

U.S. DEPARTMENT OF THE TREASURY

Remarks by Secretary of the Treasury Janet L. Yellen at the Sacramento Metropolitan Chamber of Commerce's 51st Annual "Capitol-to-Capitol" Program As

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As Prepared for Delivery

Good morning, everyone. It's great to be with you at the 51st annual "Cap-to-Cap" program. I'm thankful that over four hundred of you have made the trip to Washington. I'd like to extend a special welcome to the more than a hundred here who are members of this delegation for the first time.

I'd also like to thank my longtime friend, Congresswoman Matsui, for her invitation to speak to you today. Doris, you have been an ardent champion for Californians throughout your life. And I believe that your efforts have been instrumental in delivering on our Administration's economic agenda. This has been particularly true with your leadership in shaping and passing the CHIPS and Science Act. Thank you for everything.

Today, I will focus on what we have done and can continue to do together to position the United States for economic success. Over the past two years, Treasury has worked with local leaders – including many here – to help drive a historically strong economic recovery. I'll speak about the progress that we've made to bring our economy back from the depths of the COVID pandemic.

Then, I'll turn to the future and speak to the Biden Administration's suite of historic long-term economic investments: the Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act. My focus will be on the Inflation Reduction Act, which Treasury is playing a leading role in implementing. This law is not only the boldest climate action in our nation's history. It also serves as a major set of economic programs – one that is already leading to new cutting-edge projects and high-quality jobs across America.

A HISTORIC ECONOMIC RECOVERY

Let's begin with our economic recovery.

When the President took office in 2021, our country was in the depths of the pandemic. About 400,000 Americans had died from COVID. And about 3,000 additional lives were being lost each day. The public health calamity had triggered an economic one. In January 2021, about 800,000 Americans were filing jobless claims each week. That was higher than in the worst moments of the Great Recession.

The truth is this: in 2020 and 2021, we faced the tail risk of an economic crisis that could match the Great Depression.

So, the President acted decisively. Working with many of you, our Administration launched a vaccination campaign to put shots in arms. And we provided immediate relief to households, businesses, and state and local governments through the American Rescue Plan.

Our plan worked. The past two years have seen a historic recovery. Nearly 13 million jobs have been created since the beginning of 2021. We've seen the fastest two years of business formation on record. Importantly, our recovery has been historically equitable. For example, last month, the Black unemployment rate reached a record low of 5 percent. That's from a pandemic high of almost 17 percent. The Sacramento area alone has added nearly 100,000 jobs since the start of 2021. This strong growth is consistent with the nation's as a whole.

It's important to emphasize this: our economic recovery has been a collective effort. It was made possible through our close partnership with thousands of local and state governments, unions, businesses, and non-profits – including many in this room.

Through the Rescue Plan's state and local program, we worked closely with many of these stakeholders to support over 30,000 governments to maintain vital public services for their residents. The City and County of Sacramento have used these funds to support urgent priorities like COVID mitigation and workforce training for underserved youth. Treasury has also worked with state governments and the private sector to inject capital into small businesses and underserved communities – while also collaborating with authorities like the Sacramento Housing and Redevelopment Agency to help families at risk of eviction.

Of course, our work is not yet finished. We still face near-term challenges. Our Administration's top economic priority is to tackle inflation while protecting the economic gains of the past two years. While inflation is still elevated, annual price growth has fallen by nearly four percentage points since its summer peak. Our Administration remains committed to taking bold actions to mitigate the pain of higher prices. These actions include continuing to ease supply chain

pressures; stabilizing global energy markets; and providing relief for everyday costs like healthcare premiums and prescription drugs.

GENERATIONAL LONG-TERM ECONOMIC INVESTMENTS

As our economy transitions to steady growth, we are also making historic investments in its long-term strength. Over the past year and a half, we have enacted our generation's most ambitious investment in infrastructure; led a major expansion of American advanced manufacturing; and passed the boldest climate action in our nation's history.

Let me focus on the Inflation Reduction Act. This is a law that the Treasury Department has been hard at work implementing.

The climate crisis is an existential challenge. And it is not just tomorrow's issue. The impacts of global warming are already being felt across our communities today – particularly those that are most vulnerable to its effects. In the United States, there's been at least a five-fold increase in the annual number of billion-dollar natural disasters in the past five years as compared to the 1980s – even after adjusting for inflation. You know this well: in California, wildfires have been a longstanding challenge. But the threat of these wildfires has grown dramatically in recent years.

The President has called the 2020s “the decisive decade” to address climate change. The Inflation Reduction Act puts us on a strong course to achieve our climate goals. And together with actions taken by other nations, this law can help mitigate the worst consequences of global warming on our planet.

But the impact of this law extends far beyond the climate. The Inflation Reduction Act presents a generational economic opportunity for American workers and businesses: to establish and extend our country's economic leadership in key clean energy technologies and industries.

A cornerstone of the Administration's approach is to harness the power of the private sector. Specifically, we believe that government must provide the basic foundations and certainty that businesses need to invest at scale and drive the clean energy transition.

The Inflation Reduction Act offers significant tax credits to do just that. Before the law, investors lacked long-term certainty because these credits were available for only a few years and subject to Congressional renewal at short intervals. There was also little, if any, support for new technologies that could help transition harder-to-abate sectors – such as hydrogen and sustainable aviation fuel. The Inflation Reduction Act expands and extends the suite of clean energy tax credits. The law is providing greater long-term certainty for businesses on their

returns on investment. And it will jumpstart innovation and growth in a broad range of emerging technologies – while also sustaining and accelerating our progress on more established ones.

We're already seeing a significant mobilization of private investment into the clean energy sector. The Inflation Reduction Act was signed into law just over eight months ago. Since then, firms up and down the supply chain have announced tens of billions of dollars in projects that will create thousands of high-quality, good-paying American jobs. One analysis indicates that 2022 was a record year for EV battery manufacturing in particular. Last year alone, more than \$73 billion in planned projects were announced. Sacramento has been a leader on climate policy, and we look forward to seeing businesses in the area take advantage of the Inflation Reduction Act's tax incentives.

But successful implementation of this law does not only rest on engagement from businesses. For the first time, non-profits and local, Tribal, and other governmental entities will be able to benefit directly from these tax credits. This tax law innovation – along with others – will expand financing for projects and boost the reach of this law.

In the coming months, Treasury will continue to provide clarity and certainty through our timely guidance. We will engage with stakeholders like you on our policy choices. But we know it's not enough to design good policies. We must put those policies into action. So, the IRS is conducting significant outreach to help stakeholders understand the eligibility and technical requirements for these credits and deductions. And it is developing digital processes that will make it easier for eligible taxpayers to claim them.

DEBT LIMIT

Now, I wish I could continue to speak about our historic investments in the American economy. But I need to use my remaining time to address an issue that could threaten all the progress that we've made over the past two years.

As many of you know, I have asked Congress to raise or suspend the debt limit. Since 1789, the United States has paid all of our bills on time. It should stay that way. In my assessment – and that of economists across the board – a default on our debt would produce an economic and financial catastrophe. Many residents in Sacramento could ultimately lose their jobs. Household payments on mortgages, auto loans, and credit cards would rise. And American businesses would see credit markets deteriorate. On top of that, it is unlikely that the federal government

would be able to issue payments to millions of Americans, including our military families and seniors who rely on Social Security. In the longer term, a default would raise the cost of borrowing into perpetuity. Future investments would become substantially more costly.

This economic catastrophe is preventable. The solution is simple: Congress must vote to raise or suspend the debt limit. It should do so without conditions. And it should not wait until the last minute. I believe it is a basic responsibility of our nation's leaders to get this done.

CLOSING

To end, let me say this: thank you for coming to Washington this week.

Over the past two years, we have worked together to rescue the economy from a once-in-a-century pandemic crisis. I look forward to working with you not only on our immediate challenges – but to build on our progress and strengthen our long-term economic outlook in the years to come.

Thank you.