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RESPONSE

OF

JOINT ECONOMIC COMMITTEE CHAIRMAN DON BEYER

TO THE

2022 ECONOMIC REPORT OF THE PRESIDENT

JUNE 24, 2022

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THE 2022 JOINT ECONOMIC COMMITTEE DEMOCRATIC RESPONSE

JUNE 24, 2022

MR. BEYER, from the Joint Economic Committee, submitted the following

R E P O R T

Report of the Joint Economic Committee on the 2022 Economic Report of the President

CHAIRMAN'S VIEWS

I am pleased to share the Joint Economic Committee (JEC) Democratic response to the 2022 Economic Report of the President. The JEC is required by law to submit findings and recommendations in response to the Economic Report of the President (the Report), which is prepared and released each year by the Council of Economic Advisers (CEA). This year's report, released in April 2022, was the first published by the Biden administration.

Under President Biden and the 117^{th} Congress, the United States has experienced a robust economic recovery and strong job gains. Economic growth in 2021 reached 5.7%, the highest rate in 40 years. As of May 2022, the United States had added almost 8.7 million jobs under President Biden. The unemployment rate was 3.6%, a level not seen since before the coronavirus pandemic and significantly below the 6.4% rate when President Biden took office.

The passage of the American Rescue Plan and the Biden administration's successful rollout of coronavirus vaccines paved the course for record-breaking job gains and robust economic growth. And the bipartisan Infrastructure Investment and Jobs Act makes critical fixes to America's infrastructure, which will support new jobs and sustain economic growth.

While the economic recovery has been strong, global supply chain disruptions and worldwide price increases have strained family budgets. Congress and the Biden administration have acted to address inflation head-on and reduce out-of-pocket costs for families, including releasing a record amount of oil from the Strategic Petroleum Reserve, providing relief for energy bills, lowering health insurance premiums for millions of families and fixing supply chain bottlenecks, among other measures. Making investments that improve productivity and increase labor force participation, as well as ensuring the wealthy and big corporations pay their fair share of taxes, will help bring down inflationary pressures long term.

The coronavirus pandemic exacerbated long-standing economic inequalities, and while coronavirus relief measures were effective at helping families weather the impact of the pandemic, more is needed to alleviate inequalities and create economic opportunity for all. Workers of color were particularly hard-hit by the initial wave of layoffs in spring 2020. Pandemic relief contained the economic fallout, but even as unemployment has dropped, the racial gaps in hiring, wages and wealth have persisted. This is holding back workers of color, their families and the economy as a whole. Through the American Rescue Plan, the Biden administration and Congress have made historic investments in building an equitable recovery that includes historically disadvantaged communities, workers of color and minority-owned small businesses. However, more must be done through effective policy and new investments to fight long-standing economic inequalities and create shared prosperity for all.

Women, who have historically received lower wages and had lower labor force participation, also faced unique challenges as a result of the pandemic and the resulting increase in care responsibilities. Women continue to shoulder a disproportionate share of care responsibilities, and the lack of family-friendly workplace policies and affordable care options meant many women were pushed out of the workforce during the worst of the pandemic. The American Rescue Plan and earlier pandemic aid provided direct relief to working families, such as through investments in paid leave and child care and the expanded Child Tax Credit to help address this gap, but long-term solutions are needed to fully support women's participation in the labor market and to fix the systemic devaluing of work done by women.

Congress should make new investments to help bolster household economic security, spur long-term economic growth and transition to a clean-energy economy. Building out U.S. care infrastructure will reduce costs for families and help parents enter and remain in the workforce. Investing in infrastructure, research and manufacturing will improve productivity and create new jobs.

Transitioning the United States to clean, renewable energy will bring down costs for families and small businesses, while reducing dependence on foreign fossils fuels and insulating against the rising costs of climate change.

The United States has the fiscal capacity to make investments that create long-term economic growth. Under President Biden, the federal budget deficit is expected to drop by a record amount this year, and federal revenue has grown substantially thanks to the economic recovery. Additional revenue from the wealthiest Americans and big corporations can fund new investments to fix long-standing problems, without putting additional tax burdens on working Americans or negatively impacting economic growth.

This Congress and the Biden administration have an opportunity to build an economy with sustained economic growth that works for all U.S. workers and families.

DONALD S. BEYER JR.
CHAIRMAN

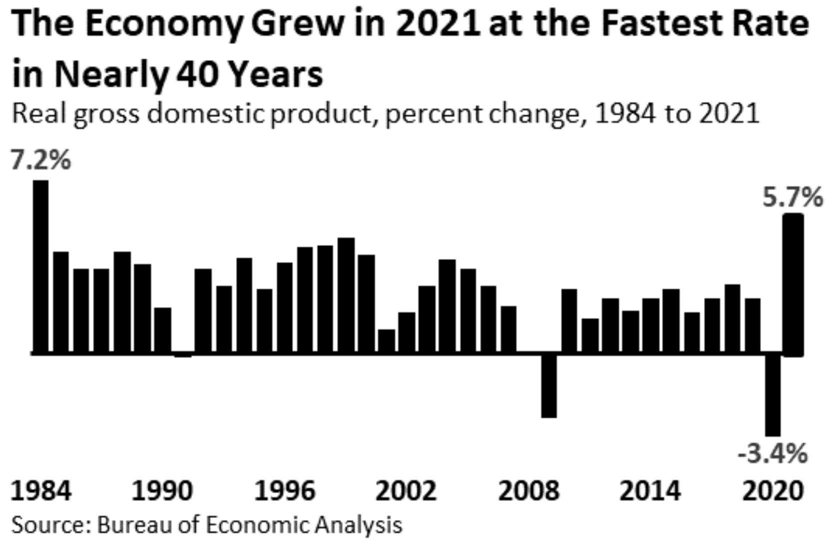
CHAPTER 1: THE ECONOMY REBOUNDED FASTER THAN EXPECTED IN 2021 THANKS TO EFFORTS BY CONGRESS AND THE BIDEN ADMINISTRATION, BUT LONG-TERM CHALLENGES REMAIN

The U.S. has experienced a robust economic recovery, but global events have pushed up prices, depriving workers of the full benefits of the recovery

The U.S. experienced economic growth in 2021 not seen in four decades, recovering faster than peer economies

Since January 2021, the U.S. has experienced a robust economic recovery, thanks in large part to Congress and the Biden administration passing the American Rescue Plan into law and the successful roll out of coronavirus vaccinations. The U.S. economy has bounced back from the economic impact of the coronavirus and proven resilient in the face of emerging variants, global supply chain disruptions pushing up prices and Putin's invasion of Ukraine creating geopolitical chaos.

The economy grew 5.7% in 2021—the fastest rate in nearly 40 years—and the United States has experienced the fastest economic recovery among G7 economies.[1] Not only has the U.S. surpassed pre-pandemic GDP levels, it is one of the only major economies worldwide that has recovered to its pre-pandemic trend of economic growth. Across metrics, the United States is outpacing its peer countries in its economic rebound from the coronavirus recession. This year the U.S. economy is on track to grow faster than China, which has not happened in over 40 years.[2]



Data continue to indicate economic strength in early 2022, as consumption and business investment were both robust and positive. While the economy did contract slightly in the first quarter of 2022, the contraction was largely due to changes in inventories and net exports that masked strong underlying economic data.

President Biden has continued the trend of stronger economic growth under Democratic presidents. From 1933 to 2020, the economy grew at an average rate of 4.6% per year under Democratic presidents, or nearly double the rate (2.4%) under Republican presidents.[3] The strong economic recovery under President Biden is due in no small part to the successful passage of the American Rescue Plan, which funded the distribution of the coronavirus vaccines, supported state and local governments to keep essential workers on the job and helped U.S. workers and families weather the economic impact of the coronavirus pandemic. As a result, the economy's 5.7% growth rate in 2021 surpassed projections from before the passage of the Rescue Plan from both the Federal Reserve, which forecast 4.2% growth, and the Congressional Budget Office, which forecast 4.6% growth.[4]

The U.S. has added a record 8.7 million jobs under President Biden and unemployment dropped to 3.6% in the spring of 2022

Just two-and-a-half years out from the beginning of the coronavirus pandemic, the U.S. has recovered 96% of the jobs lost and unemployment has declined to just 3.6%. The U.S. has added nearly 8.7 million jobs under President Biden, with every state and the District of Columbia experiencing net job gains. The U.S. has recovered from the coronavirus recession far faster than recent recessions and is on track to bring back every job lost during the pandemic by the end of 2022.

2021 Was the Best Year for Job Creation in Recorded U.S. History

Yearly net change in nonfarm payrolls, in millions

Source: Bureau of Labor Statistics.
Note: Data show the net change in payrolls for each year and are seasonally adjusted.

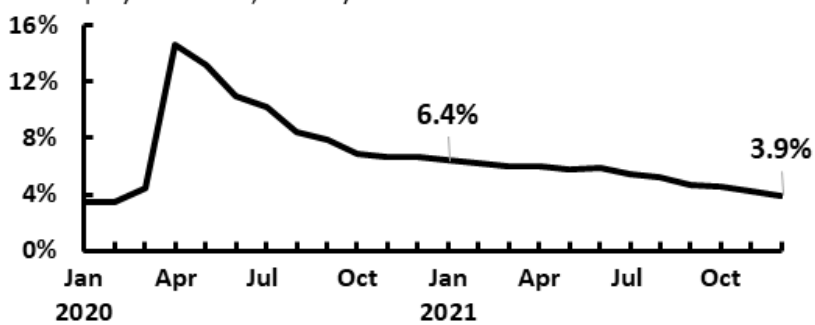
Sectors critical to addressing ongoing supply chain disruptions have experienced a robust recovery. Jobs in the construction and transportation and warehousing sectors have exceeded pre-pandemic levels of employment. Funding from the bipartisan Infrastructure Investment and Jobs Act signed into law by

President Biden in November 2021 has begun to flow and is projected to support hundreds of thousands of jobs each year over the next decade to support rebuilding infrastructure.[5]

In just under two years, the unemployment rate has fallen from 14.7% during the worst of the pandemic to 3.6%, which is the same as the unemployment rate before the pandemic in December 2019. Currently, 15 states have unemployment rates at or below previous record lows. Recently, new unemployment insurance claims fell to their lowest level since 1968.

2021 Saw the Sharpest Annual Decline in Unemployment on Record

Unemployment rate, January 2020 to December 2021



Source: Bureau of Labor Statistics.
Note: Data shows the civilian unemployment rate, ages 16+, seasonally adjusted.

The U.S. has added over half a million new manufacturing jobs under President Biden, reversing a decades-long decline in manufacturing jobs

The U.S. has added 584,000 manufacturing jobs between when President Biden took office in January 2021 and May 2022.[6] Notably, almost every state and the District of Columbia added manufacturing jobs over the first 15 months after President Biden came into office.[7] By comparison, the U.S. added just 2,000 manufacturing jobs in 2019. This rebound is helping to reverse a decades-long decline in U.S. manufacturing employment.

Manufacturing has long been a core strength of the American economy, but increasing global competition has threatened many of these high-quality jobs. In the first two decades of the 21st century, the United States lost more than a quarter of all domestic manufacturing jobs, a decline of about 5 million.[8] Increased competition from China led to an estimated 985,000 American manufacturing jobs lost between 1999 and 2011.[9]

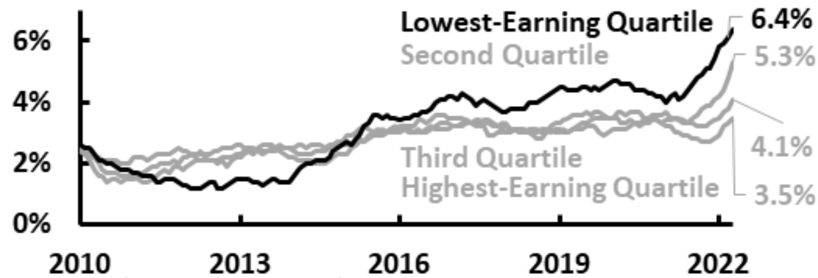
Manufacturing jobs frequently provide better pay, more consistent hours and stronger worker protections than retail or other service industries.[10] The loss of high-quality manufacturing jobs was a major reason the median income of working-class men without a secondary school diploma fell by 20% between 1990 and 2013.[11]

Wage growth has been strong, especially for the lowest earners

Strong demand in the labor market is helping workers secure better jobs with higher pay, even as global inflation strains household budgets. Average hourly earnings are up 5.2% over the last year. The lowest-income workers have seen the largest gains. Over the last 12 months, wages at the bottom of the income distribution increased 6.7%, an indication that the strength of the U.S. recovery is reaching workers who have been excluded from previous wage gains. Job openings are also near record highs, bringing marginalized workers back into the workforce and increasing worker bargaining power to negotiate for higher wages.

Wage Growth Has Been Fastest for the Lowest Earners

Median wage growth by wage quartile, 12-month moving average, Jan. 2010 to Apr. 2022



Source: Atlanta Fed Wage Tracker

Note: Wage growth data are nominal and not adjusted for inflation.

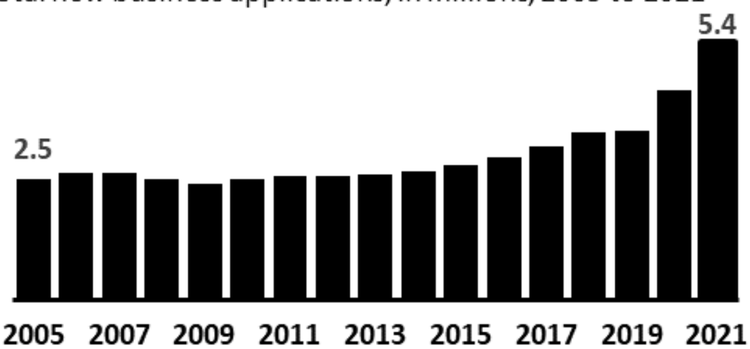
Strong demand for labor means that workers are able to find new jobs more easily, and they can negotiate for higher wages in that new job. As a result, workers who switched jobs over the past 12 months saw median wage gains that were even higher than those who stayed in their current jobs.

Business starts reached record levels in 2021

The U.S. experienced a business and entrepreneurship boom in 2021 as the number of new business applications reached a record high.[12] In total, Americans filed 5.4 million applications for new businesses in 2021, 68% higher than the average number of filings in the five years before the pandemic.[13] Of these new applications, 1.8 million were for businesses of the type likely to become employers, also a record high.[14] In fact, the number of high-propensity business filings in 2021 was 42% higher than the average number of applications in the five years before the pandemic.[15]

A Record Number of People Started New Businesses in 2021

Total new business applications, in millions, 2005 to 2021



Source: Census Bureau.

Note: Data are seasonally adjusted.

Thanks to the American Rescue Plan and other emergency measures, the Biden administration disbursed more than $400 billion in emergency assistance to well over 6 million businesses, including those run by Black, Hispanic and Asian business owners who were hit hard by the pandemic.[16] These policies helped existing businesses survive, and the robust economic recovery led to a record number of new business applications in 2021.[17]

The record boom in business applications in 2021 took place all across the country. Thirty-one states and the District of Columbia saw over 50% more applications than the pre-pandemic annual average, including six states where applications more than doubled.[18]

Global events have pushed up prices worldwide, denying American workers the full benefits of the economic recovery

While the U.S. has experienced a robust economic recovery under President Biden, inflation is depriving U.S. workers and families of the full benefits of higher wages and strong job gains. Around the world, inflation remains elevated—a result of unprecedented disruptions caused by the pandemic and, more recently, exacerbated by Russia's invasion of Ukraine. Inflation in the U.S. over the last year climbed to 8.6% as of May 2022.[19] By comparison, Eurozone inflation reached 8.1% in the twelve months ending in May.[20]

Investing in infrastructure and manufacturing will improve supply chains and help insulate workers and families from price volatility caused by global shocks. Investments that grow the economy by expanding long-term productive capacity will reduce inflationary pressure and ensure that the U.S. is producing goods here at home. Failing to address the underlying causes of inflation will only leave families vulnerable to similar shocks in the future.

The Biden administration and Congress took action to drive a robust recovery and address economic challenges

The American Rescue Plan supported families and communities through hardship caused by the coronavirus pandemic

The American Rescue Plan, signed into law in March 2021, provided crucial support for families and helped set the U.S. on the course to a strong recovery. The Rescue Plan included income replacement for families and for workers who lost their jobs through no fault of their own during the pandemic, including expansion of the Child Tax Credit, continued supplemental Unemployment Insurance benefits and direct payments to households. The Rescue plan also provided funding for state and local governments to keep essential workers on the job and to scale up and distribute coronavirus vaccines, testing and treatment on an equitable basis.

The expansion of the Child Tax Credit under the Rescue Plan was one of the largest-ever, single-year tax cuts for families with children. Qualifying families received monthly payments from July through December 2021. Over 36 million families that included more than 61 million children received a total of nearly $93 billion in advance CTC payments. The expanded CTC was the primary driver of record-low child poverty levels in 2021. The expanded CTC alone reduced monthly child poverty by 30% and kept 3.7 million children out of poverty.[21] More than 80% of the CTC's poverty reduction came from making the credit fully refundable, so that families with little or no income could receive the full amount.[22]

Under President Biden, the federal government delivered more than $400 billion in direct assistance from the Rescue Plan and other emergency response measures to more than six million small businesses, which kicked off a small business boom in 2021.[23] The Biden administration prioritized distributing small-business funding to businesses with fewer than 20 employees and helped businesses in low- and moderate-income areas.[24]

The American Rescue Plan included $122 billion to help K-12 schools reopen and address ongoing issues caused by the coronavirus pandemic, including mental health concerns and learning loss.[25] In addition, the Rescue Plan delivered more than $10 billion for community colleges and their students, including a record $2.7 billion to Historically Black Colleges and Universities (HBCUs) and their students.[26]

The American Rescue Plan also included funding streams to help households manage costs and withstand the economic impact of the coronavirus pandemic. The Rescue Plan helped make healthcare more affordable, leading to record enrollment in marketplace healthcare plans.[27] The Rescue Plan more than doubled funding for the Low-Income Home Energy Assistance Program to $8 billion to help families with the cost of home heating and cooling. [28] In addition, Rescue Plan funding helped 5 million renters remain housed, leading to below-average evictions even after the end of the CDC's eviction moratorium.[29]

The Biden administration has taken steps to raise wages and protect workers

The Biden administration has acted aggressively to protect workers and raise wages. Under President Biden, the U.S. Labor Department is helping to ensure that more than 11 million American workers attain the pay they deserve by improving the guidelines for when employers can apply tips to meet minimum wage laws.[30] This action reverses Trump administration policies that facilitated the underpayment of certain employees.

The Biden administration also implemented a $15 minimum wage for federal contractors, up from the previous floor of $10.95.[31] This raise will impact over 300,000 workers and aid many more.[32] The minimum wage increase for federal contractors will also boost the wages of those who do not work for federal contractors by increasing competition for talent.[33] Employers who compete with federal contractors for workers will face pressure to also increase wages to meet hiring needs, spurring broader wage increases.

The Biden administration was the first to use the Rapid Response Mechanism in the U.S.-Mexico-Canada Agreement (USMCA) to lift wages in the United States.[34] Strong enforcement of the labor provisions in the USMCA will ensure that companies can no longer exploit workers in Mexico to save on labor costs.[35] As a result of this change in enforcement, companies will have less incentive to cut American manufacturing jobs and wages and ship jobs out of the country.

Biden administration actions alleviated supply chain disruptions

Global supply chains have faced repeated disruptions since the start of the coronavirus pandemic.[36] International factory shutdowns due to coronavirus outbreaks, extreme weather events and Russia's invasion of Ukraine have all contributed to backlogs and delays that strained the ability of U.S. ports, rail lines and trucking routes to deliver goods to market.[37]

Though much of the global supply chain crunch is outside the control of the U.S. alone, the Biden administration eased supply chain issues by improving port operations and addressing logistical holdups through legislative and regulatory action.[38] Actions, including moving some of the country's largest ports to around-the-clock operations and utilizing off-peak hours to move more cargo, reduced the amount of dwell time for containers at ports.[39] These efforts helped alleviate port backups and led to a record number of shipping containers moving through the Ports of Los Angeles in 2021. The Ports of LA moved a record amount of cargo in 2021, 13% more cargo than the previous high set in 2018.[40]

In December 2021, the Biden administration awarded $241 million from the bipartisan Infrastructure Investment and Jobs Act to improve 25 American port facilities that play especially important roles in the U.S. supply chain ecosystem.[41] The law included a total of $17 billion to repair ports and waterways, which is estimated to support over 23,000 jobs each year.[42] Additionally, the Biden administration launched the Trucking Action Plan to address labor force issues and create a pipeline for high-quality jobs in the trucking industry.[43]

Congress and the Biden administration are working to bring down inflationary pressures and reduce costs

Congress and the Biden administration are implementing policies to reduce inflationary pressures. To bring down energy prices, the Biden administration coordinated the largest-ever releases of both domestic and international oil reserves to aggressively expand oil supply and temper gas price increases.[44] President Biden also directed the Federal Trade Commission to investigate whether oil and gas companies are participating in illegal conduct to push up gas prices.[45] The Biden administration has also worked to lower household food costs by boosting food production and expanding meat processing capacity. Additionally, the Biden administration prioritized ensuring that the institution best positioned to fight inflation–the Federal Reserve Board–has a full slate of highly qualified experts to combat inflation.

Congress and the Biden administration have also taken action to reduce out-of-pocket costs for families. With the Affordable Connectivity Program included in the bipartisan Infrastructure Investment and Jobs Act, Congress and the administration expanded broadband access and made it more affordable for low-income families. The program provides up to $30 per month to help eligible families get access to the internet and currently serves over 10 million households. Congress and the Biden administration also have lowered monthly premiums and out-of-pocket health care costs via the enhanced premium tax credits in the American Rescue Plan.[46] Many of the record 14.5 million families who got their health insurance through the Affordable Care Act marketplaces, during the 2022 open enrollment period, are now spending less on health care than in 2020.

The Biden administration has also worked to solve supply chain disruptions that have been a major driver of high prices. The administration has made tremendous progress in working with ports—particularly two of the largest U.S. ports in Los Angeles and Long Beach—to clear container backlogs and ease supply chain disruptions in order to get goods to consumers faster. [47] Additionally, the recently enacted bipartisan Infrastructure Investment and Jobs Act will help lower long-term inflationary pressures. Improving roads, bridges, rail, broadband, airports, cargo ports and water pipelines will bring down costs for business, make the economy more productive and drive economic growth all of which reduce inflation over the long term.

The U.S. faces both long-standing and new economic challenges

The U.S. has enduring wealth and income disparities along racial and gender lines

Structural racism and sexism have been present in the United States since its founding. Since data were first collected on income and wealth along gender and racial lines, there has been evidence of inequality in the outcomes of women and people of color relative to non-Hispanic white men.[48] Disparities persist through today. In the first quarter of 2022, white men working full-time were earning more than $57,000 per year, considerably more than white women ($48,000), Black men ($42,000), Black women ($38,000), Hispanic men ($39,000) and Hispanic women ($35,000).[49]

These differences in income, due to discrimination, occupational segregation, gender socialization and more, have significant effects over the course of lifetimes.[50] Racial wealth gaps in particular are the result of centuries of enslavement, property theft and destruction and discrimination in the tax code, housing and labor market.[51] Structural solutions are necessary to proactively support all families' financial security and close these gaps. These policies include universal child care, a fully refundable child tax credit and wealth-building policies such as baby bonds.[52]

Working families face unaffordable costs caring for children

The coronavirus recession put enormous burdens on working parents, especially mothers caring for children, and other caretakers of loved ones. The U.S. was already facing a crisis as the cost of care had grown enormously, even as care workers faced persistently low wages.[53] Recent national estimates find that child care costs for a single child average between $9,200 and $9,600 per year.[54] For a family with two young children, average child care costs exceed the median cost of rent in every reporting state and the District of Columbia.[55] Investing in care infrastructure will help parents re-engage the workforce and grow the economy.

Climate change poses a unique threat to society and economy but investments in clean energy will reduce costs and support new jobs

Climate change is an existential threat to U.S. families, communities and the economy. The economic impact of inaction on climate change is large and growing: Extreme heat will continue to decrease productivity, and extreme weather events will cause more damage to communities. Low-income and marginalized communities will see some of the largest economic impacts of climate change but have the fewest resources to withstand the negative impact of higher temperatures and extreme weather.

Investments in clean energy do more than combat climate change, they will lower energy costs, support new jobs and insulate family budgets from volatile energy markets. Continued dependence on fossil fuels will render families and businesses vulnerable to shocks in the international energy supply, like Putin's invasion of Ukraine, which has pushed up the price of gas at the pump.

Transitioning to clean, renewable energy sources such as wind and solar will protect families from drastic energy price increases while fighting climate change.

Working families face barriers to finding stable, affordable housing

The economic fallout from the coronavirus pandemic only worsened the ongoing housing affordability crisis. Every state, and the District of Columbia, lacks sufficient rental housing that is affordable for the lowest-income renters, a problem that has been exacerbated recently by pandemic-related supply chain bottlenecks. These ongoing affordability crises highlight the need for greater public investment to improve housing stability and increase affordability for American families.

The American Rescue Plan included valuable investments in housing stability that, together with other pandemic relief bills, prevented the sort of massive housing crisis that the U.S. saw during the Great Recession. This included the Emergency Rental Assistance program, which has helped over 5 million families at risk of eviction as of March 2022, while enabling states and localities to run their own rental assistance programs. Additionally, the combination of the Homeowner Assistance Fund and the federal moratorium on foreclosures helped avoid the devastating effects of the foreclosure wave during the Great Recession.

Concentrated corporate power has reduced American competitiveness, raising costs for families and lowering wages

Evidence shows that corporate concentration and power has grown in recent decades, constraining healthy competitive markets while reducing wages and pushing up prices for U.S. households. One study found 60% of local labor markets in the United States are now highly concentrated, which has reduced competition and made it more difficult for small businesses to survive.[56] Fewer firms competing for business has pushed up prices for consumers, and fewer firms, competing for workers, has reduced wages. Concentrated corporate power also threatens innovation, as businesses hand profits back to their shareholders instead of investing in research and new technology.

Record corporate profits are another clear indication that markets have become less competitive over the last twenty years.[57] While the profit share of GDP varies with the business cycle, it remained relatively stable for the latter half of the 20th century and averaged about 6%.[58] But over the past two decades, profits have outpaced economic growth, and the after-tax profit share has increased to roughly 9%.[59] Higher corporate profits have led to increased payouts to shareholders, barriers to entry for new companies and reduced economic dynamism, as dominant firms are less likely to be replaced than they were two decades ago.[60]

Despite record profits, firms are investing less per dollar of profits than they did decades ago. Between 1962 and 2001, firms invested 20 cents per dollar back into their businesses by spending on new equipment and innovations.[61] Today, firms are investing just half of what they used to, which is limiting productivity and stifling economic growth.[62]

Increasing concentration in the U.S. economy is also responsible for at least a 7% increase in overall consumer prices over the last 17 years.[63] Estimates show that increased monopoly rents have cost the typical household approximately $3,700 every year.[64] Rising market concentration is also linked to declining workers' compensation and bargaining power.[65]

New financial technology creates opportunities and risks for the U.S. economy

Over the last 11 years, the market for cryptocurrencies and the broader class of digital assets has grown from a niche industry to a globally significant financial market. This asset class is notably volatile, with the total digital asset market gaining and then losing over one trillion dollars in value *twice* since January 2021.[66] The market has dropped steadily since its peak in November 2022, contracting from nearly $3 trillion to only $1.2 trillion in May 2022.[67]

While still a small share of the broader financial system compared to stocks and bonds, the growth of digital assets poses the risk that volatility and digital bank-runs on certain assets could disrupt more mainstream financial institutions like pension funds or mutual funds.[68] Moreover, these assets pose significant consumer protection risks given issues with financial fraud, hacks and market manipulation.[69] While all investments involve risk, the lack of disclosure and reporting requirements in many parts of the crypto asset industry tilt the playing field towards powerful players who can potentially manipulate markets to their advantage.[70]

The current financial regulatory framework has taken steps to increase oversight and crack down on fraudulent actors, but significant gaps remain.[71] Updating the federal government's regulations through legislation and executive action to increase oversight of crypto assets can help guide innovation that protects investors and the integrity of financial markets.

CHAPTER 2: LONGSTANDING ECONOMIC INEQUALITIES REQUIRE RENEWED PUBLIC INVESTMENT AND REAL SOLUTIONS

In recent decades, progress had been made to close long-standing inequities that persist along racial, ethnic, age and gender lines. However, the onset of the coronavirus pandemic exacerbated these pervasive gaps, highlighting the need for renewed public investment and real policy solutions to create economic opportunity for all U.S. workers and families. For example, unemployment among Black and Hispanic workers, which has been persistently higher than that of white workers, spiked precipitously at the onset of the coronavirus pandemic. Native American communities have long faced barriers to economic opportunity and continue to lag behind their white counterparts as the nation recovers from the economic impact of the pandemic. Additionally, large economic inequalities persist among diverse Asian American and Pacific Islander communities.

While overall unemployment numbers are strong, many workers of color still experience unemployment rates that are higher than average for white workers. In May 2022, the unemployment rate was 6.2% for Black workers, 4.3% for Hispanic workers and 2.4% for Asian workers.[72] Unemployment among American Indian and Alaska Native workers was 4.5% (not seasonally adjusted).[73] The persistence of economic inequality in unemployment, income and wealth requires renewed public investment and real policy solutions to create economic opportunities and fight discrimination.

The gender pay gap has also persisted as women continue to face barriers to full participation in the economy and discrimination in the workplace. The pandemic increased caregiving responsibilities, and women shouldered the majority of this responsibility. This led to lower labor force participation rates than that of their male counterparts, and women's participation rates have yet to rebound even as the nation recovers. Attacks on reproductive rights will only restrict economic opportunities and hinder progress for women and their families.

Finally, the coronavirus pandemic has had a disproportionate impact on older workers, who are generally defined as those ages 55 and above. The pandemic shed new light on the struggles facing older workers, including existing hiring and wage discrimination, the physical toll of certain types of work and growing retirement insecurity.

Black Americans have made significant economic progress, but income and wealth gaps persist

While median incomes for workers of all races have mostly increased since 1972, Black household income continues to lag behind that of white households. Today, the typical Black household earns 62 cents for every dollar earned by a white household.[74] The gap in incomes was smallest in 2000 but widened during the Great Recession before only recently beginning to narrow again.[75] In 2019, the ratio of white to Black wealth was nearly 8 to 1—a result of historical disparities in asset ownership, unemployment, wages and intergenerational wealth transfers.[76]

Many policymakers and commentators suggest education as a panacea for eliminating racial income and wealth gaps. However, evidence shows that increased educational attainment alone is not enough to close employment, income and wealth gaps.[77] Despite enormous gains over the last 50 years in Black educational attainment, the racial wealth gap between Black and white households has actually increased. For example, Black college graduates in their 30s have seen their wealth position drop by more than 80% relative to their white peers compared to 30 years ago.[78]

Regardless of whether Black workers complete a postsecondary program, their incomes remain substantially below that of white workers, they are twice as likely to be unemployed and they earn substantially less over their lifetimes. Almost 40% of Black college graduates are underemployed—working jobs that do not fully utilize their skills, experience and availability to work—compared to 31% of white graduates.[79] To achieve the same socioeconomic status, Black students must go to school for longer and earn more academic credentials than white students.[80]

At the onset of the pandemic recession, Black workers and families were disproportionately impacted by the spread of the coronavirus and the loss of millions of jobs across the United States.[81] The American Rescue Plan and actions by the Biden administration were critical to helping Black families, small businesses and communities weather the impact of the coronavirus recession. The Rescue Plan expanded the Child Tax Credit, extended supplemental unemployment insurance benefits and sent direct payments to households. It also included a historic $2.7 billion investment in Historically Black Colleges and Universities (HBCUs) and their students.[82] The Biden administration disbursed more than $400 billion in relief to small business, prioritizing businesses with under 20 employees and creating a $1 billion fund for sole proprietorships in low-to-moderate income areas.[83]

Congress can do more to create economic opportunity for Black communities and fight discrimination against Black workers. Investing in care infrastructure will help parents who face difficulty finding care for their children, reduce costs for families and raise wages for care workers, who typically receive low wages and are disproportionately women of color. Investments in clean energy and climate resilience will help protect the health and safety of Black communities, which are disproportionately impacted by fossil-fuel energy production and are more vulnerable to extreme weather. Further investments in HBCUs and policies that fight racial discrimination in the workplace will provide greater economic opportunities to Black students and workers.

Hispanic workers and business owners power economic growth but face continued barriers to economic opportunities

Hispanic workers and small-business owners are a critical part of the U.S. economy, helping carry the economy through the pandemic and into recovery. Nearly 5 million Hispanic-owned businesses contribute over $800 billion to the American economy every year, and about one-quarter of new businesses are Hispanic owned.[84] Hispanic-owned businesses are powering job creation, employing about 3 million workers, and Hispanic entrepreneurs have built successful businesses despite barriers to accessing capital.[85]

Across industries, Hispanic workers played a pivotal role in supporting the U.S. economy during the pandemic, including in jobs that often placed them and their families at risk.[86] Hispanics comprised a large share of workers in jobs that required close contact with sick and high-risk individuals and were more likely to become hospitalized or die at the onset of the coronavirus pandemic.[87] Even before the pandemic, occupational segregation hurt Hispanic workers' earnings and resulted in poorer working conditions.[88] For example, over half of all Hispanic women in the workforce were in low-paying occupations near the end of 2021.[89]

A renewed focus on creating economic opportunities and fighting discrimination is necessary to ensure that Hispanic workers, businesses and families can share in the prosperity that they help create. The American Rescue Plan took important steps, including funding for colleges and universities that included about $11 billion for Hispanic-Serving Institutions.[90] Congressional support for small businesses helped create a small business boom in 2021, and Hispanic business formation that year was 23% higher than before the pandemic.[91] Additional investments in the care economy and manufacturing jobs will create economic opportunities for Hispanic workers and their families.

Native American communities still face barriers to economic opportunity

The legacy of violent removal, forced assimilation and unmet obligations are reflected in the nature and magnitude of pervasive structural disparities that threaten the economic security and opportunity of Native American communities.[92] Native people are held back by persistent disparities in employment, income and education. By early 2022, the labor force participation rate of Native Americans remained below the national rate.[93] Native Americans are also more likely to earn less than non-Hispanic white Americans.[94] These disparities contribute to a cycle of intergenerational poverty. Native Americans are more likely to live in poverty than individuals of other minority groups, irrespective of age.[95] Climbing the ladder of economic mobility is further complicated by disparities in education, as just one in five Native Americans over the age of 25 has attained a bachelor's degree.

Barriers to wealth-building and financing also limit the economic security of Native Americans. The typical white family has more than twice the wealth of the typical American Indian and Alaska

Native (AIAN) families.[96] Because wealth serves as an enabler of opportunity, these disparities translate into inequities in housing, access to education and economic outcomes. Despite a strong preference for owning a home, a smaller share of Native households owned homes in 2020 than in 2000.[97] Similarly, Native entrepreneurs are more likely than their counterparts to face barriers to obtaining credit and report a greater reliance on informal financing.[98]

The American Rescue Plan and the bipartisan Infrastructure Investment and Jobs Act directly addressed long-standing economic issues facing Native communities. The Rescue Plan, for example, included the largest-ever funding for the Low-Income Home Energy Assistance Program (LIHEAP), assistance that is critical for Native American households that face disproportionately high energy bills.[99] The bipartisan infrastructure act invests over $11 billion in Native communities, including funding for broadband, water and transportation infrastructure.[100] Additional investments are necessary to create equitable economic opportunities for Native communities.

Large economic disparities exist within Asian American and Pacific Islander communities

The Asian American, Native Hawaiian and Pacific Islander (AANHPI) population in the U.S. is among the fastest-growing and the most diverse, encompassing a large number of origin groups.[101] The AANHPI community was hit hard by the pandemic and the economic recession that followed but has made a strong recovery thanks to pandemic relief. Discrimination, fear of violence and high death rates took a toll on the quality of life and economic state of the AANHPI community during the pandemic.[102] Yet, assistance in the American Rescue Plan and other pandemic relief provided necessary support and spurred a broad-based economic recovery.[103] By early 2022, the unemployment rate for Asian Americans had fallen to 2.8%, after peaking at 14.3% in 2020. Similarly, only 3.8% of Native Hawaiians and Pacific Islanders were unemployed by early 2022, compared to 9.3% at the pandemic's peak.[104]

Aggregate measures of economic well-being mask the diversity of the AANHPI community, causing them to seem uniformly prosperous despite having the highest level of income inequality of any major racial group.[105] For example, Indian Americans' median family income is nearly twice the national median, while refugee populations, such as Malaysian Americans, and colonized populations, such as Native Hawaiians and the indigenous people of the Pacific Islands, are significantly poorer.[106] Similarly, aggregate statistics of educational achievement obscure the low rates of college graduation for Native Hawaiians and Pacific Islanders.[107]

The American Rescue Plan included funding that helped Asian Americans, Native Hawaiians and Pacific Islanders, including about $5 billion in higher education funding for Asian American and Native American Pacific Islander-serving institutions.[108] Expanded premium tax credits under the Rescue Plan helped almost 200,000 previously uninsured Asian Americans, Native Hawaiians and Pacific Islanders once again purchase health insurance.[109]

Policies that fight discrimination, further the transition to clean energy and advance research, innovation and manufacturing will help create jobs and economic opportunities for Asian Americans, Native Hawaiians and Pacific Islanders.

Further progress is needed to close the gender wage gap and ensure greater economic opportunity for women

In 2020, women earned 83 cents for every $1 that men earned on average.[110] While the gender pay gap has narrowed in the last 60 years, with the largest improvement occurring during the 1980s, progress has stagnated.[111] This is particularly true for higher-skill and higher-pay workers. In the last three decades, the U.S. has made as much progress in closing the gender wage gap as was made in the 1980s alone.[112]

The gender pay gap is even greater for women of color. While the gender wage gap ratio indicates that women earn 83 cents for each dollar earned by a man, this figure, which refers to the pay disparity between the average man and the average woman, obscures the vast differences in the earnings of women of different races and ethnicities. Black and Hispanic women have the widest pay gap ratio relative to white men, at 63% for Black women and 57% for Hispanic women. White women's gender pay gap ratio is just below the average for all women at 79%.[113]

While the gender wage gap has narrowed over the past 60 years, progress towards closing it has stalled, even as vast racial and ethnic disparities remain. Structural solutions that ensure all workers have the care infrastructure they need in order to participate fully in the labor market and that address the systemic devaluing of work done by women will be necessary to fully address this gap.

Access to safe and legal abortion, in addition to being an issue of bodily autonomy and reproductive rights, is also a matter of economic equality and opportunity for women. Many states put unnecessary restrictions on women seeking abortions, restrictions that have no basis in medical science and imperil women's health and well-being.[114] Access to safe and legal abortion increased women's probability of graduating college by 72%.[115] The effect was even larger for Black women, whose chances of completing college increased two- to three-fold. Being able to delay motherhood by one year due to access to legal abortion increased women's wages by 11% on average.[116] Access to abortion enables people to make the decisions that are right for them and their financial security, which is also essential for advancing broadly shared economic growth.

Older workers face ongoing discrimination in the workforce

Older workers, generally defined as those 55 and above, made up a quarter of the workforce in 2020, but the coronavirus pandemic has pushed a disproportionate share of these workers out of the workforce.[117] From April to September of 2020, for the first time in 50 years, the unemployment rate for older workers (55+) was higher than that of mid-career workers (age 35 to 54) in a six-month rolling average.[118] In 2021, there were still more than one million unemployed older workers, and nearly half had been looking for work for more than 27 weeks.[119]

The pandemic also shed light on the erosion in earnings and job quality that older workers had already experienced in recent decades. By 2016, the wage premium for an additional year of tenure had fallen by nearly half from its 2000 peak, and nearly 30% of workers 55 to 64 reported working jobs that required "lots of physical effort" most or all the time.[120] These outcomes and the growing retirement insecurity that erodes the bargaining power of older workers are exacerbated by age discrimination.[121]

Age discrimination not only creates unlawful barriers for older workers in their employment, it also hurts the economy as a whole. Preconceived notions about the capacities and expenses associated with older workers can make it harder for them to find and retain work.[122] In 2018, age discrimination of all types is estimated to have cost the United States $850 billion.[123] Without intervention, this cost is estimated to reach nearly $4 trillion by 2050.[124]

Creating an Older Workers Bureau at the Department of Labor, enhancing retirement security for older workers and enforcing laws against age discrimination would assist older workers and help them continue contributing their talents and wisdom in the workplace.

Chapter 3: Prudent Public Investments Spur Long-Term Economic Growth and Create Economic Opportunities for All

The American Rescue Plan was essential to help families weather the immediate impact of the coronavirus pandemic and to jumpstart the economic recovery, but additional investments are needed to sustain long-term economic growth and build shared prosperity for all U.S. workers and families. Investing in child care would reduce costs for families, help parents enter the workforce and improve social mobility. For example, the expanded Child Tax Credit included in the Rescue Plan demonstrated the effectiveness of investments in families for fighting poverty and creating economic opportunities for parents and children.

Investment in infrastructure, innovation and manufacturing will also power long-term economic growth and bring down inflationary pressures. The bipartisan Infrastructure Investment and Jobs Act will help re-build critical infrastructure, creating jobs, reducing costs for businesses and making U.S. infrastructure more resilient to the impact of climate change. Additional funding in research and manufacturing will help spur innovation and continue the boom in manufacturing jobs that started under President Biden. Finally, investments in clean energy will create new jobs, reduce U.S. dependence on fossil fuels and fight the on-going impact of climate change.

Investing in families and the care economy will create jobs and reduce costs

Investing in the care economy will help working families and create long-term economic growth

Strong labor force participation is a key input to economic growth, but the labor force participation rate in the United States among both men and women has fallen in recent decades.[125] A critical cause of the decline among women is the lack of structural support for their full economic participation. Because responsibility for providing care continues to fall disproportionately on women, policies such as paid leave and affordable child care would increase women's labor force participation.

Historically, boosting women's labor force participation has had a profound and positive impact on individual, family and overall economic conditions. As more women entered the labor force over the 20th century, a parallel trend emerged: wages for low-income workers fell and stagnated for middle-income workers.[126] Women's greater participation in the formal labor market has been crucial to making up for this lost household income.[127] Data from before the coronavirus pandemic showed that two-thirds of mothers in married couples and three-quarters of unmarried mothers were employed outside the home.[128] Policies that support families and women's full participation in the labor market, such as paid leave and child care, are crucial to strong, stable economic growth.

Investments that boost women's labor force participation rates would generate not just stronger economic outcomes for their families, but the entire economy. Estimates show that investing in early childhood education alone can have large economic returns, yielding up to $9 in future gains for every $1 invested in the current system and creating significant benefits both for participating families and the economy as a whole.[129] Inadequate access to paid leave and affordable child care reduces U.S. GDP by $650 billion—2.9% of total GDP—every year because women are kept back from the workforce, according to analysis by the National Partnership for Women and Families.[130]

Care economy investments will boost social mobility and raise incomes for millions of people

Investing in affordable child care is not only important for boosting labor force participation today, it is also important for improving workforce productivity and workers' wages in the future.

Ensuring that children receive quality care, attention and education in their early years sets them on a path to better educational, health and economic outcomes far into the future. Investment in early childhood supports the social and cognitive developments that underlie the skills that are rewarded in life.[131] Research has found that children who attend preschool grow up to be healthier, better educated and more productive workers who pay more in taxes and are less likely to be involved in the criminal justice system or to access income support programs than those who did not attend preschool.[132] Preschool attendees also have higher lifetime earnings, a key metric of upward mobility, and go on to earn as much as 60% more than their peers who did not attend preschool.[133]

The expanded Child Tax Credit proved to be an enormously effective tool for helping families, children and the economy

The Child Tax Credit (CTC) expansion included in the American Rescue Plan was one of the largest-ever single-year tax cuts for families with children. The Rescue Plan made the CTC fully refundable and dramatically increased the value of the credit from $2,000 per child to up to $3,600 per child under age 6 and $3,000 per child between ages 6 and 17. Advance payments of the expanded CTC, paid out in monthly installments for six months in

2021, helped more than 61 million children from over 36 million families.[134] Changes to the CTC made under the Rescue Plan enabled many previously ineligible low-income families to receive the full credit and put money in the pockets of working families to pay for household expenses.

The expanded CTC was the primary driver of record-low child poverty levels in 2021. The expanded CTC, alone, reduced monthly child poverty by 30% and is credited with keeping 3.7 million children out of poverty while the policy was in effect.[135] More than 80% of the CTC's poverty reduction came from making the credit fully refundable for families with little or no income.[136]

Real-time Census Household Pulse Survey data showed that advance CTC payments provided much-needed income support to families. Most spent their advance CTC payments immediately on household necessities, such as food and rent, or used the payments to pay off debt. Similarly, families who received the CTC portions of their 2021 federal tax refunds used the funds to pay off debt or cover household necessities soon after receiving them.[137]

Economic research has shown how the CTC would generate economic benefits for society as a whole if made permanent. Columbia University researchers found that child allowance policies, including the expanded CTC, generate "very high net returns for the U.S. population."[138] The researchers also estimated that a permanent expansion of the CTC would cost $97 billion per year and generate social benefits of $982 billion per year—or $10 in benefits for every $1 of investment.

Investments in infrastructure, innovation and manufacturing will improve economic productivity and create jobs

The bipartisan Infrastructure Investment and Jobs Act will rebuild America's crumbling infrastructure

Investments in infrastructure, innovation and manufacturing will help power long-term economic growth and bring down inflationary pressures. The bipartisan Infrastructure Investment and Jobs Act, which President Biden signed into law in November 2021, will help create jobs and strengthen the economy by facilitating these types of investments.

The bipartisan infrastructure law invests $550 billion to help reverse decades of underinvestment in American infrastructure. Recent Joint Economic Committee analysis showed that federal infrastructure investment over the past two decades regularly fell below 3% of total federal spending. In comparison, federal investment in infrastructure often exceeded or came close to 5% of total federal spending before 1980.[139]

According to the Economic Policy Institute, over the next decade, the bipartisan infrastructure law will support approximately 772,000 jobs per year.[140] Investments in roads, bridges, freight rail, airports and cargo ports will strengthen supply chains and improve productivity, which will advance sustained economic growth and reduce long-term inflation.

Investing in innovation and research is essential for keeping the United States economically competitive

Congress is also considering bipartisan innovation legislation—the America COMPETES Act passed by the House and the United States Innovation and Competition Act (USICA) passed by the Senate—that would make critical investments for U.S. economic growth and for U.S. competitiveness in the global economy.[141] The bipartisan innovation bills would address vulnerabilities in U.S. supply chains that were highlighted by the coronavirus pandemic. This legislation would invest in supply chains for critical technologies, such as semi-conductors, and would support all stages of critical technology production in the United States, beginning with cutting-edge research and continuing through to domestic manufacturing. The bills would also improve the United States' competitive edge internationally by spurring innovation and harnessing it to create new jobs, companies and industries.

Research and technological innovation, especially in areas such as advanced manufacturing, are foundational for future economic growth.[142] From basic research to technological development to entrepreneurship, new products and approaches can support new businesses or entire industries, which leads to improved living standards and economic development. The bipartisan innovation legislation would help keep the United States on the cutting edge of technological development, which includes developments in artificial intelligence, quantum computing, biotechnology and advanced energy.

Addressing climate change is critical to safeguarding America's economic well being

Addressing climate change will help drive economic growth, while also protecting families from the dangers and costs of extreme weather. Dramatically cheaper clean technology, along with energy security concerns, amplify the economic benefits of transitioning away from fossil fuels. The cost of inaction rises each year, and the benefits of acting on climate change have never been greater than they are today.

Climate change will have major social and economic consequences for the United States.

The economic cost of inaction on climate change is large and growing. Climate change is already making costly extreme weather events more common: In 2020, extreme weather disasters cost almost $100 billion and, in 2021, extreme weather costs increased almost 50% to nearly $150 billion.[143] Warmer temperatures also weaken major drivers of economic growth by lowering labor supply, constricting workers' productivity and cutting family incomes.[144] Extreme weather also creates feedback effects that destabilize energy markets and raise costs for heating and electricity.[145]

Inaction on climate has already exacerbated the number of incidences of extreme weather and will lead to more devastating impacts on communities across the United States, disproportionately harming marginalized and low-income communities. Hispanic Americans face disproportionate earnings risk from climate change, while Black Americans are 40% more likely to live in areas with the greatest expected increases in mortality due to climate change.[146]

Investments in clean energy will reduce costs for families and fight climate change

Innovation in clean energy technology has dramatically reduced the cost of transitioning away from fossil fuels, which is necessary to lowering costs for families and increasing energy security. The cost of solar power has gone down significantly in the past decade; while wind power is already one of the lowest-cost energy sources available.[147] As global supply chain disruptions and Putin's invasion of Ukraine have pushed up energy prices around the world, the cost advantages of clean energy have only grown.[148] Investments in clean energy production and transmission will allow for more clean energy to reach families, while electrifying homes will reduce costs and bring down carbon emissions.[149]

Moving towards clean-energy transportation will help reduce costs for families while fighting climate change. Investments in electric vehicle charging infrastructure will allow more families to drive without emitting climate warming fumes or paying for gas. Electric vehicles insulate drivers from gas price volatility and are already reducing oil consumption by 1.5 million barrels per day worldwide.[150] The battery technology that has been a choke point for electric vehicle expansion has also seen dramatic cost declines over the last decade, with Lithium battery prices falling 89% since 2010.[151]

The bipartisan Infrastructure Investment and Jobs Act makes enormous strides in clean energy transmission, climate resilience and clean transportation. The bipartisan legislation will invest $73 billion in clean energy transmission, which includes researching, building and expanding resilient transmission and electricity distribution technologies and clean renewable energy.[152] The Economic Policy Institute estimated that the bipartisan legislation will support more than 81,000 jobs each year related to power infrastructure.[153] The legislation also invests $39 billion to expand and modernize public transit, $7.5 billion to build out a national network of electric vehicle chargers and $5 billion to deliver zero and low emission school buses nationwide. [154]

CHAPTER 4: THE STRONG ECONOMIC RECOVERY AND A FAIRER TAX CODE CREATE THE FISCAL SPACE FOR PUBLIC INVESTMENTS

The U.S. fiscal picture has improved significantly under President Biden

Under President Biden, the federal government's budget deficit has been reduced, and the U.S. fiscal picture has improved significantly. In just the first year of the Biden administration, the federal budget deficit was reduced by more than $350 billion. According to estimates from the Treasury Department, the budget deficit is expected to fall by $1.5 trillion in fiscal year 2022, which would be the largest one-year decrease in the deficit in U.S. history. The Treasury Department expects to pay down the national debt held by the public this quarter, which has not occurred since 2016.[155]

Recent analysis from the Congressional Budget Office (CBO) showed that the budget deficit during the initial seven months of fiscal year 2022 was approximately one-fifth of the level during the same time frame in the previous fiscal year, with revenues up 39% ($843 billion) and outlays down 18% ($729 billion).[156] CBO projects that the budget deficit will drop from $2.8 trillion to $1.0 trillion in 2022, and will continue to decrease in 2023.[157]

Making the tax code fairer would support strong economic growth

Increasing the taxes that big corporations and the wealthy pay would help drive economic growth by funding investments in infrastructure and working families, while incentivizing reinvestment of capital in more economically productive activities.[158] A fairer tax code would lower costs for middle- and lower-income households, increase productivity and bring down inflationary pressure.

Economic data and research clearly show that revenue-raising tax provisions that make the tax code fair and progressive are consistent with strong, broadly shared economic growth. Similarly, evidence from tax cuts on the wealthy and big corporations have failed to produce additional investment or wage growth.[159] This holds true because investors continue to look for the highest return, and economic growth is not affected by increased taxes on capital.[160] Data from U.S. states show that tax cuts at the federal level for the bottom 90% of earners can boost job growth, but tax cuts for the top 10% do not.[161]

The U.S. income tax code violates many of the basic tenets of a fair tax system, allowing many big corporations and wealthy individuals to get away with paying little to nothing in federal income taxes. For example, the Institute on Taxation and Economic Policy found that 55 of the largest U.S. corporations paid no federal corporate income taxes in 2020. Similarly, reporting from *ProPublica* revealed that the country's wealthiest individuals pay little to nothing in personal income taxes.[162] A fair tax system would ensure low- and middle-income Americans do not pay more in taxes than many big corporations or wealthy individuals.

Asking big corporations to pay their fair share would level the playing field of U.S. businesses

To make the tax code fairer, the Biden administration has proposed changes to corporate income taxes. Notably, President Biden proposed increasing the corporate income tax rate from 21% to 28%.[163] The President's proposed rate is still substantially lower than the 35% top corporate tax rate that was in place for several decades, including during the economic boom of the 1990s. Raising the corporate income tax rate will increase tax progressivity and reduce income inequality, while raising revenue for infrastructure and other proposals that are needed to sustain broadly shared economic growth.

Additionally, the Biden administration won international backing from nearly 140 countries for a 15% global minimum tax.[164] The agreement would prevent large companies from shifting their profits to tax havens by requiring them to pay taxes in the places where their products are sold. The global minimum tax of 15%, instituted on a country-by-country basis, would end incentives for U.S. corporations to shift profits and jobs abroad. This outcome is ensured by other countries' commitments to abide by the agreement. These tax changes would level the playing for domestic businesses to compete with large, multinational corporations and would end the race to the bottom in international corporate taxation.

Making the individual income tax code fairer would reduce income inequality while promoting economic growth that is broadly shared

President Biden has also proposed a number of changes to the individual income tax code to ensure that the wealthy pay their fair share. Last year, the Office of Management and Budget and the Council of Economic Advisers estimated that billionaires paid an average federal tax rate of just 8.2% between 2010 and 2018.[165] To make the federal income tax more fair, the President proposed a billionaire minimum income tax, which would impose a 20% minimum tax on households with more than $100 million in assets.[166] In addition, President Biden's proposal would tax both wage income and unrealized gains, such as stock growth.[167] If enacted, this tax would fall largely on the country's more than 700 billionaires. The White House estimates that this proposal would raise $360 billion in new revenue over the next 10 years.[168] President Biden also proposed taxing unrealized gains at death to prevent the wealthiest Americans from sidestepping billions of dollars in taxes and to stop incentivizing the holding of assets for tax avoidance.[169]

Increased funding for tax enforcement will help raise revenue and ensure greater tax fairness

Increasing enforcement of federal tax policies will help ensure that all taxpayers, regardless of income, actually pay what they owe. The complexity of the current tax system has made it easier for wealthy taxpayers to hide portions of their income from the Internal Revenue Service (IRS), thereby facilitating tax avoidance. As a result, the tax burden in this country falls disproportionately on those whose income is derived largely from wages because wage information is reported automatically to the IRS. Taxpayers who derive income from other sources, such as capital gains, tend to be the wealthiest Americans and are better positioned to underreport their income to avoid paying taxes. The gap between federal tax owed and what is actually paid—called the tax gap—is estimated to cost the federal government approximately $600 billion a year.[170]

As a result of chronic disinvestment in the IRS, audit rates on those making over $1 million per year have fallen by more than 60% over the last decade.[171] This low audit rate has led to a two-tiered tax system: one for the wealthiest Americans and one for everybody else. Investing in additional enforcement would enable the IRS to focus on pursuing only those with income greater than $400,000, as the President has proposed.[172] President Biden has called for providing the IRS with additional enforcement power and an extra $80 billion over the next 10 years to help crack down on tax evasion by high-earners and large corporations.[173] Studies have shown that investments of this magnitude could generate more than $2 trillion over the next two decades.[174] The Treasury Department specifically found that these reforms would raise $1.6 trillion in the second decade because investments in the IRS would need several years to reach their ultimate payoff.[175] In addition, reforms that protect, empower and reward whistleblowers who report tax fraud would complement the enforcement powers of the IRS and deter tax evasion. Revenue raised through increased tax enforcement would bring down the federal budget deficit and would be spent on programs that would dampen long-term inflationary pressures.

CONCLUSION

The United States has experienced a strong economic recovery from the coronavirus pandemic, but long-standing economic disparities remain and new challenges to broad-based economic growth lie ahead. Because of the strength of the recovery, the United States is well positioned to overcome current and future challenges to build shared economic prosperity for all. Policies that invest in the care economy, rebuild infrastructure, spur innovation and transition the United States to clean, renewable energy will sustain economic growth over the long term and address real problems facing U.S. workers and families.

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