

Remarks by Deputy Secretary of the Treasury Wally Adeyemo at the Roosevelt Industrial Policy Forum

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As prepared for delivery

Thank you so much to Felicia and the Roosevelt Institute for inviting me to speak with you today. I especially want to thank Felicia for all her support for the Administration's work, including her new role as a member of Treasury's Advisory Committee on Racial Equity. As Secretary Yellen has said, it is important that we have a diversity of voices and perspectives around the table, and this committee will help ensure we do.

This gathering comes at a pivotal moment for our economy. Rarely has the federal government been responsible for implementing initiatives on the scale and breadth of those that President Biden and Congress have designed over the last two years. From infrastructure funding that will support projects like broadband access for all Americans... to investments in semiconductor manufacturing and development that will position us at the forefront of the 21st century economy ... to the most significant investment in American history to address the climate crisis, we are at the beginning of a transformation that will lead to a more resilient and secure American economy.

Two of these bills passed with bipartisan congressional support in both chamber of congress. And all of these initiatives enjoy support from a diverse set of stakeholders, including the business community and civil rights organizations. While these investments will be targeted to specific areas of need, their impact will benefit all Americans.

History has shown what we can accomplish when government commits itself to investments like these—from Eisenhower's funding of the Interstate Highways system, which economists estimate is worth more than \$600 billion real GDP annually^[1] ... to the Marshall Plan, which brought Europe's economy back from the brink and set the stage for some of the fastest growth in world history ... to Operation Warp Speed, which combined the best of public-private collaboration to deliver innovative vaccines that have saved millions of lives globally.^[2]



We know there are places where the scale of capital needed is so great that government investment is required. It is in those instances where the case for large scale public investment is the strongest—where government is uniquely situated to catalyze a new path toward economic prosperity. Today, I'd like to share some thoughts about our theory of the case when it comes to executing the investment President Biden has secured and deploying these historic resources.

Addressing inequality is a critical part of this approach – using the federal government's scale to unleash the economic potential of communities that have for too long faced barriers to their full participation is critical to building sustainable economic growth in this country. I spend the majority of my time at Treasury thinking about the national security challenges and opportunities we face as a country. These investments are where that thinking intersects with the economic policy aspects of my job. I know that America will be more competitive—and more secure—if every American is given the tools and opportunity to fully participate in our economy.

What Secretary Yellen has dubbed “modern supply side economics”—making investments to expand our labor supply, build our human capital, renew our public infrastructure, and enhance our economic capacity through R&D and green investments—are case in point. These investments will promote sustainable and secure economic growth and advance economic and racial equity. When we invest in the untapped potential of underinvested communities by expanding labor market opportunity and building infrastructure like broadband to empower these communities to fully participate in the modern economy, it boosts economic growth for everyone.

At a high level, the President and Congress have given us two different types of economic policy tools to pursue these goals. The first is direct financing—the ability for government to offer direct economic support to industries and companies critical to achieving our economic goals. The CHIPS Act is a great example of this tool. It includes \$39 billion in support for semiconductor manufacturing, research, and development that will incentivize American companies to invest in this essential technology and help seed the ground for the next generation of innovators. The CHIPS Act allows the federal government to put these funds to work and direct them to where they will have the greatest impact while crowding in additional private capital. This approach is already working: Earlier this week, Micron, a member of the Economic Opportunity Coalition that Vice President Harris announced this summer, is making an investment of up to \$100 billion to build a semiconductor manufacturing complex in upstate New York. This is an investment that Micron has made clear is only possible because of the CHIPS Act.



Now, some might say we should leave decisions like these to the private sector alone. But the pandemic taught us that fragile supply chains are a danger to our economic and national security, a danger the private sector cannot resolve on its own. Simply put, moments like these have reaffirmed the clear need for government to step up and fill the void.

In addition, in too many cases the private sector has shown itself unwilling to make capital intensive investments in marginalized communities, leaving their economic potential untapped. Our semiconductor investment has already led several companies to announce plans to make major investments in under-resourced communities, from Ohio to upstate New York.

We need to continue to focus on ensuring that the communities too often left behind when it comes to technological investment benefit from the CHIPS Act. That's why the CHIPS Act includes workforce and research investments targeted at both underserved geographies and institutions like Historically Black Colleges and Universities that will help broaden opportunity to enter STEM fields.

The second tool we are using to make these large-scale investments is tax incentives—the use of the tax code to provide economic support for activities that advance policy objectives and meet national needs. We have long used the tax code to promote our equity goals, through programs such as the Low-Income Housing Tax Credit, which has helped add roughly 3 million affordable housing units to alleviate our nation's acute housing shortage. The Inflation Reduction Act (IRA) will similarly help advance these goals. It includes roughly \$270 billion in tax incentives that will lower the cost of building out a clean energy economy. These incentives will catalyze trillions in private sector investment across clean energy production and related technology and manufacturing sectors.^[3]

While we know these investments will assist under-invested communities because low-income, rural and, working class communities, and communities of color often bear the brunt of climate change's effects, they also highlight how tax incentives can be used to build a more inclusive economy. The more-than one million jobs we estimate will be supported by the IRA's green provisions will benefit from strong labor protections—including incentives to adopt prevailing wage standards and hire qualified apprentices. In addition, the IRA includes a place-based tax credit for clean electricity energy facilities located in low-income communities, on Indian land, or as part of certain federally subsidized housing programs. This additional incentive will help ensure that these communities participate in building a clean energy economy and are able to directly benefit from the resulting economic opportunities.



Let me conclude by talking about the infrastructure through which these tools are often executed and through which the tax revenue generated by higher growth will be collected and distributed—the Internal Revenue Service. The IRS and its tax experts make sure these credits go to the people who need them and to companies helping to effectuate our policy goals. And they are the ones who collect the taxes we use to fund these investments—especially from corporations and the wealthy who for too long have not paid their fair share. Today, more federal incentives flow through the IRS than anywhere else in the federal government. The IRS touches every American household and business. And yet, for too long it hasn't had the tools it needs to provide the quality of service our citizens deserve.

That is why the Inflation Reduction Act is so crucial. It will allow the IRS to upgrade the 1960s technology it currently relies on. It will enable the IRS to administer the system of credits the IRA has put in place to turbocharge our transition to a green economy. This investment in the IRS is yet another way we are using federal investments to advance level the playing field—by renewing the essential infrastructure we use to deliver our policies.

However, this isn't just about implementation of tax credits. Every investment we make—including the direct economic support we provide under legislation like the CHIPS Act or through the Bipartisan Infrastructure Law—depends on our ability to collect revenue. For too long, the IRS hasn't had the resources it needs to perform that essential role. Every year, the top one percent of taxpayers underpay the taxes they owe by more than \$160 billion. If left unaddressed, the gap between taxes owed and taxes paid will grow to a total of about \$7 trillion over the next decade. That shortfall is driven primarily by high earners and corporations that accrue income in opaque ways that are difficult for an under-resourced IRS to detect.

This is hugely consequential as a matter of revenue-raising—but what gets lost sometimes is how important this is as a matter of fairness. If you're a regular American worker, you're already paying all the taxes that you owe—your taxes are automatically deducted from your paycheck. It's only if you are at the top of the distribution that you get to play by a different set of rules. The IRA's funding for the IRS will help put an end to this two-tiered system, advancing equity both now and in the future through the further investments financed by the revenue we are able to collect.

To take a step back, this is what equitable investments look like—direct economic support and tax incentives that give the federal government the tools required to make the investments our country needs to ensure all Americans have access to opportunity. Together, these investments will unlock trillions of dollars in private sector investment, which will result in an economy t

is stronger, cleaner, and more equitable. And our investment in the IRS will help ensure we can continue to deliver on these goals for decades to come, as our economy continues to evolve.

Thank you again.

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[1] https://www.nber.org/system/files/working_papers/w27938/w27938.pdf  .

[2] [https://www.thelancet.com/journals/laninf/article/PIIS1473-3099\(22\)00320-6/fulltext#:~:text=Findings,%2C%20and%20Dec%208%2C%202021.](https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(22)00320-6/fulltext#:~:text=Findings,%2C%20and%20Dec%208%2C%202021.)

[3] https://repeatproject.org/docs/REPEAT_IRA_Preliminary_Report_2022-08-04.pdf  .

