

U.S. DEPARTMENT OF THE TREASURY

Testimony of Secretary of the Treasury Janet L. Yellen Before the Committee on Ways and Means, U.S. House of Representatives

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As Prepared for Delivery

Chairman Smith, Ranking Member Neal, and members of the Committee: thank you for inviting me to discuss the President's Fiscal Year 2024 Budget. The President's proposals prioritize growth-enhancing investments that will build on the economic progress we've made, along with significant tax reforms that will substantially reduce the deficit, improve our long-run fiscal outlook and reduce fiscal risks.

Over the past two years, the United States has experienced a historic economic recovery. In January 2021, our country was in the middle of an economic calamity triggered by the coronavirus pandemic. But Congress and the President took decisive action through the American Rescue Plan and our vaccination campaign. This January, two years after the President took office, we reached the lowest unemployment rate in over 50 years. We've seen the strongest two years of business creation in history. And real U.S. GDP per capita is at an all-time high.

Now, our task is to navigate our economy's transition from rapid recovery to sustainable growth. Our Administration's top economic priority remains bringing down inflation. We have seen some moderation in headline inflation, but more work needs to be done. Our Administration will continue to build on the actions we've taken to expand supply and provide cost relief in areas like energy and healthcare. These actions have made a meaningful difference for American families.

With your partnership, we've also laid a foundation for long-term economic growth through an approach that I call "modern supply-side economics." This approach seeks to boost the economy's productive capacity by expanding the workforce and increasing productivity. In just the past two years alone, Congress passed three transformational laws: a generational investment in infrastructure; a historic expansion of American semiconductor manufacturing; and the largest investment in clean energy in our nation's history.

A strategic priority for our Administration this year is to work with you to effectively implement these laws. We are seeing the early results. In just seven months, we've seen a wave of tens of billions of dollars in investments in clean energy manufacturing across the country. And our new

investment in the IRS is already paying off. Taxpayers are getting drastically improved customer service this year. For example, we've answered hundreds of thousands more phone calls during this filing season than at this time last year.

Our proposed budget builds on our economic progress by making smart, fiscally responsible investments. These investments would be more than fully paid for by requiring corporations and the wealthiest to pay their fair share. Fiscal discipline remains a central priority in our budget. We've proposed a minimum income tax of 25 percent on taxpayers with wealth in excess of \$100 million. We've also proposed an increase of the corporate tax rate to 28 percent from the current 21 percent. And it will come as no surprise that I hope Congress will implement the United States' part of the global minimum tax deal. This new regime will end a race to the bottom in corporate taxation – and raise crucial revenue for essential investments like those proposed in the President's Budget.

On the spending side, we suggest additional investments to boost our long-term growth potential. This includes improving the availability of high-quality childcare, providing free and universal pre-school, and boosting the supply of affordable housing. We also propose restoring the Child Tax Credit and Earned Income Tax Credit expansions that were enacted in 2021 but have since expired. Importantly, with the proposed tax reforms, we estimate that this budget will deliver deficit reduction of nearly \$3 trillion over the next 10 years.

I've spoken about the promise of the President's Budget. But I'd be remiss if I did not mention a wholly separate issue that could threaten the economic progress that we've made. As you know, I have asked Congress to raise or suspend the debt limit. Since 1789, the United States has always paid its bills on time. It must continue to do so. In my assessment – and that of economists across the board – a default on our debt would trigger an economic and financial catastrophe. I urge all members of Congress to come together to address the debt limit – without conditions and without waiting until the last minute.

Thank you, and I look forward to taking your questions.

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