Remarks by Secretary of the Treasury Janet L. Yellen on the Economy Ahead of Inflation Reduction Act Anniversary in Las Vegas, Nevada

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As Prepared for Delivery

Thank you. It's great to be here in Las Vegas with all of you. I want to especially thank Lamar for your introduction and for your team's hospitality. And I'm grateful to everyone from the IBEW and building trades unions for your very warm welcome.

Many of you may not know that I began my career as a labor economist. I studied the labor market: how workers and companies interact, and when it works well and when it doesn't. Since then, much of my life has been dedicated to creating an economy that lifts workers and families up, rather than weighing them down. If I've learned one lesson from my time in economics, it's this: American workers are central to our nation's economic progress. What you are doing here in Vegas – and across the country – demonstrates every day how skilled workers are literally building our new economic future. I couldn't be more pleased to join you.

Just shy of a year ago, I delivered a major economic speech in Michigan that laid out the case for our Administration's economic plan. At the time, we had just witnessed a historic economic recovery from the depths of the pandemic downturn. An unprecedented pace of job creation had brought the U.S. labor market back in record time. Yet, we were still in the early stages of executing President Biden's long-term economic agenda. We had just completed the enactment of our trifecta of historic investments: the Bipartisan Infrastructure Law, CHIPS and Science Act, and Inflation Reduction Act.

During my speech last year, I also explained the principles that guided our economic agenda. I outlined a framework called "modern supply-side economics" – an economic philosophy that animates much of Bidenomics. It focuses on how government can help spur long-term growth through investments on the supply side – such as in our workforce and its productivity. Unlike traditional supply-side economics, this approach cares not only about growth – but also creating a fairer and more sustainable economy. President Biden has advanced a significant core of the modern supply-side agenda through the passage of these three generational laws.

Today, I want to discuss what we have accomplished since last summer. I'll first speak about the state of our economy. Then, I'll turn to the clean energy provisions of the Inflation Reduction Act. It's a historic law that Treasury plays the chief role in implementing. This week, we mark one year since the President signed the IRA into law. I want to speak about the progress we've made not only in driving the climate benefits of the law – during a summer when Americans are feeling the harsh realities of climate change. I'd also like to discuss the economic benefits that we are already beginning to see across the country for American workers and families. Powered by the IRA, the President's agenda has helped drive a massive boom that is touching every corner of the country. Since January 2021, companies have committed over $500 billion in manufacturing and clean energy investments. The explosion in U.S. factory construction is a uniquely American story: one that we do not see replicated in other peer countries.

Let me start by speaking about the state of the economy.

STATE OF THE U.S. ECONOMY

Over the past year, our task has been to transition the economy from rapid recovery to stable growth. Our path so far shows that we are on the right track, even as we remain vigilant about potential challenges and uncertainties.

Take our labor market: Americans are back to work. Our historically rapid jobs recovery has been a source of strength as we made our way back from the pandemic recession. This recovery was driven in large part by the decisive economic measures that President Biden took to provide assistance to households, businesses, and state and local governments. Since President Biden entered office, over 13 million jobs have been created. Last month, our unemployment rate was at a near record low of 3.5 percent. That's less than a quarter of the unemployment rate recorded in April 2020.

Importantly, we've also seen a significant recovery in the share of Americans participating in our workforce. This rebound in labor supply has brought the jobs market into better balance. The overall labor force participation rate is now back in line with pre-pandemic trends. The share of prime-age Americans currently employed – those between the ages of 25 and 54 – has reached its highest level in over 20 years. In fact, the share of prime-age *female* workers currently employed is the highest it has ever been. Notably, the labor market recovery has been strong for workers across a broad set of communities. The rates of unemployment for Black and Hispanic Americans are at among their lowest on record.

These are not abstract statistics. These are real Americans back at work – able to put food on the table, support their families, and save for retirement. As President Biden says, a job is "about a lot more than a paycheck. It's about dignity. It's about respect. It's about your place in your community." The people in this room know that very well.

The continued strength of our labor market is particularly impressive given our fight against inflation. Last July, I gave a speech about the remarkable resilience of the American economy and workers in the face of global challenges. There were many who questioned whether that could last. But that's precisely what we've seen over the past year, even as we remain attuned to the significant risks ahead. Annual headline inflation is now nearly 6 percentage points below its June 2022 peak. Today, overall inflation and the unemployment rate both sit below 4 percent. And our economy continues to expand. Workers are better off than they were last year. Real average hourly earnings have grown over the past year – meaning that wage gains are outpacing inflation. In fact – in 9 out of 14 major sectors – real wages are growing faster than they were in the decade before the pandemic. This has had a sizable impact on reducing inequality: one working paper estimates that wage gains for lower-income workers in recent years have reversed a quarter of the wage inequality that had accumulated over the past 40 years.[1]

The Administration remains committed to taking actions to lower prices for Americans where we can. And we continue to monitor developments, particularly those abroad, that may affect prices and growth. We know that progress rarely moves in a straight line. But I still believe that there is a path to continue reducing inflation while maintaining a healthy labor market. While there are risks, the evidence we've seen so far suggests that we are on such a path. Americans are reflecting this optimism: consumer sentiment is at its highest level in almost two years. I expect the important gains that we've made over the past two and a half years to serve as a source of resilience in the weeks and months to come, even if we see further cooling in our economy.

OUR ECONOMIC PLAN

As we continue to navigate through short-term challenges, the President has been clear that we cannot just make quick fixes. Over the past few decades, we have seen growing pressures on our economy. Many workers and families have felt them personally. They include slowing productivity growth, rising economic inequality, concerns about our energy and national security, and a worsening climate crisis that, if unmitigated, presents an existential threat to us all.

Our Administration is taking decisive action against these persistent challenges by investing in America. We have mobilized public and private investments in three strategic sectors as part of our "modern supply-side" agenda. We passed the Bipartisan Infrastructure Law – a generational investment in our physical and digital infrastructure. This law is already delivering tens of thousands of new projects across the country that are increasing our productivity and growth potential. They are also strengthening our competitiveness and supply chain resilience. We also enacted the CHIPS and Science Act – a major investment that is boosting semiconductor manufacturing and incentivizing investments in cutting-edge R&D. A strong semiconductor industrial base at home will help bolster our nation's resilience to global shocks. Finally, we are implementing the Inflation Reduction Act. It's our nation's boldest-ever climate action. And it is beginning to spark an economic renaissance in communities that had been left behind.

INFLATION REDUCTION ACT IMPLEMENTATION

I'd like to focus specifically on the Inflation Reduction Act as we mark its one-year anniversary. Last year, I identified three goals for this law: tackling climate change, expanding economic opportunity, and strengthening our economic resilience and energy security.

Let me speak about how we've made progress against each of these goals.

First, tackling climate change.

Over the past month, we have again seen incontrovertible evidence that climate change is here. We have also seen how it has compounded the effects of unusual weather patterns like El Niño. Extreme heat has scorched communities across the United States. There have been record-breaking temperatures from Phoenix to Miami. Here in Las Vegas, you've similarly not been spared by the waves of crippling extreme heat. In fact, scientists estimate that July was the hottest month in the Earth's modern history. Beyond the heat, a large part of the East Coast and Midwest have been repeatedly shrouded in smoke from wildfires in Canada. Floods have devastated Vermont and other parts of the East Coast, while the Midwest and other regions continue to battle a severe drought.

These climate events have real economic impacts on Americans – even if they are spared from the physical impacts. As an example, home insurers are hiking rates or pulling back entirely from highly vulnerable areas in states like California and Florida. These developments are having a significant economic impact on homeownership – which has long been the cornerstone of the American Dream and a primary driver of household wealth.

President Biden has identified this decade as the "decisive decade" to combat climate change. The United States has committed to reduce our greenhouse gas emissions by at least half from 2005 levels by 2030. And we have committed to a net-zero economy by 2050. Tackling climate change requires global action. But the United States must do our part, and a clear signal from the world's largest economy can mobilize action by other nations. While more is needed, scientific studies conclude that the IRA – and other Administration actions – are moving us well toward achieving our commitments under the Paris Agreement.

Our climate strategy is based on a simple premise: targeted public investments can help mobilize private capital toward compelling public policy objectives. This is an old strategy that we've successfully utilized in the past – like in the development of new technologies like the Internet.

The IRA invests in both demand- and supply-side incentives to build the clean energy economy. On the supply side, the IRA expands and extends the existing foundation of tax incentives. These incentives provide long-term certainty for investors in pursuing clean energy projects. With the IRA, investors have greater confidence to scale-up deployment of established technologies like solar energy. The IRA also helps develop nascent technologies like clean hydrogen and sustainable aviation fuel. These are essential to reducing emissions from harder-to-abate sectors. Expansions on the supply side are also matched by IRA tax credits and rebates to drive up demand for consumer goods like electric vehicles, heat pumps, and energy-efficient appliances.

Together, these incentives spur greater innovation and competition in the clean energy industry. And they drive down the cost curves of these technologies. Lower costs mean greater adoption. This will not only help the United States mitigate our greenhouse gas emissions. It will help the rest of the world as well. Thanks to the IRA, one study estimates that for every ton of carbon dioxide reduced within our country, 2-3 tons of reductions will be achieved outside the United States.[2]

Second, as we reap the IRA's climate benefits, we are also expanding economic opportunity to communities across America.

The climate transition is one of the biggest economic transitions of our lifetimes. Today, over $1 trillion in new capital each year is being invested in clean energy around the globe. But for far too long, economic opportunity in the United States has been concentrated on the coasts. That must change. We must not only create clean energy jobs in the aggregate – but the employment and other benefits of this transition must accrue broadly across all communities. A core goal of the IRA is to revitalize communities that have suffered industrial decline or been left behind. We are putting American workers and American jobs at the center of our clean energy transition, making sure Americans in every part of our country benefit from the rising global demand for low-carbon products.

The early results are in. Through my travels, I've seen how the clean energy industry is expanding across the country. I've visited solar companies in North Carolina and Louisiana. I've toured an EV battery plant in Tennessee. And I see the difference that the IRA is making in Nevada as well. In the

Midwest and the South, there are now so many shovels in the ground for new EV battery factories that many are dubbing these regions the new "Battery Belt." Treasury's analysis indicates that investments in clean energy, EVs, and batteries since the President took office have been concentrated in counties that need them the most – that is, those that had lagged the country in earnings, college graduation rates, and child poverty rates.

This progress has not occurred by happenstance. The Inflation Reduction Act provides place-based incentives that bolster the business case to invest in certain communities. There is a bonus incentive for companies to invest in solar and wind projects in low-income communities, complementing Treasury's other work to bolster capital access in these places. It's also important that cities and towns that have served as the backbone of our nation's traditional energy production are not left behind. The IRA provides a bonus for companies that invest in areas with closed coal mines or coal-fired power plants, and other communities that have relied on jobs in fossil fuel industries. This is a major pillar in our Administration's broader effort to renew the economic potential of our nation's energy communities.

Importantly, the workers that are driving the clean energy transition – like those in this room – must benefit from it. So, the law requires companies to adhere to strong wage standards and apprenticeship requirements to claim the full value of many incentives.

Earlier this summer, Treasury also released proposed guidance that would make it easier for these tax credits to reach a broad range of institutions. We are implementing innovative tools that will enable states, cities, towns, and tax-exempt organizations – like schools and hospitals – to directly access these credits. These measures serve as a force multiplier for the IRA. And they allow clean energy projects to be built more quickly, affordably, and by more entities. As a result of this provision, we expect the massive benefits of the IRA to be felt more rapidly and more broadly.

Investing in underserved communities is not just an important moral imperative. It's also smart economics. One study indicates that boosting employment in "distressed" regions results in at least 60 percent greater economic benefits than those in "booming" ones.[3] Put simply, it gives us a bigger bang for our buck. All of us benefit when we bring people back into the workforce and provide them and others with access to good-paying, high-quality jobs in the industries of the future.

The third goal we laid out for the IRA is bolstering resilience and energy security.

The Bipartisan Infrastructure Law provides significant investment to adapt to climate change. That includes protecting our infrastructure against droughts, floods, and extreme heat. But beyond climate adaptation, we must also mitigate our vulnerabilities to shocks emanating from our reliance on fossil fuels. Over the past couple of years, we have seen how huge swings in the price of oil can put tremendous pressure on the pocketbooks of American families. We have also witnessed Russia weaponize its energy exports against our European allies and partners.

Energy is the lifeblood of our economy. A clean energy transition will enable us to depend more on the wind and the sun – and less on fossil fuels and the whims of those who control those resources. It will make a difference to ordinary Americans, who will have greater stability and predictability in their energy costs. This means greater certainty in their budgets – and less time looking at the price boards outside of gas stations.

But we must do more. As we move away from fossil fuels, we remain concerned about the risks of over-concentration in clean energy supply chains. Today, the production of critical clean energy inputs – from batteries to solar panels to critical minerals – is concentrated in a handful of countries. It's important that we build resilient and diversified critical global supply chains that can reduce chokepoints, mitigate disruptions, and protect our economic security.

That starts by investing here at home. The IRA is helping re-shore some of the production that is critical to our clean energy economy. Looking beyond our shores, we are also working hard to accelerate the clean energy transition in other countries. Accelerating these transitions can mean greater demand for U.S. clean energy technologies produced by American workers. It can also bolster global clean energy supply chains.

As we look forward to the fall and beyond: it's remarkable to consider how far we've come. Our Administration is laser-focused on continuing to provide clarity on the law so that its benefits can continue to be felt as soon as possible by American workers and families. We are also providing important guardrails so taxpayer resources are effectively spent. The IRS plays a major role in administering the IRA's clean energy incentives. We believe that the IRS modernization initiative is essential to the law's successful implementation. We will continue our efforts to build a tax administration system that is fit for the 21st century.

CLOSING

Twenty-five years ago, I gave my first major speech warning about the economic dangers of climate change. Since that time, we have seen climate impacts intensify. But while the world had long recognized the need for decisive action, the federal government had been missing in action.

No longer. Over the past year, we have seen the early results of bold federal action through the IRA and the Administration's broader climate agenda. Importantly, we have seen how climate action advances our nation's economic priorities. The IRA is driving economic growth, expanding economic opportunity, and bolstering our resilience. This is good for the American workers in this room – and so many others across the United States.

I am excited about the future we are building together. And I hope you are too. Thank you for having me today.

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[1] https://www.nber.org/system/files/working_papers/w31010/w31010.pdf

[2] https://rhg.com/research/emerging-climate-technology-ira/

[3] https://www.aeaweb.org/articles?id=10.1257/jep.34.3.99