

Remarks by Secretary of the Treasury Janet L. Yellen on the Biden–Harris Administration’s Economic Agenda in Ohio

October 27, 2022

As prepared for delivery

Hello, everyone. I’d first like to thank Ethan and his team for hosting me. And thank you for letting me take part in the opening of your new center today. The work you are doing shows how we can build on our strong manufacturing roots to create a brighter future in America. With this new space, MAGNET is helping to incubate the next generation of innovators. It’s also exposing thousands of students to the good-paying manufacturing jobs that our economy is creating.

I’m glad to be in Ohio. It’s a fitting place to discuss our Administration’s efforts to strengthen the American economy and the manufacturing sector. Ohio is a birthplace of new American industries. It’s home to the Wright Brothers, who invented the first airplane. And Charles Kettering, the Dayton resident who created the world’s first automobile electric ignition. Even Thomas Edison was born just an hour from here.

During my two years as Treasury Secretary, I have been laser focused on two economic priorities. First: rescuing the economy from the depths of the pandemic and stabilizing it amid additional global economic shocks. And second: strengthening the foundations of our post-pandemic economy. Our economic plan – powered by three major laws enacted over the past year – constitutes among the most significant investments that we’ve ever made in the long-term strength of our economy.

Today, I will focus my remarks on President Biden’s economic plan, and how it will create resilient growth and an economy that works for all Americans. I’ll talk specifically about the core role of American manufacturing in our agenda. Over the past two years, our Administration has made significant investments in our country’s industrial strength. These investments will create good-paying jobs, make our economy more productive and resilient, and ensure that economic opportunity is shared broadly beyond our country’s coasts.

But first, let me speak about the state of the economy when we took office and the progress that we’ve made.

At the time of the President’s inauguration in January 2021, the United States was in the depths of the pandemic. The virus was claiming more American lives a week than it had at any other point since the onset of the crisis. The economic calamity was also massive. Over 800,000 new jobless claims were being filed in an average week. Given the severity of the economic downturn, our Administration took action: to support households, businesses, and state and local governments through a once-in-a-century public health emergency.

Two years later, we have experienced one of the quickest economic recoveries in modern history. Since President Biden took office, we have created over 10 million jobs. Manufacturing jobs are growing at their fastest pace since the 1980s. Nearly 700,000 manufacturing jobs have been added since early last year. And we’ve seen significant investments in American manufacturing, including right here in Ohio.



While these are promising signs, we still face challenges. Today, our economy faces high inflation and significant global headwinds. Americans are rightly concerned that rising prices are eroding their living standards, so our Administration's top economic priority is to bring inflation down. But even in the face of these challenges, our economy remains resilient, bolstered by President Biden's economic plan. That resilience is evidenced by today's GDP report, which shows solid real GDP growth in our economy in the third quarter. We are seeing ample signs of America's economic strength, despite global challenges like the impact of Putin's illegal war and successive waves of COVID. Our unemployment rate is at its lowest point in over 50 years. Household balance sheets remain strong. These signals are consistent with an economy that is shifting from a historically fast recovery to stable and sustained growth.

As our Administration continues to tackle our immediate challenges, we have also been focused on strengthening the long-term foundations of the American economy. I will now turn to the three pillars of our economic plan: expanding our productive capacity, bolstering our economic resilience, and creating an economy that works for all.

EXPANDING THE PRODUCTIVE CAPACITY OF OUR ECONOMY

Earlier this year, I delivered a speech calling for a "modern supply-side" expansion of our economy. With a labor market at full employment, I argued that the current moment was well-suited for a supply-side agenda that increases our economy's productive capacity. A country's long-term growth potential depends on, among other things, how many people we have working and the productivity of our workers. Concerted investments in both areas increase the ceiling for what our economy can produce.

Less than a year later, I'm proud to report that we've enacted key parts of our "modern supply-side" agenda. There are three major laws powering our growth strategy. The Bipartisan Infrastructure Law is modernizing our nation's physical and digital infrastructure. I'll speak more to that in a moment. The CHIPS Act is growing semiconductor manufacturing here at home. And the Inflation Reduction Act is our nation's largest-ever investment in clean energy – and will bolster America's leadership in the industries of the future for years to come.

Economic research has long established that investment in basic infrastructure increases productivity, attracts business activity, and is associated with higher rates of economic growth. Put simply, good infrastructure makes it easier to make things in America and ship our products to the world. Better freight rail allows goods to move from Point A to Point B with fewer disruptions. Modern roads, bridges, and public transportation help connect workers with training, education, and better jobs. Expanding our electric grid and broadband infrastructure help lay the foundations for modern industries like clean energy and digital technology.

Our economic plan invests in everything I just mentioned. But we also know that it's not enough just to fund infrastructure. We need to accelerate the pace at which we deploy these projects in order to maximize the economic benefits. This month, our Administration announced an Action Plan to efficiently deliver infrastructure that is "On Time, On Task, and On Budget."^[1] We are advancing our Permitting Action Plan to speed up investments while upholding bedrock standards and laws. We are also working with employers, labor unions, and training providers to build a robust talent pipeline of skilled workers in sectors like construction and electrification.

In sum, our investments in infrastructure will boost our economic potential. They will help build on the progress we've made in American manufacturing. They will also help our economy cope with unexpected shocks – like pandemics or climate disasters.

STRENGTHENING ECONOMIC RESILIENCE



This brings me to the next pillar of our economic plan: strengthening our economic resilience.

Over the past few years, we've witnessed immense disruptions in our lives. The confluence of the pandemic's economic effects, climate disasters, and Putin's illegal war in Ukraine have driven food and energy price volatility and created shortages in some of our most critical goods. Our Administration is building resilience to such future shocks by strengthening our supply chains and growing critical manufacturing industries in America.

Semiconductors have been a major area of focus. These microchips power so much of modern life: from phones to cars to washing machines. They also power technologies that are crucial to our national defense.

The United States is a leader in certain parts of the semiconductor ecosystem – like chip design. But we've lost our leadership in semiconductor manufacturing. Three decades ago, the United States made 37 percent of semiconductors sold globally. Today, we produce only 12 percent. When it comes to the most advanced chips, we have no meaningful manufacturing capacity at all.

Semiconductors are so critical that China, Japan, South Korea, and the European Union have – or are about to – invest in growing their domestic manufacturing capacity.^[2] The economic stakes are high. The pandemic chip shortage resulted in a loss of about \$240 billion in U.S. GDP last year.^[3] Here in Ohio, the shortage caused automakers like Ford to temporarily shut down their assembly plants.^[4]

Our economic plan is nurturing the growth of the full semiconductor ecosystem in the United States: from R&D to design to fabrication. Tens of billions of dollars will go toward growing domestic semiconductor manufacturing in America. We believe that this will reduce economic and national security risks. It will provide greater certainty to both businesses and consumers. And it will also build our leadership in areas like R&D; close collaboration between “lab” and “fab” is necessary to directing R&D efforts based on what works on the factory floor.

There's already been progress. Major manufacturers are expanding their U.S. footprint. Just last month, Intel broke ground on its \$20 billion semiconductor plant outside of Columbus.^[5] Intel's project is said to be the single largest private investment in Ohio's history. When completed, it will employ thousands of Ohioans and support tens of thousands of additional long-term jobs throughout the ecosystem. We are already seeing reverberating effects of this investment on local communities. For example, Intel is investing \$50 million in Ohio colleges and universities to help train the next generation of chipmakers.^[6]

BUILDING AN ECONOMY THAT WORKS FOR ALL

Our semiconductor investments demonstrate that government and business can work together to nurture and grow new industries. It also demonstrates that we can work together to broaden economic opportunity and create good-paying jobs. In fact, a deliberate feature of our “modern supply-side” agenda is the allocation of investments across people and places – particularly those that are historically underserved.

For too long, regions like the Midwest have suffered through decades of underinvestment. Wages for too many working families have stagnated. At the same time, providing for basic needs and investing in their kids' futures have become increasingly expensive. The costs of childcare, healthcare, buying a home, and higher education have risen faster than median household income over the past three decades.

The traditional approach to supply-side economics focuses on generating economic growth through deregulation and tax cuts that disproportionately benefit the wealthiest Americans and large corporations. Economic evidence indicates that this strategy has failed to achieve its promised gains. In many cases, it has also exacerbated income and wealth inequality.



In contrast, our “modern supply-side” agenda recognizes that investing in underserved communities is not just good for the community itself. It’s good for the whole economy. Given the economic premise of diminishing returns, we believe that investments in underserved communities have higher relative returns on investment. They also help unlock the potential of all Americans. That expands our economic capacity.

A prime example is investing in small manufacturers, including those in underserved communities. Treasury recently approved Ohio to receive up to \$182 million in small business funding through the State Small Business Credit Initiative. This American Rescue Plan program is expected to mobilize up to ten times the amount of public funding – through private capital – to support small businesses across the country, including small manufacturers. During the prior version of this program, Ohio generated over \$28 million in support to small manufacturers.

We are beginning to see signs of renewal in places and sectors that have traditionally seen disinvestment. American manufacturing employment had dropped precipitously over the past few decades. In Ohio, people employed in manufacturing jobs fell from a million in 2000 – to less than 700,000 twenty years later – even as Ohio’s population grew. But our Administration’s manufacturing incentives have recently led to a wave of private sector commitments that will power our economy and create good-paying jobs. Clean energy industries have been shown to create broad opportunity across the country, including in non-coastal areas and communities traditionally reliant on fossil fuel extraction. In fact, the Inflation Reduction Act provides businesses with bonus tax incentives for investing in low-income and energy communities. This is a place-based investment strategy designed to broaden economic opportunity across all communities.

Since January of last year, companies have announced over \$100 billion in EV, battery, and charging investments here in America.^[7] Honda and LG earlier this month announced a battery plant in Fayette County – right outside Columbus.^[8] This plant will create thousands of new jobs. The wave of new battery investments in the Midwest has been so significant that some commentators are dubbing the region as the new “Battery Belt.”^[9] We expect to see our economic plan continue to drive a significant amount of capital into good clean energy and manufacturing jobs over the coming months and years.

As we create an economy that works for all Americans, we also know economic fairness requires all Americans to play by the same rules. Too often, that has not been the case in our tax system.

We currently have a two-tiered tax system: one where average families pay their fair share while large corporations and high-income earners too often do not. Take the “tax gap.” That’s the amount of taxes owed but not paid to the IRS. In 2019, the top one percent of Americans was estimated to owe over a fifth of unpaid taxes – a total of around \$160 billion.^[10]

Much of the disparity stemmed from chronic underinvestment in the IRS. This was unacceptable to the President and me. So, we secured \$80 billion of new funding for the agency.

This funding will enable the IRS to increase audits of taxpayers at the high end who have not paid their full bill. As I’ve said before, I’ve directed that enforcement resources will not be used to raise audit rates for households making under \$400,000 a year relative to historical levels. In fact, once the IRS has the right technological infrastructure in place, we expect audit rates for honest taxpayers to decline.

By closing the tax gap, we will raise hundreds of billions of dollars in additional revenue over this decade. Our corporate tax reforms – like the 15 percent minimum tax on the largest corporations – will raise hundreds of billions more as well. The additional revenue will strengthen our public finances. It can be used to fund additional investments in our economic strength, lower the deficit, or reduce taxes for working families.



I believe that these tax reforms reflect the values underpinning our entire economic plan: that economic fairness actually adds to, rather than subtracts from, our overall economic strength.

CONCLUSION

When we look back decades from now, I believe that we will view the past two years as a uniquely difficult time for our country and the world. We've gone through so much together: a pandemic, a war in Europe, and an acceleration of climate disasters. There's much more we must do to ease the strain on working families. But I believe that we will also view this period as a time when we renewed America's economic strength. We are positioning America to build, innovate, and lead in the 21st century.

I look forward to building that future together with you. Congratulations again on the opening of your new center.

Thank you.

[1] <https://www.whitehouse.gov/wp-content/uploads/2022/10/Action-Plan-for-Accelerating-Infrastructure-October-2022.pdf>

[2] <https://www.nytimes.com/2022/06/17/us/politics/semiconductors-congress-chips.html>

[3] <https://www.commerce.gov/news/press-releases/2022/04/analysis-chips-act-and-bia-briefing>

[4] <https://fordauthority.com/2022/03/ford-ohio-assembly-plant-idled-for-another-week-due-to-chip-shortage/>

[5] <https://www.washingtonpost.com/us-policy/2022/09/09/biden-intel-ohio-chip-factory/>

[6] <https://www.intel.com/content/www/us/en/newsroom/news/intel-invests-100m-ohio-national-education.html#gs.frqtf0>

[7] <https://www.whitehouse.gov/briefing-room/statements-releases/2022/10/19/fact-sheet-biden-harris-administration-driving-u-s-battery-manufacturing-and-good-paying-jobs/>

[8] [https://hondanews.com/en-US/releases/honda-and-lg-energy-solution-announce-ohio-as-home-to-joint-venture-ev-battery-plant#:~:text=Honda%20and%20LG%20Energy%20Solution%20\(LGES%3B%20KRX%3A%20373220\),jobs%2C%20pending%20final%20government%20approvals.](https://hondanews.com/en-US/releases/honda-and-lg-energy-solution-announce-ohio-as-home-to-joint-venture-ev-battery-plant#:~:text=Honda%20and%20LG%20Energy%20Solution%20(LGES%3B%20KRX%3A%20373220),jobs%2C%20pending%20final%20government%20approvals.)

[9] <https://www.axios.com/2022/08/17/electric-cars-vehicles-batteries-battery-belt-biden>

[10] <https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap>

