D&tracking_referrer=www.washingtonpost.com)
- 14 [https://www.whitehouse.gov/wp-content/uploads/2022/01/BUILDING-A-BETTER-AMERICA\\_FINAL.pdf](https://www.whitehouse.gov/wp-content/uploads/2022/01/BUILDING-A-BETTER-AMERICA_FINAL.pdf) 
- 15 <https://zerotracker.net/analysis/net-zero-stocktake-2022>
- 16 <https://home.treasury.gov/system/files/136/The-American-Families-Plan-Tax-Compliance-Agenda.pdf> 