

ECONOMIC UPDATE

August 5, 2022

Economic Issue in Focus: The Inflation Reduction Act Would Fight Inflation and Lower Costs for Americans

The [Inflation Reduction Act](#) would cut household energy and health care costs for millions of Americans in the near term, while also reducing the budget deficit by \$300 billion over the next decade and fighting inflation. The bill is more than paid for by allowing the federal government to negotiate drug prices and ensuring that corporations pay their fair share in taxes.

[Leading economists](#), including Nobel Prize winners and former Treasury secretaries, CEA chairs and CBO directors, agree that by reducing the deficit, the Act would place downward pressure on inflation. The non-partisan Committee for a Responsible Federal Budget found the bill would reduce inflationary pressures and lower the deficit by almost [\\$2 trillion](#) over the next two decades.

The Inflation Reduction Act would lower households' spending on energy in the near term by providing tax credits and rebates, reducing a household's energy spending by an [estimated \\$300](#) per year on average. Additionally, the Act would help families pay less for their health insurance and prescription drugs by extending [ACA tax credits](#) and allowing Medicare to negotiate drug prices. The [health provisions](#) alone will save Medicare and the federal government \$244 billion over the next 10 years.

The Act would institute a 15% corporate minimum tax on the book income of corporations that make more than \$1 billion per year in profits, closing loopholes that let 55 of the largest corporations pay no corporate income tax in 2020.

Key Economic Indicators To Track

- **Unemployment Returned to Its Pre-Pandemic Levels, the Lowest Level in 50 Years, as the U.S. Added Half a Million Jobs in July:** According to the latest [data](#) from the Bureau of Labor Statistics, the United States [added](#) 528,000 jobs in July and the unemployment rate fell to its pre-pandemic rate of 3.5%, which was the lowest level in 50 years. Since President Biden came into office, the U.S. has added 9.5 million jobs and has more than recovered all the jobs lost during the pandemic. This history-making recovery is a direct result of the American Rescue Plan and other pandemic relief, which bolstered businesses and families and ensured workers could safely return to work.
- **Job Openings, Hires and Separations Data Show the Labor Market Remains Strong as Job Openings Begin to Stabilize:** [Data](#) from the Bureau of Labor Statistics show that the labor market is

cooling in line with expectations. High levels of job openings and low levels of layoffs continue to demonstrate both strong demand for workers and workers' confidence to secure better opportunities. Openings remain well above their pre-pandemic levels, with 1.8 job openings for every unemployed worker, and hires remained strong and stable. The layoff rate (a subset of total separations) remained low at 0.9%, just 0.1 percentage points above the lowest rate in the last 20 years.

- **New Unemployment Insurance Claims Are Returning to Pre-Pandemic Levels:** The four-week moving average of Americans receiving unemployment insurance benefits remains near the lowest level since 1970. For the week ending July 30, the [number](#) of Americans who filed new claims for unemployment insurance was 260,000. This number has ticked up recently, which is to be expected as the labor market begins to normalize after two and a half years of the pandemic. Employer demand for workers remains strong though.

JEC Spotlight: Reforms to UI Are Necessary To Strengthen Unemployment Insurance for the Future

A new JEC [issue brief](#) highlights the importance of a strong Unemployment Insurance system for both individual workers' economic security and a stable U.S. economy. At the onset of the coronavirus pandemic, Congress acted quickly to make emergency changes to UI to ensure that workers who had lost their jobs would be able to get the [support](#) they needed during the unprecedented crisis. This swift action worked: Without UI, [4.7 million more people](#) would have been in poverty, and the overall poverty rate would have been nearly 13% higher.

However, the huge surge in need for UI strained programs across the country, which struggled to meet the high volume of claims while simultaneously implementing emergency expansions of the system. Overwhelmed programs were vulnerable to organized crime and professional fraudsters, which exploited the system to steal taxpayer dollars.

The coronavirus pandemic illustrated deep vulnerabilities in state UI systems. These weaknesses in the system demonstrate the need to make changes to UI guidance, resources and eligibility when there is not a crisis, so UI is able to meet workers' needs and stabilize the economy in the future when needed.

Selected JEC Resources

- [*The Inflation Reduction Act Would Fight Inflation and Lower Costs for Americans*](#)
- [*The Inflation Reduction Act Lowers Healthcare Costs, Fights Inflation While Cutting the Deficit*](#)
- [*Democrats Are Working to Fight Inflation, Lower Costs and Address Supply Shortages*](#)
- [*Oil Companies Are Enjoying Market Influence and Record Profits, While U.S. Families Foot the Bill for High Gas and Energy Prices*](#)
- [*Inaction on Climate Change Will Have Devastating Consequences for the Economy, Families and Communities*](#)
- [*The Bipartisan Infrastructure Investment and Jobs Act Will Create Jobs, Strengthen the Economy and Reduce Inflationary Pressures*](#)
- [*Abortion Access Is Key to Economic Freedom*](#)

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