



# THE BIDEN-HARRIS ECONOMIC BLUEPRINT

SEPTEMBER 2022



THE WHITE HOUSE  
WASHINGTON



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# Introduction

When President Biden and Vice President Harris took office, our Nation faced multiple unprecedented crises: a once-in-a-century virus taking as many lives in one year as U.S. lives lost in all of World War II, millions of jobs lost, hundreds of thousands of businesses closed, and the existential threat of climate change. The Biden-Harris Administration inherited not only these crises, but also an economy that for many decades had been failing to deliver for working families—with workers and middle-class families left behind, stagnating wages and accelerating costs, crumbling infrastructure, U.S. manufacturing in decline, and persistent racial disparities.

Now, just over a year and a half into the Biden-Harris Administration, President Biden, Vice President Harris, and Congressional Democrats have set our Nation on a new course. President Biden's agenda has contributed to the strongest and most equitable economic and labor market recovery in modern history, and catalyzed a resurgence in public investment that will help ensure a strong, innovative, clean energy future that is made in America.

Through bold and decisive action, President Biden's economic agenda laid the foundation for the strongest and most equitable economic recovery in modern history—with over 9.7 million jobs and the fastest decline in the unemployment rate on record, to 3.7 percent. And more Americans applied to start small businesses in 2021 than in any year on record. Together with generational investments in infrastructure, clean energy, and advanced manufacturing, the Biden economic agenda has coupled historic job creation with a long-term strategy to ensure that good jobs of today and tomorrow are created in America.

The unprecedented shutting down and restarting of the global economy due to the pandemic led to mismatches between supply and demand that – together with higher energy and food prices resulting from the war in Ukraine – have driven significant global inflation, including here in the United States. That is why, today, President Biden's top economic priority is bringing down inflation and lowering costs for families, while helping transition our economy from a historically strong recovery to stable, steady growth. And we are seeing significant progress on that front, with a decline of more than \$1.20 in gas prices this summer and overall prices in the economy declining moderately in July.

But President Biden's economic strategy is about both historic recovery and deeper, lasting change to ensure an economy that works for working families. At the heart of President Biden and Vice President Harris' economic agenda is that economic growth should reach and uplift all Americans. No community, no individual, no racial or ethnic group should be left behind. Driving the economy from the bottom up and middle out ensures that growth benefits everyone.

While reestablishing overall economic growth and a strong labor market is *necessary* to achieve the broader economic goals of the Administration, it is not *sufficient*. To achieve the Administration's longer-term goals, the Administration has pursued policies that will empower workers, boost domestic production, tackle climate change, reverse decades of disinvestment in public goods, and reward work, not wealth.



This new architecture must replace the old regime. For decades, economic gains too often accrued to those at the top while middle-class workers and families faced economic insecurity. Industry and manufacturing moved abroad, as companies outsourced production. Public investment fell, while other nations took the lead in developing new, clean technologies. Corporate consolidation squeezed small businesses and entrepreneurs, raised costs for consumers and lowered wages for workers, while exacerbating supply chain challenges that imposed billions of dollars of costs when the economy was hit by global economic and public health shocks. And, the climate crisis was not met with the necessary urgency.

The new architecture described by this Blueprint reverses decades of disinvestment in public goods, and will reach communities that have too often been left behind. This extensive public investment is paid for by a fairer tax regime that blocks tax avoidance and evasion by the wealthiest households and the largest corporations. The Blueprint also aggressively crowds in private investment, particularly in areas where America must lead the future. To this end, the Administration's economic agenda has created deep incentives for equitable investments in technology, clean energy, and workforce training.

We cannot afford to return our economy to the pre-pandemic status quo. That's why President Biden's Economic Blueprint focuses on rebuilding our economy from the bottom up and the middle out—an economy that is more innovative, resilient, fair, equitable, and leverages the strength and talents of *all* people.

President Biden's economic agenda has five core pillars:

1. **Empowering Workers**, with more good-paying jobs and greater worker power to unionize and have dignity at work. To date, the Biden-Harris Administration's economic agenda and COVID response have laid the foundation for the strongest and most equitable labor market recovery in history.
2. **Making and Building it in America**, by investing in infrastructure, making America the world's leader in clean energy jobs and innovation, bolstering our manufacturing base, and buying American. President Biden has launched a once-in-a generation effort to invest in America and outcompete every other economy in the world: the most significant upgrade to our nation's infrastructure in generations, the largest investments in American history to combat climate change and transition to a clean energy economy, and the most significant investment in science, innovation, and industrial strategy in over 50 years.
3. **Giving Families Breathing Room**, by lowering costs and expanding access to affordable and high-quality health care, education, child care and long-term care, housing, high-speed internet and other essential needs. To date, President Biden has taken on the drug companies to cut prescription drug costs for millions of Americans by hundreds or thousands of dollars per year. He has enacted policies that helped millions of Americans gain the economic security that comes with having affordable health care—cutting the uninsured rate to an all-time low—while lowering health care costs for millions more. And his Administration has provided targeted student debt relief as part of a



comprehensive effort to address the burden of growing college costs and make the student loan system more manageable for working families.

4. **Making American Industry More Competitive, Less Concentrated, and More Resilient**, by taking on corporate concentration, promoting small businesses and entrepreneurs including minority and women owned businesses, and supporting resilient supply chains. To date, the Biden-Harris Administration has helped make a range of markets more competitive – from ocean shipping to hearing aids – saving consumers money and creating new opportunities for innovators to thrive. The Administration has helped address supply chain disruptions in ports and other logistics, including by reducing congestion at some of our largest ports and getting more truckers on the job. And the Biden-Harris economic agenda helped make 2021 a record year for small business applications.
5. **Rewarding Work, Not Wealth**, with worker-centric tax reform that ensures the wealthy and large corporations pay their fair share, while never raising taxes on households with incomes below \$400,000. The Biden-Harris Administration provided critical tax relief to workers and families during the pandemic that Congress should extend, and has now taken several steps forward in delivering a fairer tax code where the largest, most profitable corporations pay their fair share, and wealthy tax cheats cannot evade existing tax law.

The Biden-Harris Economic Blueprint details how the Administration’s economic policies will, over time, allow the United States to tackle the longstanding economic challenges that President Biden ran for office to address. It lays out a policy vision that is being implemented in a fiscally responsible manner, with over \$1 trillion in deficit reduction this year—the most in any year on record—and substantial deficit reduction associated with the Administration’s long-term investments. While it will take time and there is more work to do—including immediate work to support the U.S. economy’s transition from historic recovery to stable, steady, growth with lower inflation—the Biden-Harris Administration has laid the foundation to begin tackling these decades-long economic challenges and finally deliver an economy that works for working families. With this Blueprint in place, not only will more people have a chance to contribute to our nation’s prosperity, but they will finally and fairly reap the benefits of their work.



# Empowering Workers

As President Biden has long said, a job is more than a paycheck. It's about dignity, respect, your place in the community, and the ability to look your child in the eye and say things are going to be okay. The President also recognizes that America was built by the middle class, unions helped build the middle class, and when the middle class grows, the poor have a ladder up and the wealthy do very well. The Biden-Harris Administration is the most pro-worker, pro-union administration in history—prioritizing the dignity and well-being of workers by supporting full employment and worker power, and empowering all Americans to get good jobs they can raise a family on.

President Biden came to office with the goal of driving a stronger recovery for American workers than we've seen in decades. But he also understood that we needed to do more than just get back to the way things were before the pandemic. Even before the pandemic, the proportion of private-sector workers in unions declined from a peak of nearly 36 percent in 1954 to just above 6 percent in 2021,<sup>1</sup> even as more non-union workers say they would like union representation.<sup>2</sup> For four decades prior to the pandemic, workers' productivity grew nearly 62 percent, but the average worker's pay increased by less than a third of that—around 18 percent (Chart 1A).<sup>3</sup> The gains of growth were going to those at the very top. While real income for the bottom half of the income distribution grew by 21 percent since 1976, it grew over *ten times more* for the top 1 percent (by 225 percent) and over *16 times more* for the top 0.01 percent (by 348 percent).<sup>4</sup> And in 2020, CEOs at major U.S. firms made over 351 times as much as their firm's typical worker, compared to 21 times as much in 1965.<sup>5</sup>

## Key Accomplishments

- The fastest job market recovery in nearly 40 years—creating 9.7 million jobs
- The unemployment rate near 50-year lows at 3.7 percent
- The largest calendar year decline in the Black unemployment rate since 1983
- Faster wage growth for the bottom 50 percent than in past recoveries
- A \$15 minimum wage for Federal workers and contractors

<sup>1</sup> Lawrence Mishel, Lynn Rinehart & Lane Windham *Explaining the erosion of private-sector unions*, Economic Policy Institute. (Nov 2020), <https://www.epi.org/unequalpower/publications/private-sector-unions-corporate-legal-erosion/>.

<sup>2</sup> Thomas Kochan, et al *U.S. Workers' Organizing Efforts and Collective Actions: A Review of the Current Landscape*, The Worker Empowerment Research Network. (Jun 2022), <https://mitsloan.mit.edu/sites/default/files/2022-06/Report%20on%20Worker%20Organizing%20Landscape%20in%20US%20by%20Kochan%20Fine%20Bronfenbrenner%20Naidu%20et%20al%20June%202022.pdf>.

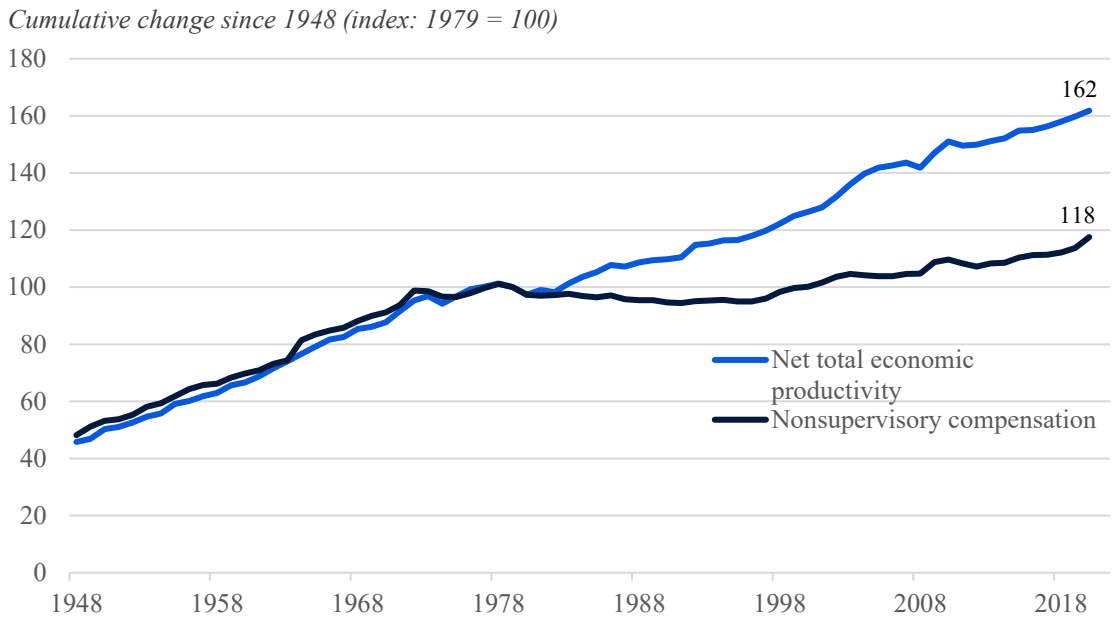
<sup>3</sup> *The Productivity-Pay Gap*, Economic Policy Inst. (Aug 2021), <https://www.epi.org/productivity-pay-gap/>.

<sup>4</sup> *Annual Disposable Income*, Realtime Inequality. (Sep 2022), <https://realtimeinequality.org/>.

<sup>5</sup> Lawrence Mishel & Jori Kandra, *CEO pay has skyrocketed 1,322% since 1978*, Economic Policy Inst. (Aug 2021) <https://www.epi.org/publication/ceo-pay-in-2020/>.



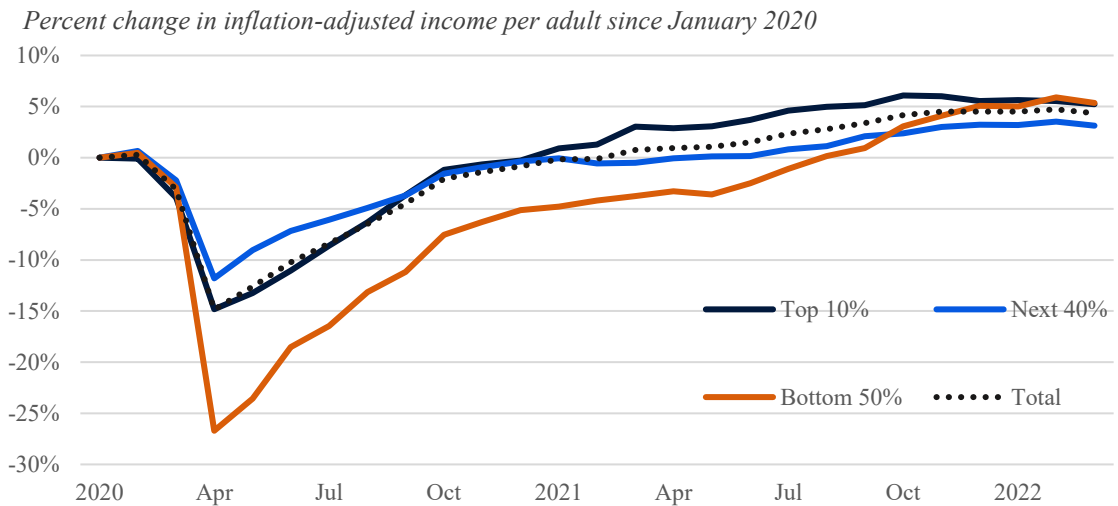
### Chart 1A. Productivity and worker compensation growth, adjusted for inflation, 1948-2020



Source: Economic Policy Institute, analysis of data from the Bureau of Labor Statistics and the Bureau of Economic Analysis

During the recovery from the pandemic recession, we have seen a significant shift in who benefitted as the economy grew, relative to prior recoveries. Due in part to policies the Administration put into place, our economy has experienced the strongest, fastest jobs recovery in nearly 40 years – and a historically equitable recovery (Chart 1B & 1C). Moreover, the Administration has taken critical steps forward in promoting unionization, expanding job training and pathways into good jobs, and improving our immigration system.

### Chart 1B: Real market income by income group



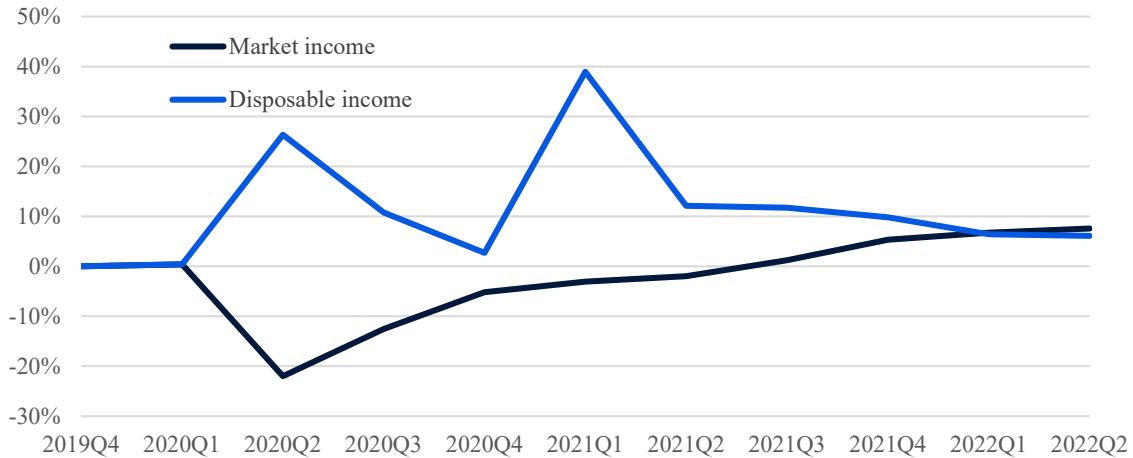
Source: Blanchet, Saez, and Zucman (2022) via realtimeinequality.org





### Chart 1C: Real income for the bottom 50 percent

Percent change in inflation-adjusted income for the bottom 50 percent since the fourth quarter of 2019



Source: Blanchet, Saez, and Zucman (2022) via realtimeinequality.org.  
Note: Income measure is per adult.

## Delivering the strongest, fastest jobs recovery in nearly 40 years

When President Biden took office, the unemployment rate was 6.4 percent, the number of workers long-term unemployed (27 weeks or more) was over four million, the unemployment rate was 9.2 percent for Black workers and 8.6 percent for Latino workers, and 18 million Americans were receiving unemployment insurance benefits. Employment was 9.7 million below pre-pandemic levels, and the pace of job gains had slowed.

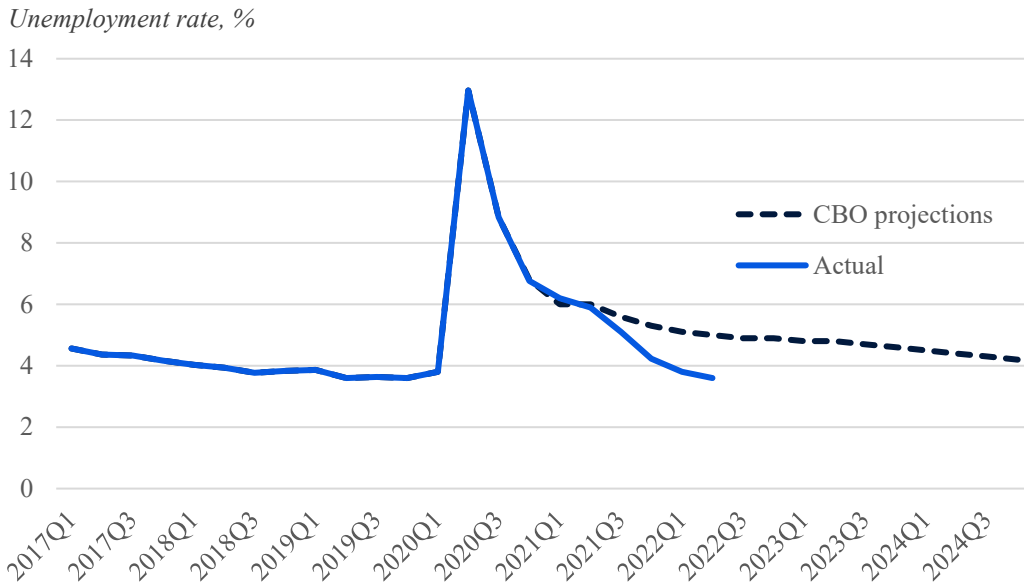
At that time, the Congressional Budget Office (CBO) projected that employment would not reach pre-pandemic levels until the second half of 2023, and that it would take 5 years for the unemployment rate to fall back below 4 percent.<sup>6</sup> That pace would have been similar to recoveries from other recent recessions. In some recoveries, it took years longer for employment to recover.

Thanks to the American Rescue Plan and the Administration’s COVID response, the unemployment rate fell much more quickly than expected (Chart 1D), reaching its lowest rate in more than 50 years in July 2022 and remaining low. Meanwhile, the economy recovered the jobs lost during the pandemic by August of 2022, an unprecedentedly rapid rate of recovery (Chart 1E).

<sup>6</sup> *10-Year Budget Projections*, Congressional Budget Office. (Feb 2021), <https://www.cbo.gov/data/budget-economic-data#4>.

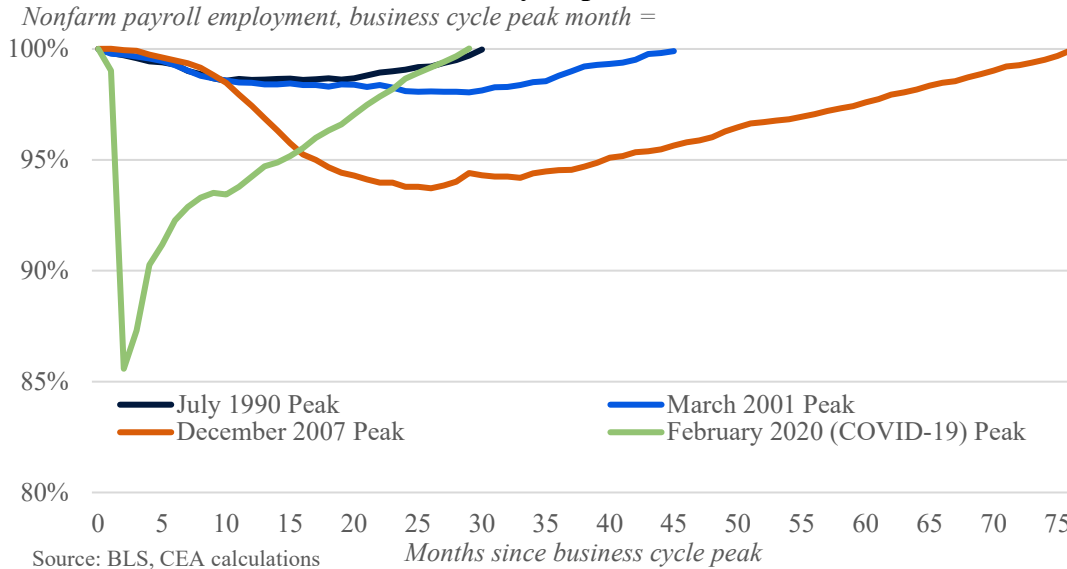


**Chart 1D: Unemployment rate vs. CBO projections**



Source: BLS, CBO projections as of February 2021

**Chart 1E: Jobs relative to business cycle peak, 1990-2022**



A historically strong jobs recovery will help our economy avert many of the longer-term, adverse consequences of past recessions. For example, previous recessions had high rates of long-term unemployment which is associated with enduring harmful effects on financial security, mental health, and family well-being.<sup>7</sup> For example, persistent elevated unemployment during the Great

<sup>7</sup> Timothy J. Classen & Richard A. Dunn *The effect of job loss and unemployment duration on suicide risk in the United States*, Health Economics (Mar 2012), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3423193/>.



Recession was found to cause long-term harm to the prospects of recent college graduates entering the workforce.<sup>8</sup>

In contrast in the current labor market recovery, long-term unemployment peaked in March 2021, and then, following enactment of the American Rescue Plan, the number of long-term unemployed workers saw the largest 12-month drop on record. By August 2022, long-term unemployment had nearly reached a 20-year low. We've also seen a stronger and faster recovery in the youth unemployment rate (16-24) than previously, down from 11.3 percent when President Biden took office to a near pre-covid rate of 8 percent today.

## Achieving an historically equitable recovery

Pandemic disruptions to the job market hit service workers, care workers, communities of color, and women particularly hard. The Biden-Harris Administration came to office with the goal of not just achieving a historically strong job market recovery, but also a recovery that was more equitable than prior recoveries, where too often disadvantaged groups were not just the first to be laid off but also the last to be re-hired. The American Rescue Plan and the Administration's COVID response helped achieve just that: the most equitable labor market recovery in history.

In 2021, we saw the fastest calendar year decline in the number of unemployed Black workers on record and the largest calendar year drop in the unemployment rate for Black workers since 1983. By July 2022, Black unemployment had fallen back to its pre-pandemic rate of 6.0 percent (before rising slightly in August) and the unemployment gap between Black and White workers is now equal to its February 2020 level.

The Biden-Harris recovery was also much more inclusive of Latino workers than past recoveries. In 2021, the unemployment rate for Latino workers fell by 4.5 percentage points to 4.9 percent—the largest calendar year drop on record (Chart 1F).

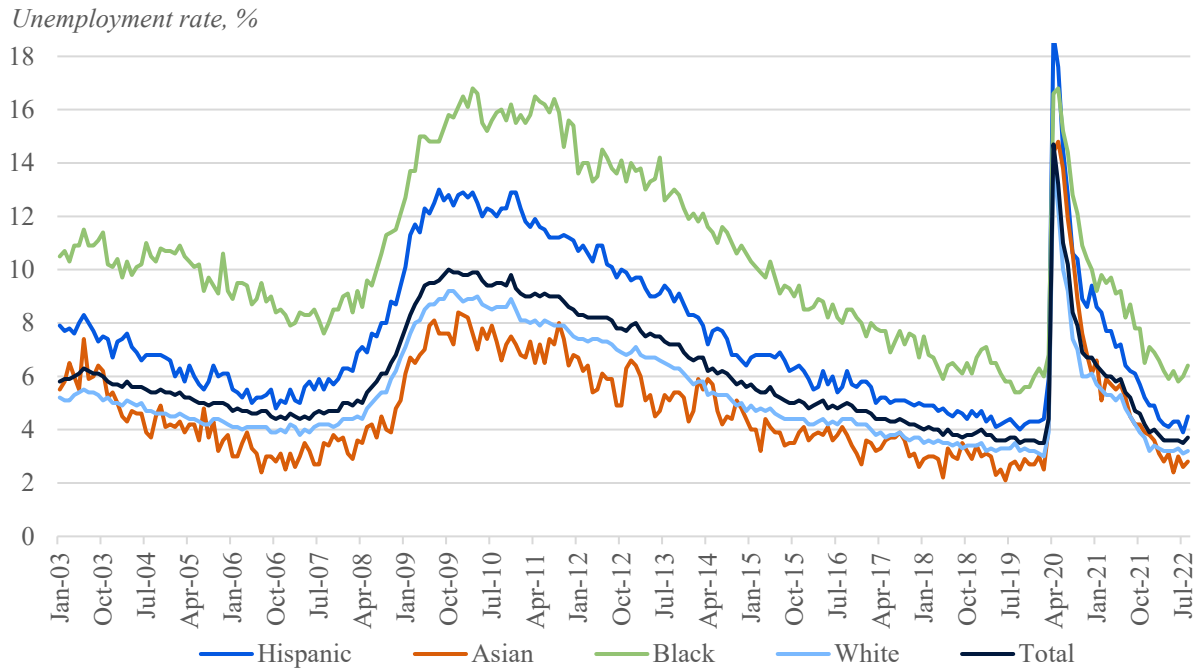
### *Other Labor Market Indicators Also Demonstrate Strength*

In the summer of 2022, U-6, the broadest unemployment measure—capturing not just those who are traditionally unemployed but also discouraged workers, part-time workers who want to work full time, and workers marginally attached to the labor market—fell to historic lows not seen since the series began in the mid-1990s. And, the 4-week moving average of initial unemployment claims reached series lows in Spring 2022 and remains about 70 percent below the January 2021 average.

<sup>8</sup> Jesse Rothstein *The Lost Generation? Labor Market Outcomes for Post Great Recession Entrants*, National Bureau of Economic Research (July 2020), [https://www.nber.org/system/files/working\\_papers/w27516/w27516.pdf](https://www.nber.org/system/files/working_papers/w27516/w27516.pdf)



## Chart 1F: Unemployment rates by race and ethnicity



Source: Bureau of Labor Statistics

Note: Data represent unemployment rates for workers ages 16 and over; all data are seasonally adjusted

The unemployment rate for Asian workers has nearly reached its pre-pandemic level. The unemployment rate for Native Americans is near its pre-pandemic record low at 4.9 percent. The rapid return to work has been across the board. Between January 2021 and August 2022 alone, the labor force participation rate has risen for Black Americans (+1.5 percentage points), Latino Americans (+1.8 percentage points), Asian Americans (+2.6 percentage points), Native Americans (+4.7 percent), and White Americans (+0.7 percentage point).<sup>9</sup>

<sup>9</sup> Federal Reserve Bank of Atlanta Wage Growth Tracker (Sep 2022), <https://www.atlantafed.org/chcs/wage-growth-tracker>.



When the pandemic shut down the economy’s care infrastructure, caregiving burdens fell disproportionately on women, whose labor force participation and employment rates dropped further than for men. These drops were driven in particular by losses for women without a college degree, especially Black and Latino mothers.<sup>10</sup> The Biden-Harris recovery prioritized helping women and mothers return to the workforce – with billions of dollars in the American Rescue Plan dedicated to keeping child care options available during the pandemic.

*Biden-Harris Recovery Has Lifted Up Groups Too Often Left Behind*

In February of 2022, the unemployment rate for workers over age 25 without a high school degree reached its lowest level on record and median wage growth for these workers was faster than wage growth for workers with other education levels, unusual in a recession. By comparison, it took over five years to return to pre-recession levels in each of the previous two downturns. In the Biden-Harris recovery, job gains were also widespread across the nation. More jobs were created in rural communities in 2021 than in any other year in the last two decades. And unemployment in rural counties with persistent poverty fell below pre-pandemic levels by the end of President Biden’s first year in office.

As Chart 1G shows, since President Biden took office, prime-age women (25–54-year-olds) have seen their labor force participation rise 2.5 percentage points, more than twice as much as prime-age men. Prime-age women’s labor force participation still lags that of U.S. men and of prime-aged women in other countries—as it did pre-pandemic—but the strength of the labor force recovery for women was an important first step in avoiding the economic consequences of women being pushed out of the labor market.

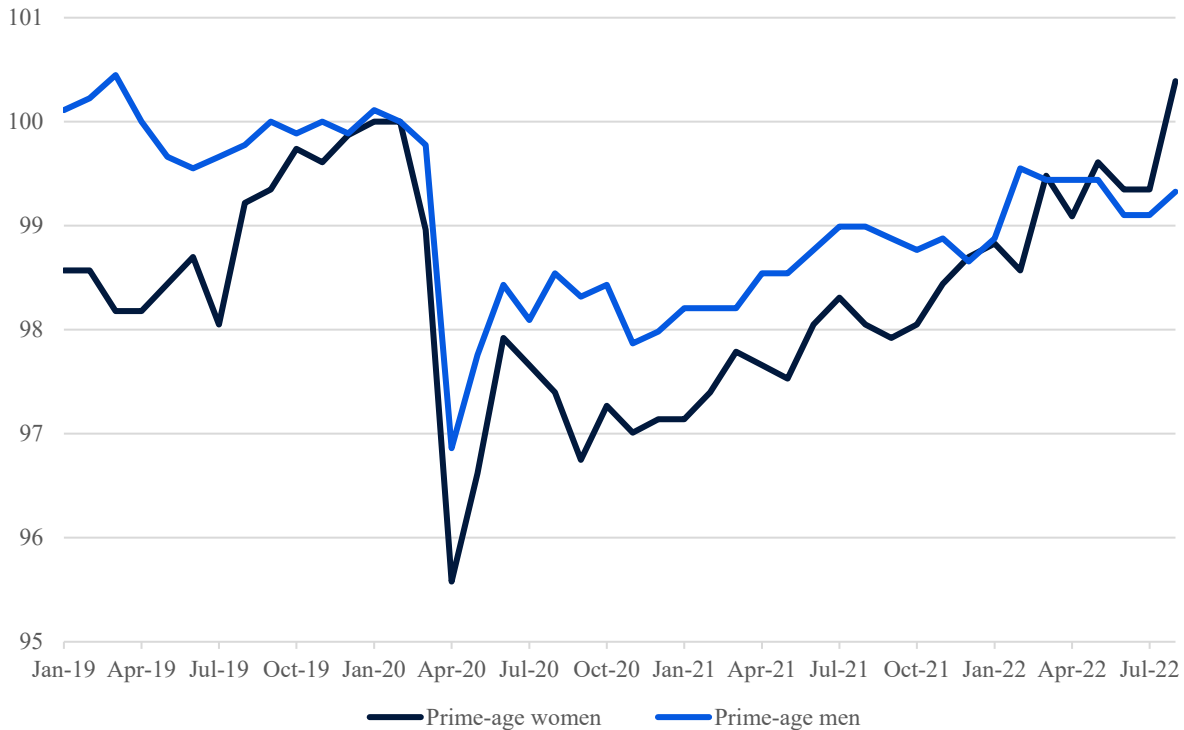
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<sup>10</sup> Didem Tuzeman *Women without a College Degree, Especially Minority Mothers, Face a Steeper Road to Recovery* Federal Reserve Bank of Kansas City (Aug 2021), <https://www.kansascityfed.org/research/economic-review/women-without-a-college-degree-especially-minority-mothers-face-a-steeper-road-to-recovery/>.



### Chart 1G: Prime-age male and female labor force participation rates, 2019 - present

Prime-age labor force participation rate, February 2020 = 100



Source: BLS, CEA  
Note: Data are seasonally adjusted

## Building worker power through union membership

The strength of our labor market recovery gives workers more bargaining power—more power to seek a good-paying job and dignity and respect in the workplace. For example, since President Biden’s Administration took office, the share of workers leaving their job to find better opportunities has risen dramatically. As of July 2022, median wages for job switchers are 6.7 percent higher than one year ago, while median wages for job stayers are 4.9 percent higher.<sup>11</sup> In particular, Black workers have benefited from job switching—upgrading occupations at a higher rate than the overall population.<sup>12</sup>

The Biden-Harris Administration has also taken direct action to promote unionization and collective bargaining, increase worker pay, and address labor market inequities. The President knows that union organizing and collective bargaining empower workers to secure higher wages, stronger benefits, better job security, and improved working conditions—for union and non-union workers alike.

<sup>11</sup> Federal Reserve Bank of Atlanta Wage Growth Tracker (Sep 2022), <https://www.atlantafed.org/chcs/wage-growth-tracker>.

<sup>12</sup> Pandemic Shifts in Black Employment and Wages Council of Economic Advisers (Aug 2022) <https://www.whitehouse.gov/cea/written-materials/2022/08/24/pandemic-shifts-in-black-employment-and-wages/>.



At the beginning of the Administration, President Biden appointed a General Counsel and Board Members to the National Labor Relations Board (NLRB) committed to protecting the right of workers to organize in the workplace. Compared to a year ago, petitions for union representation elections are up 58 percent in the private sector.<sup>13</sup> And to promote unionization and collective bargaining, President Biden and Vice President Harris’s Task Force on Union Organizing and Worker Empowerment, which is implementing nearly 70 recommendations to promote worker organizing and collective bargaining.

## Leveraging federal investment to support workers

President Biden is also leveraging federal investment – in areas from infrastructure and critical industries to clean energy – to promote good-paying jobs for American workers. President Biden issued an Executive Order requiring Project Labor Agreements for most large-scale federal construction projects, so that more federal construction projects are staffed with good-paying union jobs.<sup>14</sup> The overwhelming majority of the investments in the Bipartisan Infrastructure Law and the CHIPS and Science Act are covered by Davis-Bacon prevailing wage requirements, preventing low-quality contractors from undercutting wages for millions of construction workers. Similarly, the Inflation Reduction Act’s clean energy investments encourage companies to adopt strong labor standards and practices by boosting key tax credits for employers that pay prevailing wages and participate in Registered Apprenticeship programs.

President Biden also issued an executive order requiring federal employees and federal contractors’ employees to be paid at minimum \$15 per hour—giving an average \$5,000 annual raise to at least 370,000 workers. The order also formally ended the subminimum wage that employers could pay to disabled workers performing work on or in connection with covered federal contracts.

## Expanding job training opportunities and pathways into good jobs

Economy-wide productivity gains depend on having a labor force with the skills and abilities needed to participate in the economy and innovate on the job. Nearly half of new jobs created over the next decade are projected to require at least some education or training beyond high school, yet the U.S. has fallen behind its peers in its share of young adults who have completed postsecondary training.<sup>15</sup> The Biden-Harris Administration is committed to ensuring equitable access to good jobs for those who have been historically underrepresented in the sectors where many of these jobs are being created.

The Biden-Harris Administration is helping more students advance toward postsecondary and career pathways while they are still in high school; supporting worker-centered sector strategies

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<sup>13</sup> *First Three Quarters’ Union Election Petitions Up 58%, Exceeding All FY21 Petitions Filed* National Labor Relations Board (July 2022), <https://www.nlr.gov/news-outreach/news-story/correction-first-three-quarters-union-election-petitions-up-58-exceeding>.

<sup>14</sup> *Remarks by President Biden at Signing of an Executive Order on Project Labor Agreements* The White House (Feb 2022), <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/02/04/remarks-by-president-biden-at-signing-of-an-executive-order-on-project-labor-agreements/>.

<sup>15</sup> *Economic Report of the President* Council of Economic Advisers (Apr 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/04/ERP-2022.pdf>.



to better recruit, train, and retain a diverse, local, and skilled workforce; and strengthening community colleges, Registered Apprenticeships, and other high-quality education and training that leads to good jobs.

In 2021, the Biden Administration helped workers return to work through \$438 million in competitive workforce development grants awarded by the Department of Labor. The American Rescue Plan then provided over \$40 billion to strengthen and expand our workforce, which states, localities, community colleges, and local organizations are leveraging to deliver training, create more Registered Apprenticeships, provide retention and hiring bonuses in critical industries, offer wrap-around services, and power efforts to help underserved Americans and those who face barriers to employment secure good jobs.

The Administration also recently announced awards to 32 industry-led sector-based workforce training partnerships across the country as part of the \$500 million Good Jobs Challenge funded by the American Rescue Plan. These grants will enable communities to invest in innovative approaches to workforce development that will secure job opportunities for more than 50,000 Americans.

The Administration’s efforts have already helped develop over 4,000 new Registered Apprenticeship programs, add 6,700 new employer partners participating in Registered Apprenticeship programs, and led to the hiring of more than one million apprentices. The Administration also launched an Apprenticeship Accelerator through the Department of Labor for critical sectors like trucking and cybersecurity. In just 3 months, the Administration increased the footprint of Registered Apprenticeships by more than 70 percent, with over 150 new employer partners to increase trucking capacity to respond to critical supply chain challenges.

*Workforce Development and the Bipartisan Infrastructure Law*

The Bipartisan Infrastructure Law includes around \$1 billion in dedicated investments in job training, as well as significant additional funds that may be used for workforce development – funds that are critical to ensure that this law’s programs employ a diverse workforce. These investments will provide workers in underserved communities with the skills and training to access newly created high-quality, unionized jobs in in-demand sectors—from high-speed internet, to construction, to electrification, to weatherization. To catalyze new partnerships in critical occupations, the Administration launched an Infrastructure Talent Pipeline Challenge. The Biden Administration has also called on state and local governments to use their American Rescue Plan funds to invest in pre-apprenticeships and other efforts that bring workers of color and other workers who are underrepresented in infrastructure jobs into the infrastructure talent pipeline.

## Improving the immigration system

Immigrants strengthen the American economy, boost productivity, and increase U.S. innovation and entrepreneurship. That’s why the Biden-Harris Administration has worked to streamline the adjudication and production of work permits, speed up processing of visas and employment-based green cards, and increase the number of available H-2B visas while enhancing protections for guest workers.

In May 2022, USCIS issued a Temporary Final Rule that immediately restored expired employment authorization to 66,000 noncitizens and will help upwards of 420,000 noncitizens





avoid gaps in employment authorization in the future. To address the need for health care and child care workers, USCIS established procedures for workers in those fields to request expedited renewal of their work permits. In addition, the Department of State took a number of steps to increase efficiencies in visa processing, including by waiving the in-person interview requirement for certain temporary workers, students, professors, and research scholars, and is working to restore visa processing capacity to pre-COVID levels. State and USCIS have also surged resources so that all available employment-based green cards are used this fiscal year, helping over 280,000 thousand temporary workers and their family members transition to permanent members of the labor force – double the typical number.

The Biden-Harris Administration also issued regulations increasing the FY 2022 numerical cap on H-2B visas for returning temporary non-agricultural workers by 55,000, while working to strengthen protections for guest workers and similarly situated U.S. workers. The Department of Labor is also preparing a rule to modernize the H-2A program, which allows employers to hire noncitizen agricultural workers to support our nation’s food system. The rule will deliver important improvements to wages, working conditions, and worker protections, including by updating the prevailing wage determination process, improving housing certifications, and ensuring that labor contractors are held accountable by strengthening surety bond requirements.

## Looking ahead

While the Administration has made historic progress to date, there is more work to do to ensure that every American who wants to work can join the labor force and get a good-paying job. Increasing labor force participation can expand our economy’s potential and also help ease price pressures over time. Looking ahead, the President’s near-term priority when it comes to the labor market is bringing down inflation without giving up the substantial progress we’ve made for American workers. Lower inflation and a robust job market will create the conditions for sustained increases in real incomes throughout the income distribution.

In addition, the Administration will continue to further solidify the right of workers to form a union and bargain collectively and receive fair compensation workers. That means fighting for legislation that increases wages and protects worker rights, including the Richard L. Trumka Protecting the Right to Organize (PRO) Act, the Public Service Freedom to Negotiate Act, a minimum wage of \$15 per hour, ending the lower minimum wage for tipped workers and workers with disabilities, the Paycheck Fairness Act, the Pregnant Workers Fairness Act, and legislation addressing worker misclassification as well as forced arbitration and restrictive employment agreements. It also means passing legislation to provide comprehensive paid family leave and passing legislation to comprehensively reform our immigration system.



# Making and Building It in America

Before President Biden took office, the quality of U.S. infrastructure worsened following decades of underinvestment. Domestic manufacturing declined for three decades and other countries took the lead in clean energy production and manufacturing. The pandemic compounded these issues and further disrupted the production of key inputs and goods in a manner that wreaked havoc on the economy, exposing long-standing fragilities in our supply chains (Chart 2A).

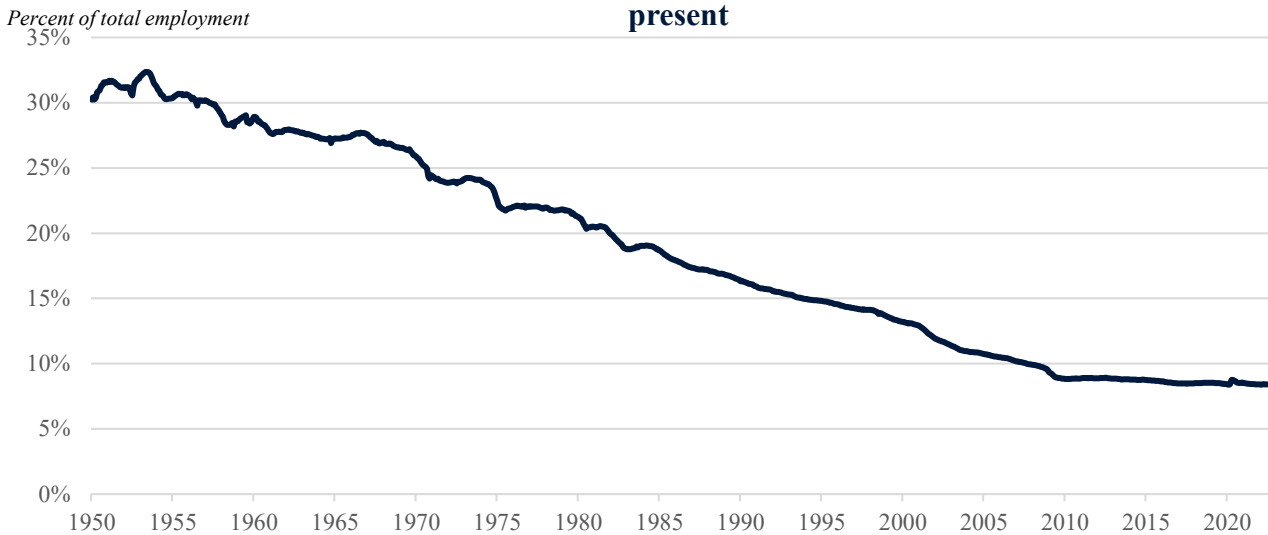
These dynamics necessitated a fundamental reimagining of the federal government's role in promoting the economy's productive capacity and resilience: a modern industrial strategy focussed on public investment in infrastructure, manufacturing, the clean energy transition, and other sectors critical to our economic strength and national security but where private industry on its own has underinvested, sometimes due to actions by foreign competitors that have siphoned away domestic productive capacity.

## *Key Accomplishments*

- **668,000** manufacturing jobs created – the most of any president on record
- The most significant upgrade to our nation's infrastructure in generations—an investment larger than FDR's Rural Electrification effort, Eisenhower's effort to build the Interstate Highway system, and the construction of the Panama Canal
- The largest investments in American history to combat climate change, transition to a clean energy economy, and lower households' energy costs—around 4 times the size of prior investments
- The most significant investment in science, innovation, and industrial strategy in over 50 years—the same scale of investment in American ingenuity as we made to land a man on the moon

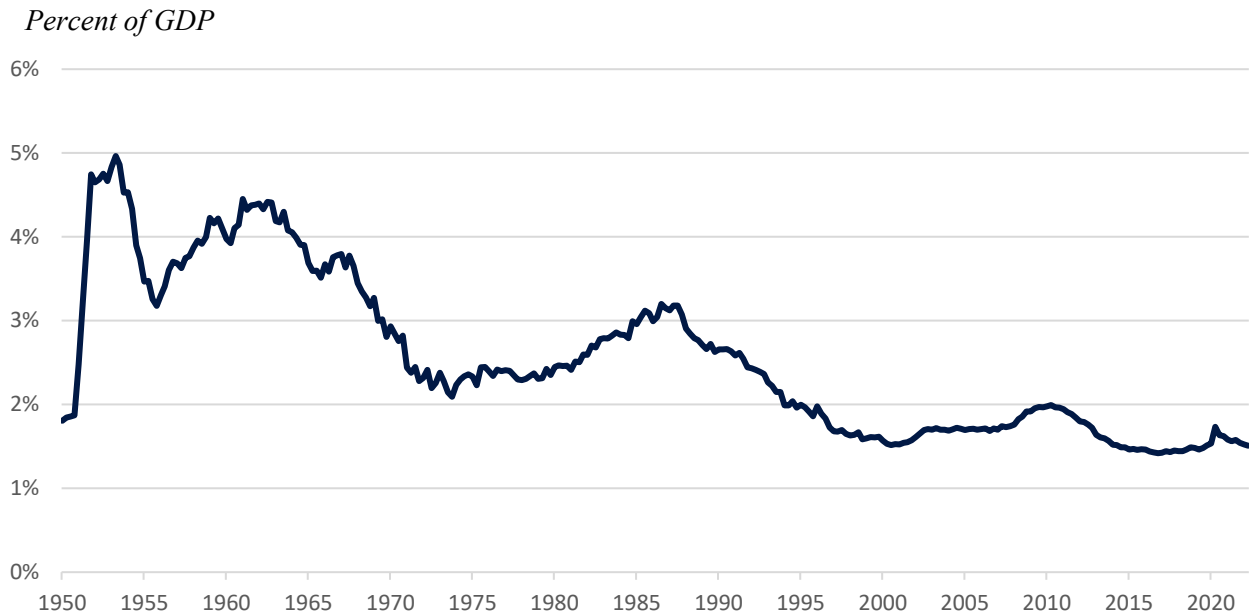


**Chart 2A: Manufacturing employment as a share of total employment, 1950 - present**



Source: Bureau of Labor Statistics, via FRED

**Chart 2B: Gross federal investment as a percent of GDP, 1950 - present**



Source: Bureau of Economic Analysis via FRED

A modern industrial strategy means laying the foundation for the kind of private investment that does not just grow the economy but ensures that growth is more broadly shared, that our most important national and international challenges – like transitioning to clean energy or securing critical supply chains – can be solved, and that our national and economic security interests are protected.

The Biden-Harris Administration is now in the midst of a once-in-a generation effort to invest in America and outcompete every other economy in the world. That effort began with the most significant and comprehensive upgrade to our physical infrastructure in a generation – a public



investment that will improve our economy’s productive capacity, strength, and resilience, and lay the foundation for more private investment in the United States. Building on that critical foundation, the effort also includes historic investments in two sectors that are core to our economic competitiveness, strength, and resilience. The first is building out a domestic system of clean energy production and manufacturing, which will help secure domestic jobs and industries and facilitate a global clean energy transition. The second is the promotion of domestic manufacturing in high-value, critical sectors such as semiconductors, which is necessary to support the resilience of key industries and will mean good-paying jobs here in the United States.

## **Making generational investments in our physical infrastructure**

For decades, American presidents have promised to invest in infrastructure but did not deliver. President Biden brought together Democrats, Independents and Republicans to pass the largest investment in infrastructure in generations. The Bipartisan Infrastructure Law makes a once-in-a-generation investment in our nation’s infrastructure – which is the vital foundation for a productive, strong, and resilient economy.

Now, ten months since signing the Bipartisan Infrastructure Law, the Administration has hit the ground running to implement the law and deliver results, rebuilding roads and bridges, modernizing ports and airports, and much more. This includes funding for over 5,000 specific projects, touching over 3,200 communities across all 50 states, D.C., and Puerto Rico.

Building the roads, bridges, and ports of the future will supercharge our national preparedness for all threats and hazards, including natural events, physical incidents, and cyberattacks – which, over the past five years, have resulted in hundreds of billions of dollars in economic losses and human heartbreak across American communities.

By making the largest investment in repairing and reconstructing our nation’s bridges since the construction of the interstate highway system, the Bipartisan Infrastructure Law will reduce the backlog for major repairs for highways and bridges by almost 20 percent and repair over 15,000 smaller bridges across the country. With the largest investment in public transit in American history, communities will modernize and expand transit, replacing more than 500 aging subway, light rail, and commuter rail cars and replacing 10,000 fossil-fuel powered transit vehicles with cleaner electric or low emission transit vehicles. The Bipartisan Infrastructure Law is also the largest investment in passenger rail since the creation of Amtrak 50 years ago, and has already begun to fund bridge and tunnel replacement projects along the Northeast Corridor, some of which dates back to the Civil War, with a goal to save nearly 30 minutes in travel between DC, New York City, and Boston.

The Bipartisan Infrastructure Law is also an historic investment in the country’s ports and inland waterways. To date, the Administration has announced nearly \$14 billion in new Bipartisan Infrastructure Law funding through the U.S. Army Corps of Engineers for over 800 projects across 55 states and territories, including \$857 million to support the replacement of locks that keep water levels high enough for large cargo ships to pass through the upper Ohio River, west of Pittsburgh; more than \$470 million to complete construction of a new lock along St. Mary’s River in Sault Saint Marie, Michigan, which serves as a passageway for nearly all domestically-produced iron ore; and \$732 million for Lock and Dam 25 as part of NESP in the Upper



Mississippi River (UMRS)/Illinois Waterway System which will help farmers and businesses across Illinois, Iowa, Minnesota, Missouri, and Wisconsin get their goods to market easier and cheaper.

The Bipartisan Infrastructure Law also includes up to a \$7.5 billion investment in electric vehicle charging to help build out a national network of 500,000 electric vehicle chargers. This investment will make electric vehicles accessible to all Americans, create good-paying jobs across the country, and ensure a convenient, reliable, affordable, and equitable charging experience for all users. In addition, there is over \$18 billion in the Bipartisan Infrastructure Law for specific vehicles to transition to electric: school buses, transit

buses and even passenger ferries to reduce emissions for their riders, including children and low-income families that bear the greatest burdens of pollution. In August 2022, the Administration announced the first allocations for the Low- and No-Emission Transit Bus Program which in one funding cycle nearly doubles the number of electric transit buses on America's roads.<sup>16</sup>

### *EV Chargers Will be Made in America*

The President Biden's leadership on electric vehicles and over \$18 billion dedicated to electric vehicles and EV charging equipment has catalyzed more than **\$700 million** in investments from the private sector that will increase our domestic manufacturing capacity, positioning the United States to lead the electric future and make it in America.

## **Building the clean energy economy and promoting environmental justice**

One of our most pressing economic challenges is the need to shift from carbon-intensive to carbon-free energy systems. Greenhouse gas emissions that cause climate change already damage communities and states across the country through powerful storms, record-breaking flooding, extreme heat, crippling droughts, devastating wildfires, and polluted air and water—impacts set to grow more severe. At the same time, the clean energy transition presents a once-in-a-generation opportunity for the U.S. economy to create new jobs and industries here in the United States – but public investment is needed to make that a reality. President Biden believes we must prioritize and lead the global transition to clean energy, even as we work in the near-term to ensure domestic energy production keeps supply at a level that ensures stable gas and energy prices for American consumers. And that's exactly what the Administration is doing: U.S. oil production is on track to hit a record high next year, the Administration led the world in an historic release of oil from global reserves, and the Administration has enacted the boldest climate and clean energy investment agenda in history.

Laws passed under the Biden-Harris Administration now make up the largest public investment in building the clean energy economy in U.S. history. Climate, clean energy, and environmental components of the Bipartisan Infrastructure Law and the Inflation Reduction Act are around four

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<sup>16</sup> *Biden-Harris Administration Announced Over \$1.6 Billion in Bipartisan Infrastructure Law Funding to Nearly Double the Number of Clean Transit Buses on America's Roads*, U.S. Dep't of Transportation (Aug. 16, 2022), <https://www.transportation.gov/briefing-room/biden-harris-administration-announces-over-16-billion-bipartisan-infrastructure-law>.



times the size of the second largest investment in climate change in history. These policies will reduce greenhouse gas emissions by around 1 gigaton in 2030, or a billion metric tons.<sup>17</sup>

The Bipartisan Infrastructure Law provided the first down payment toward achieving the Administration’s climate agenda for clean energy and power, resilience in physical and natural systems, clean transportation, and cleaning up legacy pollution. The Bipartisan Infrastructure Law also makes the largest investment in drinking water and wastewater infrastructure in U.S. history, to deliver cleaner drinking water to all American families and help to eliminate the nation’s lead service lines.

Across sectors including power, transportation, manufacturing and industry, agriculture, and beyond, the Inflation Reduction Act will power the Biden-Harris Administration’s industrial strategy to reduce emissions while lowering energy costs for American families, creating clean energy jobs for American workers, advancing American energy security, and unlocking a competitive advantage for American businesses.

The Inflation Reduction Act creates incentives for firms to establish, expand, or retool manufacturing facilities in the U.S., through targeted tax incentives aimed at manufacturing materials that will power our clean energy economy, like batteries, solar, and wind parts, and technologies like carbon capture systems and electrolyzers to make hydrogen—all sourced in America.

Clean electricity sources including solar, wind, hydroelectric and carbon-free nuclear energy currently make up 40 percent of annual generation in the United States.<sup>18</sup> In 2021, more than 80 percent of new electricity generation capacity built in the U.S. was clean energy including solar and wind.<sup>19</sup> The Inflation Reduction Act now provides the additional tools to achieve President

Biden’s ambitious goal of 100 percent clean power by 2035 on time. It will power homes, businesses, and communities with much more clean energy by 2030, including: 950 million solar panels, 120,000 wind turbines, 2,300 grid-scale battery plants, and advance cost-saving clean energy projects at rural electric cooperatives serving 42 million people.<sup>20</sup>

From solar to everyday appliances and equipment that families rely on to stay cool in the summer and warm in the winter, the tax provisions and rebates in the Inflation Reduction Act

### *Clean Energy By The Numbers*

- Over **1 gigaton** reduction in greenhouse gas emissions by 2030
- Over **\$1,000** average annual savings for families that take advantage of the clean energy and electric vehicle tax credits
- **7.5 million** more families expected to install solar panels on their roofs with a 30 percent tax credit
- Up to **100,000** asthma attacks avoided annually by 2030 from lower particle pollution

<sup>17</sup> *The Inflation Reduction Act Drives Significant Emissions Reductions and Positions America to Reach Our Climate Goals*, U.S. Dep’t of Energy: Office of Policy (Aug. 2022) [https://www.energy.gov/sites/default/files/2022-08/8.18%20InflationReductionAct\\_Factsheet\\_Final.pdf](https://www.energy.gov/sites/default/files/2022-08/8.18%20InflationReductionAct_Factsheet_Final.pdf).

<sup>18</sup> *Electricity explained: Electricity generation, capacity, and sales in the United States*, U.S. Energy Information Administration (last updated July 15, 2022), <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us-generation-capacity-and-sales.php>.

<sup>19</sup> *Form EIA-860 detailed data with previous form data (EIA-860A/860B)*, U.S. Energy Information Administration (June 2, 2022), <https://www.eia.gov/electricity/data/eia860/>.

<sup>20</sup> *BY THE NUMBERS: The Inflation Reduction Act*, White House (Aug. 15, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/15/by-the-numbers-the-inflation-reduction-act/>.



will dramatically reduce costs for households and businesses.<sup>21</sup> Americans can receive up to \$7,500 in tax credits for new electric vehicles and \$4,000 for used electric vehicles, helping families save \$950 per year. The Inflation Reduction Act also includes \$14,000 in direct consumer rebates for families to buy heat pumps or other energy efficient home appliances, saving families at least \$350 per year.<sup>22</sup> Seven and a half million more families will be able install solar on their roofs with a 30 percent tax credit, saving families \$9,000 over the life of the system or at least \$300 per year.<sup>23</sup>

*Biden-Harris Climate and Clean Energy Bills Invest in Communities Disproportionally Burdened by Pollution and Hard-Hit Energy Communities*

The Inflation Reduction Act invests nearly \$40 billion in rural communities to expand access to affordable clean energy and energy efficiency upgrades, create good-paying jobs through climate-smart agriculture and conservation, and protect communities from intensifying climate impacts like wildfires and extreme heat. It includes significant investments in Indian Country to help Tribal Nations respond to the challenges of extreme drought and build up the resilience of communities and the ecosystems they depend on, as well as investments in Tribal communities for energy efficient housing, new energy projects, and connecting homes that have never been connected to the grid to clean energy. It also provides incentives for clean energy deployment and manufacturing in economically disadvantaged, tribal, and energy communities.

The Inflation Reduction Act also includes sector-specific strategies. For example, because transportation currently accounts for the largest share of emissions by sector, the Inflation Reduction Act makes significant investments in decarbonizing road, air, and other transportation. From passenger vehicles, to trucks, to air travel, the programs and funding will move goods and people more affordably while cutting pollution to spur economic growth. The legislation also provides farmers, ranchers, and foresters the tools they need to adopt climate-smart agricultural practices that recognize the valuable role our lands provide in tackling the climate crisis, including protecting nearly two million acres of national forests.

As the electric sector grid becomes cleaner, increased electrification of our homes, businesses, and transportation will deliver health benefits from reduced acute exposure to pollution. By deploying clean energy and reducing particle pollution from fossil fuels, we will avoid up to 100,000 asthma attacks annually by 2030.<sup>24</sup>

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<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *OMB Analysis: The Social Benefits of the Inflation Reduction Act's Greenhouse Gas Emission Reductions*, Office of Management and Budget (Aug. 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/08/OMB-Analysis-Inflation-Reduction-Act.pdf>.

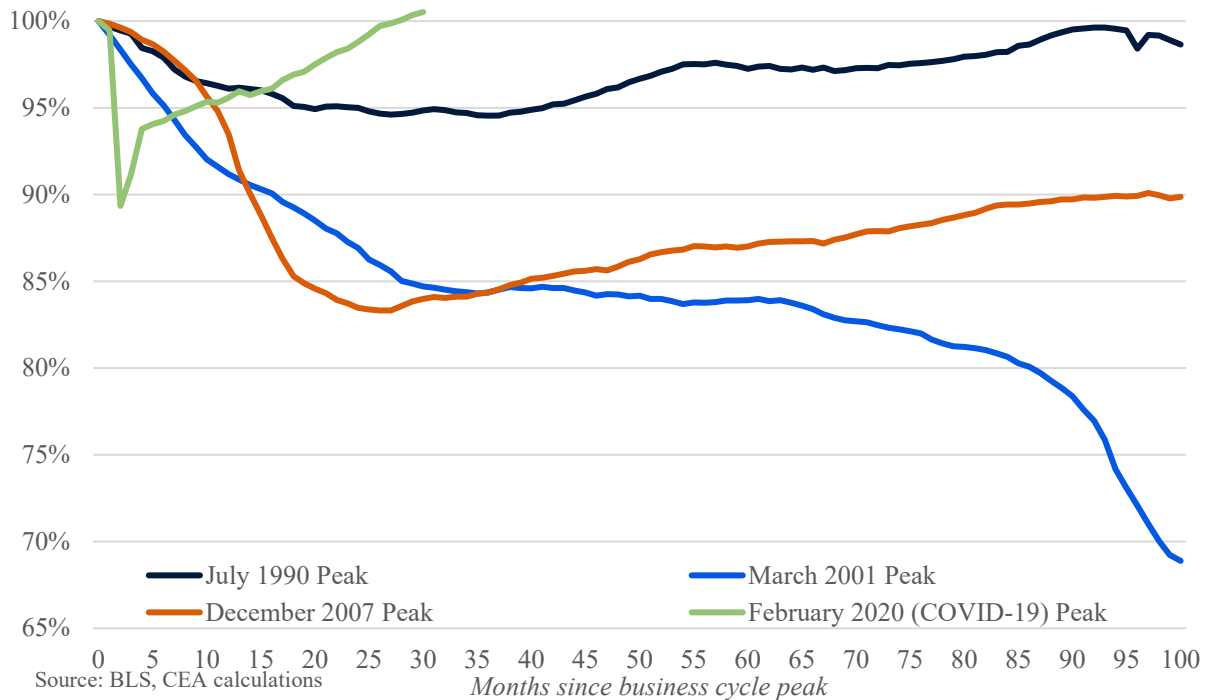


## Securing U.S. leadership in manufacturing, science, and technology

The Biden-Harris economy has delivered massive gains for American manufacturing. Manufacturing employment has grown by 668,000 jobs since January 2021—and as of August 2022 is now 67,000 above the pre-pandemic level—a milestone we reached faster than in any post-recession recovery since 1953. More manufacturing jobs were created in 2021 than in any single year in nearly 30 years.

**Chart 2C Manufacturing jobs relative to business cycle peak, 1990-2022**

*Manufacturing payroll employment, business cycle peak month = 100%*



Building on that strong manufacturing recovery, the Biden-Harris Administration has also passed the most significant investment in manufacturing, science, innovation, and industrial strategy in over 50 years – with a particular focus on semiconductor production and manufacturing. Semiconductors are the building blocks of the modern economy, used in everything from automobiles to household appliances to advanced weapons systems. Supply chain disruptions stemming from the COVID-19 pandemic led to a global semiconductor shortage that touched, by one analysis, 169 separate industries.<sup>25</sup> The chips shortage took a toll on the U.S. auto industry, impacting more than 575,000 jobs and reducing output by two million vehicles compared to pre-pandemic. The resulting higher car prices contributed a full one-third to core inflation in 2021.

<sup>25</sup> Daniel Howley, *What the chip shortage means for the US economy*, Yahoo! Finance (Apr. 22, 2021), <https://finance.yahoo.com/news/what-the-chip-shortage-means-for-the-us-economy-152607880.html?.tsrc=fin-notif>.





By one estimate, the chips shortage resulted in \$240 billion in lost economic activity in the U.S. last year.<sup>26</sup>

Overreliance on one geographic location, East Asia, to manufacture chips created economic and national security vulnerabilities. The United States invented the semiconductor and still plays a leading role in semiconductor research, design, and equipment. But the offshoring of the majority of chips manufacturing has threatened our economic and national security. China and the rest of East Asia account for 75 percent of the world's production of semiconductors, and Taiwan alone produces 90 percent of leading-edge chips.<sup>27</sup> The U.S. produced nearly 40 percent of global supply in 1990, but today produces just 12 percent.<sup>28</sup> In that same time frame, China has gone from 2 percent of global production to 16 percent.<sup>29</sup> Last year, China produced 50 percent of new legacy chips, which are used in cars, appliances, and defense systems. In some sectors, the U.S. is 100 percent reliant on Chinese-made chips.

Thanks to President Biden's leadership, we are now poised to change that. A month after coming into office, President Biden gathered bipartisan Members of Congress, urged them to act, and issued an Executive Order on Supply Chains to identify actions we could take to strengthen semiconductor supply chains. In July 2022, Congress answered President Biden's call and passed the bipartisan CHIPS and Science Act, which provides \$52.7 billion in funding for semiconductor manufacturing, research and development, and workforce development, including \$2 billion dedicated to the production of the legacy chips that drove the global chips shortage. It also provides a 25 percent investment tax credit for semiconductor manufacturing and manufacturing equipment. These funds will catalyze more private sector investment to help restore U.S. leadership in semiconductor production.

The CHIPS and Science Act will help create and expand regional manufacturing and innovation ecosystems in communities across America so the U.S. can outcompete the world in the industries and technologies of the future—from semiconductors to artificial intelligence to advanced energy. The law also includes new and expanded programs at the National Science Foundation, NIST, and DOE to support lab to market commercialization, an equitable STEM workforce, and manufacturing.

The semiconductor funding will help bring together semiconductor manufacturers, suppliers, workers, unions, startups, colleges and universities, and state, local, and Tribal governments to create globally competitive regional semiconductor ecosystems around the country. Construction funds are protected by Davis-Bacon prevailing wage requirements, ensuring these investments support good-paying, high-quality, construction jobs. The funds will also support tens of thousands of highly-skilled, good-paying permanent manufacturing and engineering jobs, and

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<sup>26</sup> Omar Villafranca, *Chip shortage cost U.S. economy billions in 2021*, CBS News (Jan. 28, 2022), <https://www.cbsnews.com/news/chip-shortage-cost-us-economy-billions-in-2021/>.

<sup>27</sup> Antonio Varas et al., *Strengthening the Global Semiconductor Supply Chain in an Uncertain Era*, Boston Consulting Group x Semiconductor Industry Association (Apr. 2021), [https://www.semiconductors.org/wp-content/uploads/2021/05/BCG-x-SIA-Strengthening-the-Global-Semiconductor-Value-Chain-April-2021\\_1.pdf](https://www.semiconductors.org/wp-content/uploads/2021/05/BCG-x-SIA-Strengthening-the-Global-Semiconductor-Value-Chain-April-2021_1.pdf).

<sup>28</sup> Antonio Varas et al., *Government Incentives and U.S. Competitiveness in Semiconductor Manufacturing*, Boston Consulting Group x Semiconductor Industry Association (Sept. 2020) <https://www.semiconductors.org/wp-content/uploads/2020/09/Government-Incentives-and-US-Competitiveness-in-Semiconductor-Manufacturing-Sep-2020.pdf>

<sup>29</sup> *China's Share of Global Chip Sales Now Surpasses Taiwan's, Closing in on Europe's and Japan's*, Semiconductor Industry Association (Jan. 10, 2022), <https://www.semiconductors.org/chinas-share-of-global-chip-sales-now-surpasses-taiwan-closing-in-on-europe-and-japan/>.



provide the National Science Foundation \$200 million to build the talented, diverse STEM workforce of the future to fill these jobs.

The CHIPS funds are protected by guardrails to ensure that taxpayer resources are deployed responsibly to create sustained domestic manufacturing capacity and bolster national security, not offshoring and overseas investment. They must also work to support small businesses, including disadvantaged individuals, minority-owned businesses, veteran-owned businesses and women-owned businesses in the geographic area of each project, ensuring these funds support equitable economic growth and development. And funds will encourage state and local incentives for co-investment, but will guard against “race to the bottom” subsidies, prioritizing state and local incentive structures that invest in local workforces and communities.

## **A true commitment to Buy America**

An important component of the Administration’s modern industrial strategy is using the tools of federal purchasing to bolster our domestic manufacturing base. The federal government spends approximately \$600 billion each year on goods and services, about half of that on manufactured products. Decades ago, domestic preference laws were put in place to ensure that taxpayer funds on infrastructure and federal procurement support American jobs and invest in the domestic industrial base. But despite the laws on the books, loopholes and waivers allowed billions of federal procurement dollars to flow overseas, supporting foreign manufacturers at the expense of American workers.

President Biden has delivered on his campaign commitment to make Buy America real. In his first week in office, President Biden issued Executive Order 14005, Ensuring the Future Is Made in All of America by All of America’s Workers, which established the first-ever Made in America Office and Made in America Director in the Office of Management and Budget, strengthened and centralized the waiver review process, and directed the Federal Acquisition Regulatory (FAR) Council to close loopholes in Buy American regulations.

In March 2022, the FAR Council published the most robust updates to the implementation of the Buy American Act in nearly 70 years to ensure taxpayer dollars create good-paying jobs here at home, strengthen critical supply chains, and position U.S. businesses to compete in strategic industries. These new rules raise the domestic content threshold to qualify as Made in America from 55 percent to 75 percent by 2029, including an increase to 60 percent this year. To make our supply chains more resilient, the rule also created a framework for price preferences for critical goods, allowing federal procurement to support the development and expansion of domestic supply chains for critical products by providing a source of stable demand for domestically-produced critical products.

The Bipartisan Infrastructure Law included the Build America, Buy America Act, the most comprehensive update of Buy America requirements for federally funded construction projects in history, expanding and strengthening domestic content requirements for iron, steel, manufactured products, and construction materials across all federal infrastructure programs. This expansion ensures that federal infrastructure funding going forward supports U.S. industries and American jobs. The Act helps ensure that more of our infrastructure will be built by American workers with Made-in-America products, helping to stimulate private sector investments in domestic manufacturing, bolster critical supply chains, and support the creation of



good-paying union jobs so that America’s workers and firms can compete and lead globally for years to come. Buy America waivers are not foreclosing American manufacturing, but sending clear market signals, creating an incentive for American firms to invest in America and create good jobs in our communities.

## Looking ahead

The enactment of the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act were historic achievements, yet the bills’ signing is in many ways merely the starting gate. Unlocking the full potential of these laws will require a thoughtful and careful implementation strategy. The north star of that strategy will remain creating a 21<sup>st</sup> century industrial economy that has strong labor and workforce standards, supports decarbonization, and advances economic opportunity for all Americans across the country.

The Biden-Harris Administration is engaged in an all of government effort – in partnership with business, labor, states, local, territorial, and civic leaders – to implement these laws effectively and prove that democracy can deliver for the American people. Our implementation will have a particular focus on leveraging these laws to promote quality jobs and diverse career pathways, bolstering manufacturing and innovation throughout the United States, and ensuring efficient and timely implementation.



# Giving Families Breathing Room

The high global inflation of the past year began in large part due to ongoing effects of the pandemic, which created innumerable supply chain challenges around the world and shifted the composition of consumer demand. In 2022, Putin’s invasion and ongoing war in Ukraine have further exacerbated inflation and created significant strains on families’ budgets in the United States and other countries. President Biden is committed to tackling these immediate challenges, without giving up the substantial economic and labor market gains our economy has achieved. And we are seeing significant progress on that front, with a decline of more than \$1.20 in gas prices this summer and overall prices in the economy declining moderately in July.

But President Biden also believes we must address long-standing affordability challenges for middle-class families—and those striving to get into the middle-class—that predate this economic moment. These affordability challenges don’t just make it harder for lower-income and middle-class families to afford critical necessities. They also substantially limit opportunities for economic mobility by requiring families to spend large portions of their disposable incomes on necessities – rather than on wealth accumulation and key investments, like buying a home, starting a business, or saving for retirement.

For decades, costs for a range of necessities have been growing faster than incomes for the bottom 90 percent of the income distribution. For example, prices of postsecondary education, child care, long-term care, prescription drugs, and rent have all grown at a faster rate than nominal disposable personal income for the bottom 50 percent and next 40 percent. These cost pressures burden lower-income families the most.<sup>30</sup> Lower-income families spend a greater share of their budgets on essentials like groceries and housing, and so have less flexibility to adjust their spending patterns in response to rising costs.<sup>31</sup> These necessities are critical to family well-

## Key Accomplishments

- Passed legislation that will lower the cost of prescription drugs by hundreds—sometimes thousands—of dollars per year for Medicare beneficiaries
- Passed legislation that is saving 13 million Americans an average of \$800 per year on insurance premiums, helping drive the uninsured rate to an all-time low
- Provided up to \$20,000 in relief for up to 43 million student loan borrowers
- Averted eviction and foreclosure crises through an all-of-government effort to keep Americans in their homes
- Lowered internet costs for 13 million households through the Affordable Connectivity Program

<sup>30</sup> Xavier Jaravel, *Inflation Inequality: Measurement, Causes, and Policy Implications*, 13 Ann. Rev. Econ. 599, 609, 611, 614, 618-19 (2021), [https://6cd96a90-e111-4c99-bb2c-0fdc17ec7c2d.filesusr.com/ugd/bacd2d\\_588e10b4c3bb4bb9a61bcb4f0ac21761.pdf](https://6cd96a90-e111-4c99-bb2c-0fdc17ec7c2d.filesusr.com/ugd/bacd2d_588e10b4c3bb4bb9a61bcb4f0ac21761.pdf).

<sup>31</sup> David Argente & Menseob Lee, *Cost of Living Inequality During the Great Recession*, 19 J. Euro. Econ. Ass’n 913 (2020); Daryl Larsen & Raven Molloy, *Differences in Rent Growth by Income 1985-2019 and Implications for Real Income Inequality*, Bd. Governors Fed. Rsrv. Sys.



being and economic security, as well as the ability of workers to engage in economic activity and have a fair shot at earning a middle-class income.

As President Biden always says, his dad taught him that “all you want, as a middle-class person, is just to have a little breathing room.” That’s why the Biden-Harris Administration’s recovery efforts focused on improving middle-class and low-income families’ household finances, better-positioning us to weather current global economic challenges and restore economic security—and opportunity. And it’s why the Biden-Harris Administration is using every tool in its toolbox to lower the costs families pay for essentials—energy, prescription drugs and health insurance, housing, child care, high-speed internet, and food—while also relieving student debt as part of a comprehensive strategy to address high college costs and providing Americans with greater retirement security. And with the passage of the Inflation Reduction Act, the Biden-Harris Administration is now poised to deliver cost-savings for middle-class families that Republicans and lobbyists had previously blocked for decades.

## Improving the financial security of middle-class families

Thanks to President Biden’s economic, household finances are stronger than pre-pandemic, putting families in a better position to navigate the economic challenges flowing from disruptions to the global economy.

Support for the families hardest hit by the pandemic and a rapid labor market recovery has translated into stronger household balance sheets and less fragility. Families across the income spectrum have also seen their checking account balances increase compared to pre-pandemic, with the largest gains among the lowest-income families. Data from JPMorgan suggest that families with incomes in the bottom 25 percent of households had checking account balances in March 2022 that were on average 65 percent higher than in 2019.<sup>32</sup> These gains have helped to buy at least a little peace of mind, with a Federal Reserve survey finding the highest share of Americans since the survey’s inception—including across racial and ethnic groups—reporting that they live in financial comfort in 2021. That same year, the share of respondents reporting that they are able to cover a \$400 emergency expense with cash or its equivalent hit its peak value in the survey’s nearly ten-year history.<sup>33</sup>

These household gains on the back of a strong labor market translate into less pain and disruption, fewer missed bills, and fewer evictions and foreclosures—in stark contrast to prolonged scarring that resulted from other deep downturns. Credit card delinquencies, mortgage delinquencies, and bankruptcies are well below pre-pandemic levels and near historic lows (Chart 3B).<sup>34</sup> As a result, since President Biden entered office, the economic recovery has featured the largest and fastest increase in the share of net wealth held by the bottom 50 percent of households on record (back to 1989).<sup>35</sup>

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(November 5, 2021), <https://www.federalreserve.gov/econres/notes/feds-notes/differences-in-rent-growth-by-income-1985-2019-and-implications-for-real-income-inequality-20211105.htm>

<sup>32</sup> *Household Pulse: The State of Cash Balances Through March 2022*, JPMorgan Chase & Co. (March 2022), <https://www.jpmorganchase.com/institute/research/household-income-spending/household-pulse-cash-balances-through-march-2022>.

<sup>33</sup> *Survey of Household Economics and Decisionmaking*, Bd. Governors Fed. Rsrv. Sys. (May 23, 2022), <https://www.federalreserve.gov/consumerscommunities/shed.htm>.

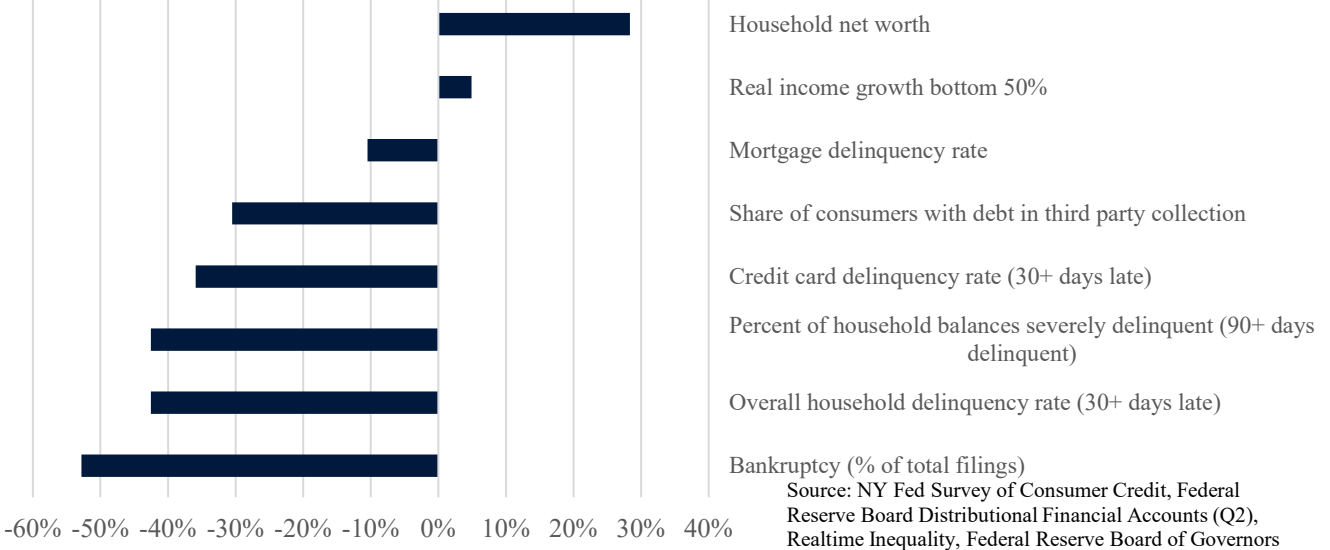
<sup>34</sup> Fed. Rsrv. Bank of N.Y., *Quarterly Report on Household Debt and Credit 2022: Q2*, at 17, 25, 27 (August 2022), [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC\\_2022Q2](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2022Q2)

<sup>35</sup> *Share of Total Net Worth Held by the Bottom 50% (1st to 50th Wealth Percentiles)*, Fed. Rsrv. Bank St. Louis (June 22, 2022), <https://fred.stlouisfed.org/series/WFRBSB50215>.



### Chart 3B: Household finance indicators today versus pre-pandemic

Percent change from pre-pandemic (Feb 2020=0 or Q4 2019 = 0)



## Lowering the cost of prescription drugs

Americans pay two to three times what people in many other countries pay for prescription drugs.<sup>36</sup> For example, a study found that Spiriva, a drug about 700,000 Medicare beneficiaries use to control asthma, cost \$250 in the U.S., but only cost \$30-\$52 or less in France, Australia and Canada.<sup>37</sup> Medicare beneficiaries with conditions like cancer, multiple sclerosis, and lung disease can face out-of-pocket costs for prescription drugs of many thousands of dollars.<sup>38</sup> Nearly one in three unsubsidized Medicare beneficiaries with cancer don't fill prescriptions, likely due to cost.<sup>39</sup>

Now, President Biden has succeeded in taking on Big Pharma to lower these costs—saving millions of Americans hundreds or thousands of dollars per year. President Biden's Inflation Reduction Act lifts the ban on Medicare from negotiating a better deal on key high-cost drugs it buys. It caps what seniors and people with disabilities who have Medicare pay for drugs at the pharmacy at \$2,000 per year. It caps the cost of insulin for Medicare beneficiaries at \$35 for a month's supply. And, it requires companies to pay Medicare rebates if they increase drug prices for drugs used by Medicare beneficiaries faster than inflation.

<sup>36</sup> *International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies*, Off. Assistant Sec'y for Planning & Eval., U.S. Dep't Health & Hum. Servs. (July 1, 2022), <https://aspe.hhs.gov/reports/international-prescription-drug-price-comparisons>.

<sup>37</sup> Gov't Accountability Off., GAO-21-282, Prescription Drugs: U.S. Prices for Selected Brand Drugs Were Higher on Average than Prices in Australia, Canada, and France 51 (2021).

<sup>38</sup> Juliette Cubanski, Tricia Neuman & Anthony Damico, *Potential Savings for Medicare Part D Enrollees Under Proposals to Add a Hard Cap on Out-of-Pocket Spending*, Kaiser Family Found. (September 10, 2021), <https://www.kff.org/medicare/issue-brief/potential-savings-for-medicare-part-d-enrollees-under-proposals-to-add-a-hard-cap-on-out-of-pocket-spending/>.

<sup>39</sup> Stacie B. Dusetzina et al., *Many Medicare Beneficiaries Do Not Fill High-Price Specialty Drug Prescriptions*, 41 Health Affs. 487, 492 (2022).



By bringing down the cost of these drugs, the Inflation Reduction Act will save Americans billions of dollars. Five to seven million Medicare beneficiaries each year use the type of high-cost drugs that could be subject to negotiation and could see reduced cost-sharing as a result.<sup>40</sup> For the first time, all 48 million Americans with Medicare Part D will have the peace of mind of knowing their costs at the pharmacy are capped and about 1.4 million beneficiaries without low-income subsidies will pay less for their drugs due to the \$2,000 out-of-pocket cap.<sup>41</sup> The inflation rebate will address rapid drug price growth, while capping insulin co-payments will provide financial protection for the 3.3 million Medicare beneficiaries who take insulin.<sup>42</sup>

## Lowering the cost of health insurance

Improved access to health insurance improves access to care and reduces mortality, while also reducing medical debt and improving credit scores.<sup>43</sup> Health insurance also reduces the frequency of bankruptcies and evictions, with one study finding that access to premium tax credits significantly reduces the share of families who are delinquent on rent or mortgage payments.<sup>44</sup> Expanding access to health insurance also advances health equity by helping to narrow gaps in coverage and access to care.

The Biden-Harris Administration has acted to make health insurance more affordable. Since the start of the Administration, about five million more people have health insurance and, in early

### *Health Savings by the Numbers*

- **\$2,000** annual out-of-pocket cap on prescription drug costs for Medicare beneficiaries
- **1.4 million** Medicare beneficiaries will benefit annually from the \$2,000 annual out of pocket cap
- **\$35** cap on a month’s supply of insulin for Medicare beneficiaries
- **5-7 million** Medicare beneficiaries use the types of high-cost drugs for which Medicare will be able to negotiate prescription drug prices

<sup>40</sup> Juliette Cubanski, Nolan Sroczynski & Tricia Neuman, *Simulating the Impact of the Drug Price Negotiation Proposal in the Build Back Better Act*, Kaiser Family Found. (January 27, 2022), <https://www.kff.org/medicare/issue-brief/simulating-the-impact-of-the-drug-price-negotiation-proposal-in-the-build-back-better-act/>.

<sup>41</sup> Juliette Cubanski, Tricia Neuman, Meredith Freed, & Anthony Damico, *How Will the Prescription Drug Provisions in the Inflation Reduction Act Affect Medicare Beneficiaries?*, Kaiser Family Found. (August 18, 2022), <https://www.kff.org/medicare/issue-brief/how-would-the-prescription-drug-provisions-in-the-senate-reconciliation-proposal-affect-medicare-beneficiaries/>

<sup>42</sup> Juliette Cubanski & Anthony Damico, *Insulin Out-of-Pocket Costs in Medicare Part D*, Kaiser Family Found. (July 28, 2022), <https://www.kff.org/medicare/issue-brief/insulin-out-of-pocket-costs-in-medicare-part-d/>.

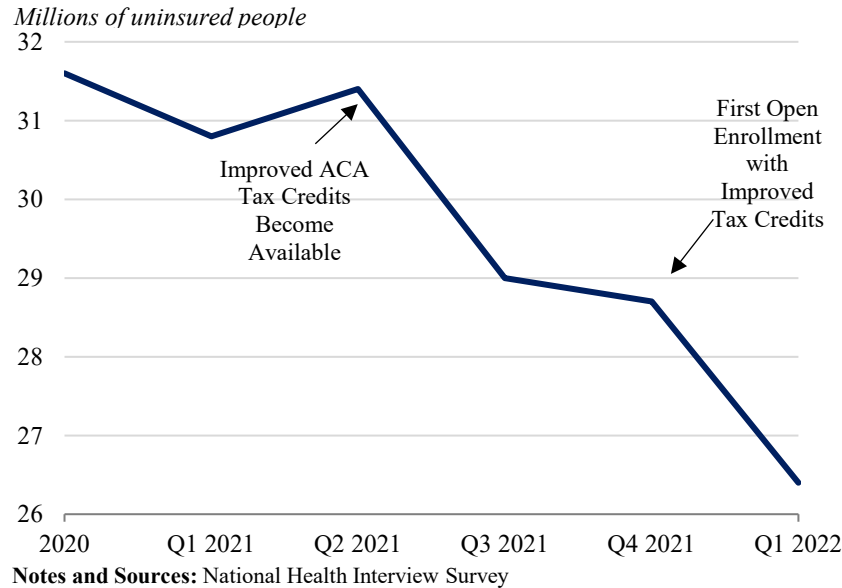
<sup>43</sup> Cubanski et al., *supra* note 43.

<sup>44</sup> Bhashkar Mazumder & Sarah Miller, *The Effects of the Massachusetts Health Reform on Household Financial Distress*, 8 Am. Econ. J.: Econ. Pol’y 284, 284 (2016); Naomi Zewde, Erica Eliason, Heidi Allen & Tal Gross, *The Effects of the ACA Medicaid Expansion on Nationwide Home Evictions and Eviction-Court Initiations: United States, 2000-2016*, 109 Am. J. Pub. Health 1379, 1379 (2019); Emily A. Gallagher, Radhakrishnan Gopalan & Michal Grinstein-Weiss, *The Effect of Health Insurance on Home Payment Delinquency: Evidence from ACA Marketplace Subsidies*, 172 J. Pub. Econ. 67, 67, 79, 82 (2019).



2022, the uninsured rate fell to an all-time low of 8.0 percent (Chart 3C).<sup>45</sup>

**Chart 3C: Uninsured population, 2020 - present**



Those gains were driven in part by the American Rescue Plan, which builds on the historic expansion of health insurance coverage under the Affordable Care Act (ACA). While the ACA’s premium tax credits increased access to affordable, quality health insurance coverage for millions of people who don’t get health insurance through their jobs, health insurance remained out of reach for too many people. Enhancements to the ACA premium tax credits enacted in the ARP and continued in the Inflation Reduction Act will save 13 million Americans an average of about \$800 annually on their health insurance premiums.<sup>46</sup> Among those benefiting the most from these affordability improvements are small business owners and self-employed adults, 2.6 million of whom rely on ACA marketplace coverage.<sup>47</sup> Middle-income seniors who have retired or don’t have health coverage through their jobs greatly benefit, too. For example, a 60-year-old with an income of \$60,000 would pay over 15 percent of income in most states—and more than 25 percent of income in some states—on health insurance without expanded premium tax credits,

<sup>45</sup> U.S. Dep’t of Health & Hum. Servs., Press Release, Biden-Harris Administration Announces 14.5 Million Americans Signed Up for Affordable Health Care During Historic Open Enrollment Period (January 27, 2022), <https://www.hhs.gov/about/news/2022/01/27/biden-harris-administration-announces-14-5-million-americans-signed-affordable-health-care-during-historic-open-enrollment-period.html>; Aiden Lee, Joel Ruhter, Christie Peters, Nancy De Lew & Benjamin D. Sommers, Off. of the Assistant Sec’y for Planning & Eval., U.S. Dep’t of Health & Hum. Servs., National Uninsured Rate Reaches All-Time Low in Early 2022, at 1 (August 2022), <https://aspe.hhs.gov/sites/default/files/documents/15c1f9899b3f203887deba90e3005f5a/Uninsured-Q1-2022-Data-Point-HP-2022-23-08.pdf>.

<sup>46</sup> Off. of the Assistant Sec’y for Planning & Eval., U.S. Dep’t of Health & Hum. Servs., Marketplace Coverage and Economic Benefits: Key Issues and Evidence 2 (July 202, 2022), <https://aspe.hhs.gov/sites/default/files/documents/36e5e989516728adcc63e398b3e3d23d/aspe-marketplace-coverage-economic-benefits.pdf>; D. Keith Branham, Christine Eibner, Federico Girosi, Jodi Liu, Kenneth Finegold, Christie Peters & Benjamin D. Sommers, Off. of the Assistant Sec’y for Planning & Eval., U.S. Dep’t of Health & Hum. Servs., Projected Coverage and Subsidy Impacts if the American Rescue Plan’s Marketplace Provisions Sunset in 2023, at 4 (March 23, 2022), <https://aspe.hhs.gov/sites/default/files/documents/1647ad29528ee85a48d6ffa9e7bfb8f/arp-ptc-sunset-impacts-03-22-22%20Final.pdf>.

<sup>47</sup> *Number of Self-Employed Workers and Small Business Owners with Marketplace Health Insurance Coverage in 2021, Ages 21-64*, U.S. Dep’t Treas. (August 2022), <https://home.treasury.gov/system/files/131/Small-Business-Health-Care-Coverage-2021.pdf>; *Biden Harris Administration Proposes Rule to Fix “Family Glitch” and Lower Health Care Costs*, White House (April 5, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/05/fact-sheet-biden-harris-administration-proposes-rule-to-fix-family-glitch-and-lower-health-care-costs/>.





which cap their premium at 8.5 percent of income.<sup>48</sup> The ACA improvements in the Inflation Reduction Act will continue to support recent gains in insurance coverage, with especially large gains for Black people and Latinos—narrowing existing gaps in coverage which in turn will help narrow gaps in access to care.<sup>49</sup>

Through administrative actions, the Biden-Harris Administration has also connected Americans to coverage by increasing outreach and enrollment funding to organizations, quadrupling the number of people able to help Americans sign up for Medicaid and ACA coverage; and made coverage more affordable by lowering maximum out-of-pocket costs for consumers with employer and ACA coverage by \$400 in 2022.<sup>50</sup> The Administration has also issued a proposed rule to close the “family glitch,” which would allow family members of workers who aren’t offered affordable family coverage to qualify for premium tax credits to buy ACA coverage. Under the proposed rule, an estimated 200,000 uninsured people would gain coverage, and nearly one million Americans would see their coverage become more affordable.<sup>51</sup> Many families would be able to save hundreds of dollars a month thanks to lower premiums.<sup>52</sup>

## Making college more affordable and relieving student debt

The Biden-Harris Administration has taken important steps in making college more affordable and helping federal student loan borrowers become more financially secure. Since 1980, the total cost of both four-year public and four-year private college has nearly tripled, even after accounting for inflation.<sup>53</sup> Federal support has not kept up: Pell Grants once covered nearly 80 percent of the cost of a four-year public college degree for students from working families, but now only cover a third.<sup>54</sup>

In recent years, the cost of college after accounting for student aid accounts for nearly a quarter of a family’s median household income nationwide.<sup>55</sup> That has left many students from low- and middle-income families with no choice but to borrow to get a degree or work-based credential. According to a Department of Education analysis, the typical undergraduate student with loans now graduates with nearly \$25,000 in debt.

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<sup>48</sup> American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 9661(a), 135 Stat. 3, 183.

<sup>49</sup> Matthew Buettgens, Jessica Banthin & Andrew Green, Urb. Inst., What if the American Rescue Plan Act Premium Tax Credits Expire? 1-3 (April 2022), <https://www.urban.org/sites/default/files/2022-04/What%20If%20the%20American%20Rescue%20Plan%20Act%20Premium%20Tax%20Credits%20Expire.pdf>; Off. of the Assistant Sec’y for Planning & Eval., U.S. Dep’t of Health & Hum. Servs., Health Insurance Coverage and Access to Care Among Black Americans: Recent Trends and Key Challenges 1 (February 22, 2022), <https://aspe.hhs.gov/sites/default/files/documents/08307d793263d5069fdd6504385e22f8/black-americans-coverages-access-ib.pdf>.

<sup>50</sup> *Executive Order on Continuing to Strengthen Americans’ Access to Affordable, Quality Health Coverage*, White House (April 5, 2022), <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/04/05/executive-order-on-continuing-to-strengthen-americans-access-to-affordable-quality-health-coverage/>.

<sup>51</sup> White House, *supra* note **Error! Bookmark not defined.**

<sup>52</sup> Matthew Buettgens & Jessica Banthin, Urb. Inst., Changing the “Family Glitch” Would Make Health Coverage More Affordable for Many Families 1-2 (May 2021), [https://www.urban.org/sites/default/files/publication/104223/changing-the-family-glitch-would-make-health-coverage-more-affordable-for-many-families\\_1.pdf](https://www.urban.org/sites/default/files/publication/104223/changing-the-family-glitch-would-make-health-coverage-more-affordable-for-many-families_1.pdf).

<sup>53</sup> *Trends in College Pricing*, CollegeBoard (2022), <https://research.collegeboard.org/trends/college-pricing>.

<sup>54</sup> Spiros Protopsaltis & Sharon Parrott, *Pell Grants—A Key Too for Expanding College Access and Economic Opportunity—Need Strengthening, Not Cuts*, Ctr. on Budget & Pol’y Priorities (July 27, 2017), <https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic>.

<sup>55</sup> Michael Mitchell, *Rising Costs Making It Hard for Students, Particularly of Color, to Afford College*, Ctr. on Budget & Pol’y Priorities (October 25, 2019, 10:00 AM), <https://www.cbpp.org/blog/rising-costs-making-it-hard-for-students-particularly-of-color-to-afford-college>.



This student debt-financed system has resulted in more than 45 million Americans collectively owing \$1.6 trillion in federal student loans—larger than either the total amount of outstanding credit card debt or auto loan debt. While federal educational loans can provide students with a pathway to the middle class, many borrowers struggle with high monthly payments and ballooning balances. This makes it harder for them to build wealth, buy homes, put away money for retirement, and start small businesses.<sup>56</sup> In fact, 16% of borrowers default on their student debt.<sup>57</sup> This problem is even more pronounced among low-income borrowers and borrowers of color, particularly Black borrowers. Twenty years after first enrolling in school, the typical Black borrower who started college in the 1995-96 school year still owed 95% of their original student debt, and nearly half of Black borrowers have defaulted on their loans.<sup>58</sup>

Recently, the President announced a three-part plan to help current and future borrowers. First, the Biden-Harris Administration will provide targeted debt relief to address the financial harms of the pandemic. Specifically, the Administration will provide up to \$20,000 in debt cancellation to Pell Grant recipients with loans held by the Department of Education, and up to \$10,000 in debt cancellation to non-Pell Grant recipients. Borrowers are eligible for this relief if their individual income is less than \$125,000 (\$250,000 for married couples). No high-income individual or high-income household – in the top 5% of incomes – will benefit from this action. If all borrowers claim the relief they are entitled to, up to 43 million borrowers will receive relief, including the 20 million borrowers who will get their loans fully cancelled. This debt relief action is on top of the more than \$32 billion in discharges that the Department of Education has already approved for more than 1.6 million borrowers who were defrauded by their colleges, enrolled in a college that closed abruptly, are totally and permanently disabled, or work in public service. To ensure a smooth transition to repayment and prevent unnecessary defaults, the pause on federal student loan repayment has been extended one final time through December 31, 2022. Borrowers should expect to resume payment in January 2023.

Second, the Department of Education also announced actions to address historical failures in the administration of income-driven repayment plans that will discharge additional loans and bring about 3.6 million borrowers at least three years closer to forgiveness.<sup>59</sup> The agency has also proposed regulatory changes to the income-driven repayment plan to make monthly payments manageable for borrowers. The changes protect more low-income borrowers from making any payments and cap monthly payments for undergraduate loans at 5% of a borrower's discretionary income—half of the rate that borrowers must pay now under most existing plans.

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<sup>56</sup> Alvaro Mezza, Daniel Ringo, Shane Sherlund & Kamila Sommer, *Student Loans and Homeownership*, 38 J. Lab. Econ. 215, 218 (2020); Matthew S. Rutledge, Geoffrey T. Sanzenbacher & Francis M. Vitagliano, *How Does Student Debt Affect Early-Career Retirement Saving?*, Ctr. for Retirement Rsch. Bos. College (September 2016), <https://crr.bc.edu/working-papers/how-does-student-debt-affect-early-career-retirement-saving/>; Karthik Krishnan & Pinshuo Wang, *The Cost of Financing Education: Can Student Debt Hinder Entrepreneurship?*, 65 Mgmt. Sci. 4522, 4522 (2018).

<sup>57</sup> *Federal Student Aid Posts Quarterly Portfolio Reports to FSA Data Center*, Fed. Student Aid, U.S. Dep't Educ. (July 13, 2022), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-07-13/federal-student-aid-posts-quarterly-portfolio-reports-fsa-data-center>.

<sup>58</sup> Laura Sullivan, Tatjana Meschede, Thomas Shapiro & Fernanda Escobar, Inst. on Assets & Soc. Pol'y, *Stalling Dreams: How Student Debt Is Disrupting Life Chances and Widening the Racial Wealth Gap 1* (September 2019), <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>; Sarah Sattelmeyer, *Trapped by Default: Why Borrowers Default on Their Student Loans and How the System Jeopardizes Their Economic Security*, New Am. (July 27, 2022), <https://www.newamerica.org/education-policy/briefs/trapped-by-default/>.

<sup>59</sup> *Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs*, U.S. Dep't Educ. (April 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>.



This means that the average annual student loan payment will be lowered by more than \$1,000 for both current and future borrowers.

The Department of Education has also proposed regulatory changes to fix the public service loan forgiveness (PSLF) program by proposing a rule that borrowers who have worked at a nonprofit, in the military, or in federal, state, Tribal, or local government, receive appropriate credit toward loan forgiveness. These improvements will build on temporary changes the Department of Education has already made to PSLF, under which more than 175,000 public servants have already had more than \$10 billion in loan forgiveness approved.

Third, the President’s plan protects future students and taxpayers by reducing the cost of college and holding schools accountable when they hike up prices. In fact, the President championed the largest increase in the maximum Pell Grant in over a decade. This means more money in students’ pockets to pay for college. The American Rescue Plan, which the President signed into law, also helped relieve the cost of a postsecondary education. It provided nearly \$40 billion to colleges and their students. Institutions of higher education were required to allocate half of these funds directly to emergency student aid, which helped students to stay enrolled. Colleges and universities have also used their portion of the funds to discharge outstanding student debt or unpaid balances.

The Department of Education has also already taken key steps to strengthen accountability, which ensures students are not paying for worthless degrees. The agency has re-established the office responsible for oversight of and enforcement actions on colleges and universities. It is also holding responsible the private education associations that oversee academic quality. Recently, the Department of Education withdrew federal recognition of the accreditor that oversaw two for-profit colleges responsible for some of the worst fraudulent behavior. The agency has also taken steps to reinstate a rule that would hold career programs accountable for leaving their graduates with mountains of debt they cannot repay. In the coming months, the Department of Education will announce new actions to hold accountable colleges that have contributed to the student debt crisis including publishing lists of the worst actors.

## **Helping American stay in their homes and reducing costs of housing**

The Biden-Harris Administration helped millions of households afford to stay in their homes throughout the pandemic and is working to address longstanding issues of housing supply and affordability. As Americans lost their jobs and struggled to make ends meet during COVID-19, many renters faced increased stress and the threat of unprecedented number of evictions. This would have led to lasting harms – as evictions have lasting impacts, increasing the risk of homelessness and persistent and long-term residential instability<sup>60</sup> and leading to homelessness,

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<sup>60</sup> Robert Collinson & David Reed, N.Y.U. Sch. of L., *The Effects of Evictions on Low-Income Households 1* (December 2018), [https://www.law.nyu.edu/sites/default/files/upload\\_documents/evictions\\_collinson\\_reed.pdf](https://www.law.nyu.edu/sites/default/files/upload_documents/evictions_collinson_reed.pdf).



job loss, and depression and broader school and community instability.<sup>61</sup> And, evictions increase financial strain, negatively impacting access to credit for many years.<sup>62</sup>

President Biden took significant action – extending the CDC’s eviction moratorium three times and standing up a first ever nationwide infrastructure to distribute Emergency Rental Assistance. Experts feared, however, that when the CDC eviction moratorium ended, the U.S. would face a tsunami of eviction filings two to three times higher than pre-pandemic rates – causing untold pain and long-term scarring. The President and his Administration, however, took repeated key steps to speed the distribution of Emergency Rental Assistance (ERA) to provide relief to economically vulnerable renters and their landlords. By July 2022, Emergency Rental Assistance payments went out to 7 million renters and their families. Over 80 percent of assistance went to low-income renters. And instead of spiking to unprecedented highs, at the end of the CDC moratorium, eviction filings have remained 26 percent below historic national averages in the ten months since the end of the moratorium.<sup>63</sup> Eviction filings in Black communities, which are disproportionately exposed to evictions, saw the largest reductions.<sup>64</sup>

The Biden-Harris Administration also prevented millions of home foreclosures. The Administration extended the foreclosure moratorium through July 31, 2021 and lengthened the mortgage forbearance enrollment period for homeowners, providing relief to nearly nine million households who accessed mortgage forbearance options that allowed them to defer payments. The Administration also provided loan modifications to government-backed mortgages that reduced borrowers’ monthly principal and interest (P&I) payments by roughly 25 percent, enabling them to keep their homes and continue to build equity.<sup>65</sup> The American Rescue Plan provided \$10 billion for the Homeowners Assistance Fund, which assists borrowers with private label and government-backed or guaranteed mortgages. Today, more than 75 percent of homeowners who have exited forbearance have a performing loan or have paid off their mortgage.<sup>66</sup> Only 189,000 foreclosures were filed between January 2022, when the Consumer Financial Protection Bureau’s foreclosure protections ended, and May 2022—a number below pre-pandemic levels.<sup>67</sup>

The Biden-Harris Administration is also confronting root causes of high housing costs by addressing the long-standing shortage in housing supply. Moody’s Analytics estimates that in the

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<sup>61</sup> “The Rent Eats First”: How Renters and Communities Are Impacted by Today’s Housing Market: Hearing Before the Sen. Comm. On Banking, Housing, and Urb. Affs., 117th Cong. 3 (August 2, 2022), [https://www.banking.senate.gov/imo/media/doc/Desmond Testimony 8-2-22 .pdf](https://www.banking.senate.gov/imo/media/doc/Desmond%20Testimony%208-2-22.pdf).

<sup>62</sup> John Eric Humphries, Nicholas Mader, Daniel Tannenbaum & Winnie van Dijk, *Does Eviction Cause Poverty? Quasi-Experimental Evidence from Cook County, IL* 1-4 (Cowles Found. for Rsch. in Econ., Yale Univ., Discussion Paper No. 2186, July 2019), <https://cowles.yale.edu/sites/default/files/files/pub/d21/d2186.pdf>.

<sup>63</sup> Peter Hepburn, Olivia Jin, Joe Fish, Emily Lemmerman, Anne Kat Alexander & Matthew Desmond, Preliminary Analysis: Eviction Filing Patterns in 2021, Eviction Lab (March 8, 2022), <https://evictionlab.org/us-eviction-filing-patterns-2021/>; Get the Data, Eviction Lab (January 28, 2022), <https://evictionlab.org/eviction-tracking/get-the-data/>.

<sup>64</sup> *White House Summit on Building Lasting Eviction Prevention Reform*, White House (August 2, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/02/fact-sheet-white-house-summit-on-building-lasting-eviction-prevention-reform/>.

<sup>65</sup> RADAR Group, Fed. Rsrv. Bank of Phila., Although Loss Mitigation Program Participation Is Strong, Rising Rates Imperil Loan Mod Target Goals 6 (June 30, 2022), [https://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/reports/22-06\\_tracking-resolutions-of-mortgage-forbearances-and-delinquencies.pdf](https://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/reports/22-06_tracking-resolutions-of-mortgage-forbearances-and-delinquencies.pdf); Xudong An, Larry Cordell, Liang Geng & Keyoung Lee, Inequality in the Time of COVID-19: Evidence from Mortgage Delinquency and Forbearance 1-5 (Fed. Rsrv. Bank of Phila., WP 21-09, January 2022), <https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2022/wp21-09r.pdf>; Peter Ganong & Pascal Noel, Liquidity Versus Wealth in Household Debt Obligations: Evidence from Housing Policy in the Great Recession, 110 Am. Econ. Rev. 3100, 3100 (2020).

<sup>66</sup> RADAR Group, *supra* note **Error! Bookmark not defined.**, at 7.

<sup>67</sup> Sharada Dharmasankar & Bhash Mazumder, *Have Borrowers Recovered from Foreclosures During the Great Recession?*, Fed. Rsrv. Bank Chi. (2016), <https://www.chicagofed.org/publications/chicago-fed-letter/2016/370>.



decade that followed the financial crisis, the U.S. underbuilt by 150,000 houses a year, generating a shortfall in the housing supply of more than 1.5 million homes nationwide.<sup>68</sup> To close this supply gap, the Administration launched a Housing Supply Action Plan. The Plan includes administrative actions to reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain federal grant processes, for the first time at scale; deploy new financing mechanisms to build and preserve more housing and expand and improve existing ones, including for affordable multifamily housing; ensure more of the government-owned supply of homes and other housing goes to owners who will live in them or non-profits who will rehab them, instead of large institutional investors; and work with the private sector to address supply chain challenges and improve building techniques to finish construction on more new homes in 2022 than in any year since 2006.

At the same time, the Administration has increased funding for housing vouchers and for affordable housing production programs. And through the American Rescue Plan, the Administration provided communities with historic resources they could put toward affordable housing and addressing homelessness, including 70,000 emergency housing vouchers, \$5 billion in HOME grants, significant investments to preserve and protect housing on tribal lands, and State and Local Fiscal Recovery Funds that can address the many housing needs communities face as they respond to the pandemic and its negative economic impacts. In fact, more the \$13 billion has been committed to housing and housing needs through the State and Local funds in the American Rescue Plan.

## Lowering families' internet bills

High-speed internet is the new electricity—necessary for Americans to do their jobs, to accelerate precision agriculture, to participate equally in school learning and health care, and to stay connected. Still, millions of families go without high-speed internet because of the cost or have to cut back on other essentials to make their monthly internet service payments. About 45 percent of Americans who do not have a home broadband connection say the cost of a subscription is too expensive, and 37 percent cite the expensive cost of a computer.<sup>69</sup> The average monthly internet bill ranges from \$50 to \$85—with American consumers paying two to three times more than Europeans.<sup>70</sup>

Thanks to the Biden-Harris Administration's efforts, tens of millions of Americans can now save on their monthly internet bills. The Bipartisan Infrastructure Law established the Affordable Connectivity Program (ACP)—the largest program to lower internet costs in American history. Under the program, eligible households receive up to \$30/month (or \$75/month on Tribal lands) off their internet bills, as well as a one-time \$100 discount off a laptop, tablet, or computer.

To save households even more, the Biden-Harris Administration secured commitments from leading internet service providers—covering more than 80 percent of the U.S. population across

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<sup>68</sup> Jim Parrott & Mark Zandi, Moody's Analytics, *Overcoming the Nation's Daunting Housing Supply Shortage* (March 2021), <https://www.moodyanalytics.com/-/media/article/2021/Overcoming-the-Nations-Housing-Supply-Shortage.pdf>.

<sup>69</sup> Andrew Perrin, Pew Rsch. Ctr., *Mobile Technology and Home Broadband 2021*, at 18 (June 3, 2021), [https://www.pewresearch.org/internet/wp-content/uploads/sites/9/2021/06/PI\\_2021.06.03\\_Mobile-Broadband\\_FINAL.pdf](https://www.pewresearch.org/internet/wp-content/uploads/sites/9/2021/06/PI_2021.06.03_Mobile-Broadband_FINAL.pdf).

<sup>70</sup> Anna Read, *How can the United States Address Broadband Affordability?*, Pew Trusts (April 29, 2022), <https://www.pewtrusts.org/en/research-and-analysis/articles/2022/04/29/how-can-the-united-states-address-broadband-affordability>.



urban, suburban, and rural areas—to offer high-speed plans that are fully covered by ACP.<sup>71</sup> As a result, millions of families can now get free high-speed internet.

To date, about 13 million households have enrolled in ACP. The Administration is engaged in an “all of government” effort to help more families sign up to save—including launching [GetInternet.gov](https://www.getinternet.gov), a one-stop shop to check eligibility and enroll.<sup>72</sup>

The Administration is also addressing a longstanding structural problem that contributes to high internet prices—the lack of competition that has left 60 million Americans with only one monopoly provider of broadband.<sup>73</sup> To promote competition, the Federal Communications Commission (FCC) took unanimous, bipartisan action to crack down on exclusivity arrangements between landlords and internet providers that lock tenants in apartments and office buildings into just one option for internet.<sup>74</sup> It is also issuing rules requiring internet providers to display a broadband “Nutrition Label,” making it easier for consumers to comparison shop for the best deal.<sup>75</sup> And the Biden-Harris Administration’s historic investments in internet infrastructure will promote competition by including funding to deploy infrastructure in areas where existing providers are providing only slow service—giving Americans more and better options. Finally, the Biden-Harris Administration has overseen the first C-Band 5G networks going live this year, and the FCC continues to bring more spectrum online—unleashing new competition for broadband.

## Making food more affordable for families

The Biden-Harris Administration is also increasing access to affordable, nutritious foods. While the pandemic exacerbated the burden of hunger and diet-related disease, millions of Americans long struggled with these issues. The toll of hunger and these diseases disproportionately impacts Black, Latino, and Native Americans, low-income families, and rural Americans.

President Biden has boosted Supplemental Nutrition Assistance Program (SNAP) benefits, which help to feed more than 41 million Americans. The American Rescue Plan extended a 15 percent increase in SNAP benefits through September 2021. The Administration also modernized the Thrifty Food Plan—an estimate of the cost of groceries needed to provide a healthy, budget-conscious diet for a family of 4—which forms the basis for determining SNAP benefit amounts. This was the first comprehensive re-evaluation of the adequacy of the Thrifty Food Plan since its introduction in 1975. As directed by Congress in the 2018 Farm Bill, the U.S. Department of Agriculture (USDA) conducted a data-driven review that concluded that the Thrifty Food Plan at the time was not adequate to support a nutritious, practical, cost-effective

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<sup>71</sup> *President Biden and Vice President Harris Reduce High-Speed Internet Costs for Millions of Americans*, White House (May 9, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/09/fact-sheet-president-biden-and-vice-president-harris-reduce-high-speed-internet-costs-for-millions-of-americans/>.

<sup>72</sup> *Vice President Harris Marks Important New Milestone in Administration’s Efforts to Cut Costs for American Families*, White House (July 21, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/21/fact-sheet-vice-president-harris-highlights-milestone-of-1-million-new-participants-on-reducing-high-speed-internet-cost-for-americans/>.

<sup>73</sup> Tejas N. Narechania, *Convergence and a Case for Broadband Rate Regulation*, 36 Berkeley Tech. L.J. 101, 122 (forthcoming).

<sup>74</sup> White House, *supra* note **Error! Bookmark not defined.**

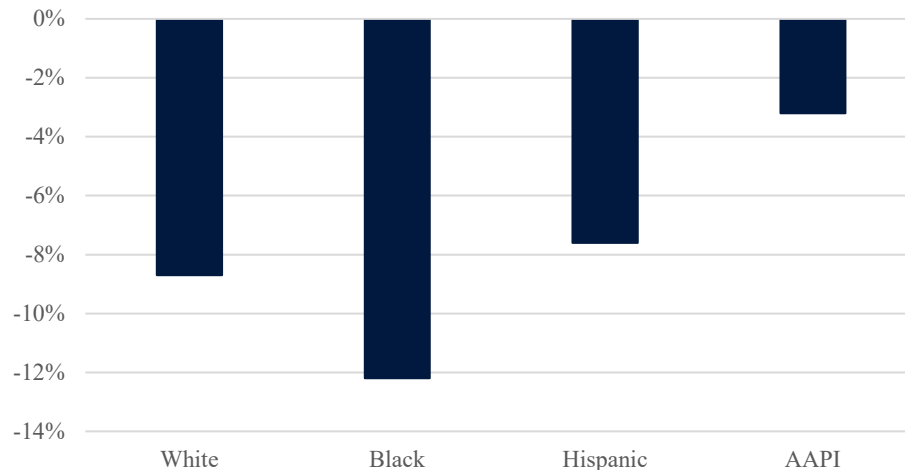
<sup>75</sup> *FCC Acts to Empower Broadband Consumers Through Transparency*, Fed. Comm’n Comm. (January 27, 2022), <https://www.fcc.gov/document/fcc-acts-empower-broadband-consumers-through-transparency-0>.



diet. Beginning October 2021, USDA’s Thrifty Food Plan update increased SNAP benefits by an average of \$36.30 per person per month, which has lifted an estimated 2.3 million people—including nearly one million children—out of poverty (Chart 3D).<sup>76</sup> The Biden-Harris Administration also implemented an unprecedented increase in the WIC Cash-Value Benefit, which increases access to healthy fruits and vegetables for women who are pregnant and postpartum, infants, and children up to 5 years of age who are at nutritional risk.

**Chart 3D: Reduction in child poverty by race and ethnicity**

*Percent change in poverty rate*



Source: The Urban Institute

The Administration is helping school meal programs navigate current challenges, including higher food costs and persistent supply chain disruptions by providing nearly \$2 billion for schools to buy domestic food and making it easier for states and schools to adapt to changing circumstances, such as through providing grab-and-go meals. President Biden and bipartisan members of Congress enacted the Keep Kids Fed Act, which helped allow USDA to increase reimbursement rates for free/reduced-price school meals and child and adult care meals by approximately \$0.68 per free/reduced-price lunch and \$0.32 per free/reduced-price breakfast. And, through the American Rescue Plan, USDA is offering approximately \$391 per family in child food benefits over the summer – a time when low-income children lose access to regular meals at school and as a result are at greater risk of food insufficiency. In summer 2019, USDA’s efforts to offer free meals during the summer reached about 2.7 million children; access to the program was limited in many communities, particularly rural areas.<sup>77</sup> Thanks to the American Rescue Plan, over 36 million children received Summer P-EBT in summer 2021, and 38 states and territories are on track to provide Summer P-EBT benefits to an estimated over 25 million children in 2022.<sup>78</sup>

<sup>76</sup> Joseph Llobrera, Matt Saenz & Lauren Hall, *USDA Announces Important SNAP Benefit Modernization*, Ctr. on Budget & Pol’y Priorities (August 26, 2021), <https://www.cbpp.org/research/food-assistance/usda-announces-important-snap-benefit-modernization>; Laura Wheaton & Danielle Kwon, *Effect of the Reevaluated Thrifty Food Plan and Emergency Allotments on Supplemental Nutrition Assistance Program Benefits and Poverty*, Urb. Inst. (August 1, 2022), <https://www.urban.org/research/publication/effect-reevaluated-thrifty-food-plan-and-emergency-allotments-supplemental>.

<sup>77</sup> *September 2020 Keydata Report*, Food & Nutrition Serv., U.S. Dep’t Agriculture (January 27, 2021), <https://www.fns.usda.gov/data/september-2020-keydata-report>.

<sup>78</sup> *USDA Partners with 38 States and Territories to Issue Child Food Benefits for Summer*, Food & Nutrition Serv., U.S. Dep’t Agriculture (August 29, 2022), <https://www.fns.usda.gov/news-item/usda-0151.22>.



Finally, USDA is leveraging approximately \$4 billion in funding from the American Rescue Plan and other relief legislation to transform the food system to benefit consumers, producers and rural communities by providing more options, increasing access, and creating more and better markets for small and mid-size producers.<sup>79</sup> For example, USDA is investing \$1 billion to expand independent meat and poultry businesses to counteract the ability of a handful of large companies to raise prices and decrease options for American families.

## Helping families access and afford child care

The pandemic made clear the critical role frontline workers in the fields of health, care, and education—often women of color—play in our economy. For too long, these workers’ pay, benefits, rights at work and respect have not matched their value to our economy and society. The pandemic underscored that from childcare to care for the aging and infirm, America’s care infrastructure is the scaffolding on which much of the economy relies.

Through the American Rescue Plan, the Biden-Harris Administration provided \$39 billion to stabilize the child care industry, preventing many child care providers from permanently shuttering. Stabilization grants provided by the American Rescue Plan have already gone to support 200,000 child care providers with the capacity to serve more than 8 million children. These funds helped providers cover operational expenses—including increasing compensation for their workforce—allowing them to stay open and minimize price increases for families, even as their costs increased.<sup>80</sup> One survey found that 92 percent of providers receiving funds relied on them to help stay open.<sup>81</sup> Additionally, the American Rescue Plan continues to provide historic support for subsidized child care targeted to low-income working families.

The American Rescue Plan also provided millions of working families with historic tax relief to help meet their child care costs by providing the largest ever increase in the maximum Child and Dependent Care Tax Credit (CDCTC) in 2021. Families with two children under age 13 earning the median income were eligible for up to \$8,000 towards child care expenses, a more than six-fold increase over the previous year’s credit. The American Rescue Plan also made the CDCTC fully refundable in 2021, enabling lower-income parents to receive the full benefit regardless of their tax liability.

The Biden-Harris Administration also took decisive action to open America’s schools safely, making it easier for parents to work. The Administration gave teachers priority in accessing vaccinations, helped schools operate safely, and surged \$122 billion from the American Rescue Plan to schools. These historic American Rescue Plan funds to help reopen schools safely, combat learning loss, and address student mental health provided schools the confidence to spend funds quickly and expedited the spending of emergency funding for schools by 7 to 11 times. This helped safely reopen nearly all schools by the beginning of 2022, compared to 46 percent open when President Biden and Vice President Harris took office. Independent analysis of over 5,000 school district plans for these funds shows that these funds are committed to key education priorities including 60% of funds for staffing, learning loss, and support for physical

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<sup>79</sup> <https://www.usda.gov/build-back-better>.

<sup>80</sup> *Build Back Better*, U.S. Dep’t Agriculture, <https://www.usda.gov/build-back-better>.

<sup>81</sup> *Child Care Stabilization Grants*, Child Care Tech. Assistance Network, <https://childcareta.acf.hhs.gov/child-care-stabilization-grants>.





and mental health, as well as 23% to keep schools operating safely including investments in lead abatement and an estimated \$10 billion to upgrade HVAC systems.

## **Providing pension relief and retirement security for millions of union workers and retirees**

The Biden-Harris Administration has provided peace of mind to millions of people around the country worried about losing their access to a dignified retirement after a lifetime of hard work. Before the start of the Biden-Harris Administration, two to three million workers and retirees faced the prospect of seeing their hard-earned retirement benefits cut—through no fault of their own—as the multi-employer retirement plans they contributed to headed for insolvency.<sup>82</sup>

That changed with passage of President Biden’s American Rescue Plan, which included unprecedented support to ensure workers—often union workers—receive the pension benefits they earned. The law delivers the most ambitious effort to strengthen the solvency of our nation’s multiemployer pensions since the enactment of the Employee Retirement Income Security Act in 1974. Through this support, the Biden-Harris Administration protected the pension benefits of millions of workers facing cuts and reversed pension cuts for 80,000 workers and retirees. Retirement plans receiving support are positioned to remain solvent through at least 2051 with no cuts to earned benefits.

## **Looking ahead**

As the Administration works to bring inflation down and resolve near-term economic challenges that have burdened American families, President Biden will also continue fighting to address affordability challenges that long pre-dated the pandemic. Doing so will make it easier for families to achieve a middle-class life. That means continuing to use his existing authorities and fight for legislation in a range of areas. This includes legislation that makes education after high school more accessible and affordable, provides access to high-quality, affordable child care and free preschool, supports access to long-term care, closes the Medicaid coverage gap, and increases the supply of affordable housing and addresses housing affordability and fair housing challenges for renters and aspiring homeowners.

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<sup>82</sup> *President Biden Announces Historic American Rescue Plan Pension Relief for Millions of Union Workers and Retirees*, White House (July 5, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/05/fact-sheet-president-biden-announces-historic-american-rescue-plan-pension-relief-for-millions-of-union-workers-and-retirees/>.



# Making American Industry More Competitive, Less Concentrated, and More Resilient

For decades before President Biden took office, corporate consolidation had been accelerating. One study aggregated the harms from higher prices and lower wages and found that lack of competition could be costing the median American household some \$5,000 every year.<sup>83</sup> Lack of competition also made our economy less resilient and more vulnerable to shocks. Rebuilding our economy from the bottom up and the middle out means ensuring that markets are competitive and fair, and leveraging the strength and talents of innovators and workers all across the economy.

President Biden inherited an economy in which many important markets had become more concentrated and less competitive (Chart 4A). Economic research has documented how greater concentration—more monopolies and oligopolies—has been associated with a greater share of economic gains going towards profits over wages. Concentrated firms also tend to embark on less investment, charge higher prices, create greater hurdles for small businesses and new entrants, and offer worse employment deals for workers. As the President often says, “capitalism without competition isn’t capitalism; it’s exploitation.”

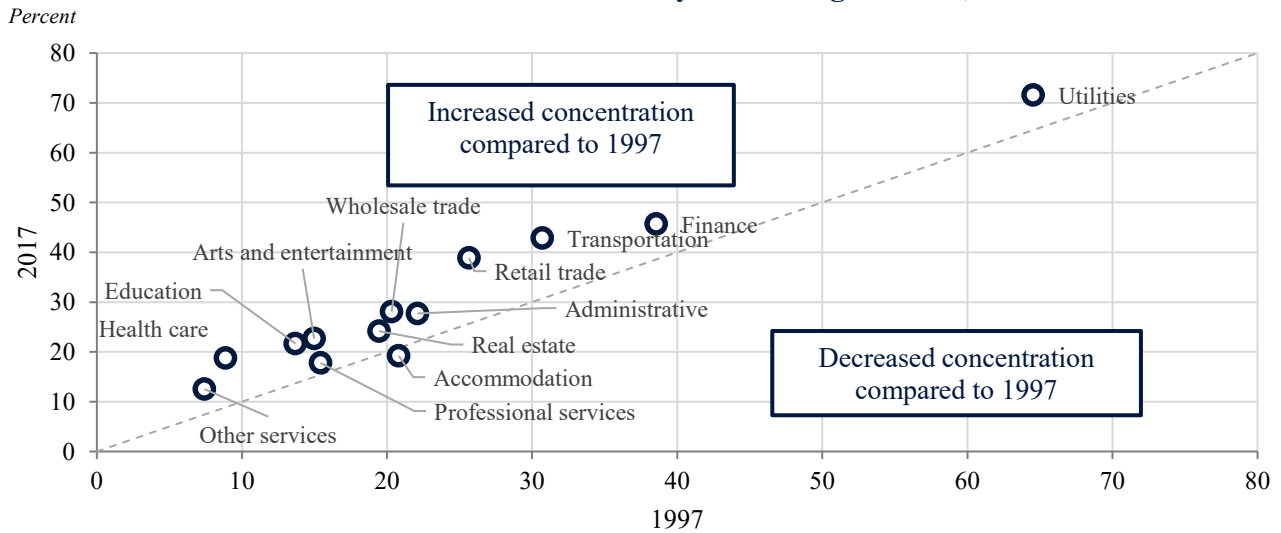
## Key Accomplishments

- Delivering nearly \$3,000 in savings to American families for a pair of hearing aids
- Lowering ocean shipping costs by 50 percent with the help of the *Ocean Shipping Reform Act*
- Moving the port of Los Angeles to 24/7 operations
- Driving a surge in entrepreneurship that led to a record 5.4 million new small business applications in 2021

<sup>83</sup> Thomas Philippon, *The Great Reversal: How America Gave Up on Free Markets* (2019).



**Chart 4A: Share of sector revenue held by the 50 largest firms, 1997 and 2017**



**Sources:** Economic Census and CEA calculations

**Notes:** For five sectors (professional services, health care, arts and entertainment, educational services, and other services) in 1997 the share is calculated using the weighted average of taxable and tax-exempt firms, weighted by the share of total sector revenue. Four sectors are missing data in 1997 (manufacturing, mining, construction, and information) and are therefore omitted.

Indeed, decades of underinvestment and prioritization of short-term cost savings, efficiency, and maximization of returns to shareholders over long-term security, sustainability, and resilience have led to structural weaknesses in our domestic industrial base and supply chains. As we saw over the course of the pandemic, ongoing supply chain disruptions reverberated across the economy and passed through to families in the form of higher prices, goods shortages, and delays.

As concentration has intensified, small businesses and entrepreneurs have too often struggled to survive and grow. When President Biden took office, millions of small businesses had been forced to shutter their doors due to COVID-19, and implementation of relief programs by the prior Administration had left Main Street businesses and many minority-owned businesses at the back of the line while larger, well-connected businesses got relief funds first.

To meet these challenges, the Biden-Harris Administration took immediate action to put in place a whole-of-government competition agenda, alongside steps to ensure that small businesses have a fair shot—including through reforming relief programs to ensure they actually worked for small business owners. Now we’re experiencing the strongest small business creation on record, and we’ve made major progress toward an economy that’s more competitive, resilient, and fair.

## Promoting Competition to Lower Prices, Raise Wages, and Boost Innovation and Resilience

In July 2021, President Biden signed the Executive Order on Promoting Competition in the American Economy<sup>84</sup> to address the growing concentration in more than three-quarters of U.S.

<sup>84</sup> EO 14,036, 86 Fed. Reg. 36987-36999 (July 14, 2021), <https://www.federalregister.gov/documents/2021/07/14/2021-15069/promoting-competition-in-the-american-economy>.



industries over prior decades.<sup>85</sup> This increase in concentration occurred while investment<sup>86</sup> and labor's share of the economy decreased,<sup>87</sup> and during a period of both low productivity growth and rising inequality.<sup>88</sup>

As many economists have documented, mergers and consolidations have contributed to higher prices,<sup>89</sup> lower income,<sup>90</sup> and dampened innovation.<sup>91</sup> For example, one landmark study surveyed the impact of nearly four dozen major mergers and found that most led to price increases, with an average increase around 10 percent.<sup>92</sup> A recent Treasury Department report found that a lack of labor-market competition decreases wages by roughly 20 percent, as compared to a fully competitive market.<sup>93</sup>

Bolstering competition also supports our goal of making the economy more resilient. Consider, for example, that after a cyberattack hit the country's second-largest meat processing company

### *Lowering ocean shipping prices through the Ocean Shipping Reform Act*

The ocean-freight system is dominated by three global alliances that control the vast majority of East-West shipping lines. During the pandemic, these companies raised the price of shipping a container more than ten-fold.<sup>1</sup> Based on research by the Kansas City Fed<sup>1</sup> and the European Central Bank,<sup>1</sup> these shipping cost increases were expected to contribute to approximately a 1% increase in consumer prices over the following year.

The Competition Council recognized the economy-wide impacts of this problem and sounded the alarm. After President Biden called for Congress to crack down on the ocean shipping companies' price hikes in the State of the Union, Congress responded swiftly to pass the Ocean Shipping Reform Act—the most significant reform of the ocean shipping laws in decades. Following passage of the Ocean Shipping Reform Act, East-West Ocean shipping spot prices are now down more than 50% compared to their May 2022 peak.

<sup>85</sup> Gustavo Grullon, Yelena Larkin & Roni Michaely, *Are US Industries Becoming More Concentrated?*, 23 Rev. Fin. 697, 698 (2019), <https://academic.oup.com/rof/article/23/4/697/5477414>.

<sup>86</sup> Simcha Barkai, *Declining Labor and Capital Shares*, 75 Journal of Fin. (2020), <https://onlinelibrary.wiley.com/doi/full/10.1111/jofi.12909>.

<sup>87</sup> David Autor et. Al., *Concentrating on the Fall of the Labor Share*, 107 Am. Econ. Rev. 180 (2017), <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.p20171102>.

<sup>88</sup> Jason Furman & Peter Orszag, *Slower Productivity and Higher Inequality: Are They Related?* (Peterson Inst. for Int'l Econ. Working Paper No. 18-4, 2018), <https://www.piiie.com/system/files/documents/wp18-4.pdf>.

<sup>89</sup> John E. Kwoka, Jr., *Does Merger Control Work? A Retrospective on U.S. Enforcement Actions and Merger Outcomes*, 78 Antitrust L.J. 619, 632 (2013), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1954849](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1954849); See, e.g., Martin Gaynor & Robert Town, *The Impact of Hospital Consolidation-Update*, Robert Wood Johnson Found. (June 2012), <https://www.rwjf.org/en/library/research/2012/06/the-impact-of-hospital-consolidation.html>; See, e.g., Craig Peters, *Evaluating the Performance of Merger Simulation: Evidence from the U.S. Airline Industry*, 49 J.L. & Econ. 627 (2006), <https://www.journals.uchicago.edu/doi/abs/10.1086/505369>.

<sup>90</sup> Cf. Sean Ennis, Pedro Gonzaga & Chris Pike, *Inequality: A Hidden Cost of Market Power* (OECD Working Paper No. DAF/COMP(2015)10, 2017), <https://www.oecd.org/daf/competition/Inequality-hidden-cost-market-power-2017.pdf>.

<sup>91</sup> See, e.g., Jonathan Baker, *Beyond Schumpeter vs. Arrow: How Antitrust Fosters Innovation*, 74 Antitrust L.J. 575 (2007), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=962261](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=962261); Guilio Federico, Fiona Scott Morton & Carl Shapiro, *Antitrust and Innovation: Welcoming and Protecting Disruption, in Innovation Policy and the Economy* (Josh Lerner & Scott Stern eds., 2020), <https://www.law.berkeley.edu/wp-content/uploads/2020/08/Shapiro-Carl-Antitrust-and-Innovation-Welcoming-and-Protecting-Disruption.pdf>.

<sup>92</sup> Kwoka, *supra* note 91; see also John Kwoka, *Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy* (2015).

<sup>93</sup> U.S. Dep't of the Treasury, *The State of Labor Market Competition*, at ii (2022), <https://home.treasury.gov/system/files/136/State-of-Labor-Market-Competition-2022.pdf>.



last year, the company had to suspend production at its plants, which process one-quarter of America's beef and one-fifth of its pork.<sup>94</sup>

President Biden's Executive Order adopted three strategies for righting the ship, and the Biden-Harris Administration has delivered significant progress under each.

First, the Order directed 72 specific actions by more than a dozen agencies to take on concrete competition problems—from non-compete agreements to unjustifiable occupational licensing requirements, to prescription drugs and Internet bills, to airline tickets and device repairs, to personal banking and meat-processing.<sup>95</sup> A real-time tracker of all of the Biden-Harris Administration's progress implementing the Order can be found at [WhiteHouse.gov/Competition](https://www.whitehouse.gov/competition). Here are just a few examples:

- The Food and Drug Administration (FDA) changed its regulations so that hearing aids for mild-to-moderate hearing loss can be sold over-the-counter.<sup>96</sup> The FDA estimates this will save Americans an estimated \$2,876 per pair.<sup>97</sup>
- The Department of Agriculture is investing \$1 billion to expand independent meat-processing capacity and issuing a suite of new rules under the Packers and Stockyards Act,<sup>98</sup> which will help lower prices for consumers, raise earnings and ensure fairer treatment for farmers and ranchers, and create a more resilient food supply chain.
- The Patent and Trademark Office and the FDA announced that they will ramp up scrutiny of prescription drug patents that are driving up prices.<sup>99</sup>

Second, the Competition Order encouraged the traditional antitrust agencies—the Department of Justice (DOJ) and the Federal Trade Commission (FTC)—to fully and vigorously enforce our antitrust laws. These agencies have achieved important legal victories over the past year. For example, DOJ blocked a \$30 billion merger between two of the world's largest insurance brokers that would have raised prices for businesses and, ultimately, consumers.<sup>100</sup>

Third, the Competition Order institutionalized pro-competition policy as part of the federal government's mission by establishing the White House Competition Council to expand capacity, creativity, and coordination across government. Council Member agencies have worked together

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<sup>94</sup> See U.S. Dep't of Agric., USDA Agri-Food Supply Chain Assessment: Program and Policy Options for Strengthening Resilience 12 (2022), <https://www.ams.usda.gov/sites/default/files/media/USDAAgriFoodSupplyChainReport.pdf>; See also Jesse Newman & Jacob Bunge, *Meat Supplies Tighten as Cyberattack on JBS Snarls Food Chain*, Wall St. J. (June 2, 2021), <https://www.wsj.com/articles/jbs-meat-plants-face-slow-restart-after-cyberattack-11622633982>.

<sup>95</sup> *Id.* at 86; see also *Fact Sheet: Executive Order on Promoting Competition in the American Economy*, White House (July 9, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/09/fact-sheet-executive-order-on-promoting-competition-in-the-american-economy>.

<sup>96</sup> *FDA Issues Landmark Proposal to Improve Access to Hearing Aid Technology for Millions of Americans*, U.S. Food & Drug Admin. (October 19, 2021), <https://www.fda.gov/news-events/press-announcements/fda-finalizes-historic-rule-enabling-access-over-counter-hearing-aids-millions-americans>.

<sup>97</sup> U.S. Food and Drug Administration, No. FDA-2021-N-0555, *Medical Devices; Ear, Nose, and Throat Devices; Establishing Over-the-Counter Hearing Aids; Final Rule* (2021), <https://www.fda.gov/media/160971/download>.

<sup>98</sup> *Fact Sheet: The Biden-Harris Action Plan for a Fairer, More Competitive, and More Resilient Meat and Poultry Supply Chain*, White House (Jan. 03, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/03/fact-sheet-the-biden-harris-action-plan-for-a-fairer-more-competitive-and-more-resilient-meat-and-poultry-supply-chain/>.

<sup>99</sup> Kathi Vidal & Robert M. Califf, *The Biden Administration Is Acting To Promote Competition and Lower Drug Prices for All Americans*, U.S. PATENT & TRADEMARK OFFICE (July 6, 2022), <https://www.uspto.gov/subscription-center/2022/biden-administration-acting-promote-competition-and-lower-drug-prices-all>.

<sup>100</sup> *Attorney General Merrick B. Garland's Statement on Aon and Willis Towers Watson Decision To Terminate Merger Agreement*, U.S. DEP'T OF JUSTICE (July 26, 2021), <https://www.justice.gov/opa/pr/attorney-general-merrick-b-garland-s-statement-aon-and-willis-towers-watson-decision>.



to better enforce the laws and to elevate key economy-wide priorities such as the lack of competition in ocean shipping (Chart 4B).

**Chart 4B: Spot shipping prices from China to the U.S.**



Source: Bloomberg, Freightos

## Tackling Supply Chain Vulnerabilities and Building a More Resilient Economy

Market concentration also contributed in part to the supply chain disruptions that our economy experienced during the pandemic—as highly concentrated industries in particular had not built in the resilience to respond to global shocks.<sup>101</sup> In February 2021, President Biden signed a landmark Executive Order on America’s Supply Chains, directing agencies to conduct a 100-day top-to-bottom review of our biggest supply chain vulnerabilities for a set of four critical products and a one-year review of six critical sectors.<sup>102</sup><sup>103</sup>

The Biden-Harris Administration took swift action to address the vulnerabilities identified by this review, while also setting up a Supply Chain Disruptions Task Force to pivot, adapt, and respond to pandemic-induced supply chain disruptions as they arise in real time. The Task Force worked to increase the fluidity and capacity of our transportation logistics system—bringing together business, labor, and participants across the logistics supply chain to work

<sup>101</sup> *FTC Extends Deadline for Public Comment on Supply Chain Disruptions*, U.S. Federal Trade Comm. (Jan. 28, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/01/ftc-extends-deadline-public-comment-supply-chain-disruptions>.

<sup>102</sup> *Fact Sheet: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities*, White House (June 08, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/08/fact-sheet-biden-harris-administration-announces-supply-chain-disruptions-task-force-to-address-short-term-supply-chain-discontinuities/>.

<sup>103</sup> *The Biden-Harris Plan to Revitalize American Manufacturing and Secure Critical Supply Chains in 2022*, White House (Feb. 24, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/24/the-biden-harris-plan-to-revitalize-american-manufacturing-and-secure-critical-supply-chains-in-2022/>.



collaboratively to unstick bottlenecks. The Biden-Harris Administration moved ports to 24/7 operations,<sup>104</sup> helping to move 24 percent more goods through the Ports of Los Angeles and Long Beach this year than the pre-pandemic record in 2018.<sup>105</sup> The Administration also launched pop-up container yards in the Ports of Savannah<sup>106</sup> and Oakland<sup>107</sup> to free up more dock space. And the Administration executed on a Trucking Action Plan to increase the supply of truck drivers in good jobs,<sup>108</sup> doubling the number of new commercial driver’s licenses issued,<sup>109</sup> and standing up new registered apprenticeships programs.

The Task Force has also built out the breadth and depth of the federal government’s capacity to get ahead of, and respond to, supply chain disruptions. For example, the Task Force developed an early alert system which paired the Department of State and the Department of Commerce to monitor COVID-related shutdowns of microelectronics manufacturing around the world and to coordinate federal resources to resolve bottlenecks due to the global chips shortage.<sup>110</sup> Thanks to these actions, American workers lost fewer days of work and saw fewer furloughs. And, for the first time in history, the Department of Energy (DOE) and the Department of Health and Human Services (HHS) now have dedicated offices with the core mission of promoting supply chain resilience—DOE’s new Manufacturing and Energy Supply Chains Office<sup>111</sup> and HHS’s new dedicated public health industrial base expansion and supply chain management office.<sup>112</sup> The Task Force also advanced efforts to work with partners and allies to coordinate our collective efforts to bolster supply chains.

The Biden-Harris Administration is also building the foundation for long-term domestic supply chain resilience through re-shoring critical supply chains, building greater domestic industrial capacity, investing in workers, and increasing transparency across critical supply chains. President Biden’s domestic manufacturing and procurement strategy (Section II – Making And Building It In America) carefully targets key industries like critical minerals and semiconductors for historic investments to expand and diversify domestic production, through both administrative actions like deploying the Defense Production Act, as well as through legislation like the historic CHIPS and Science Act and the Inflation Reduction Act. And the Administration’s efforts to bolster our transportation and logistics supply chains have also made our economy more resilient.

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<sup>104</sup> Fact Sheet: Biden Administration Efforts to Address Bottlenecks at Ports of Los Angeles and Long Beach, Moving Goods from Ship to Shelf, White House (October 13, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/13/fact-sheet-biden-administration-efforts-to-address-bottlenecks-at-ports-of-los-angeles-and-long-beach-moving-goods-from-ship-to-shelf/>.

<sup>105</sup> TEUS Archive: 1987 to Present by Month, Port of Long Beach, (2020), <https://polb.com/business/port-statistics/#teus-archive-1995-to-present>.

<sup>106</sup> Fact Sheet: The Biden-Harris Action Plan for America’s Ports and Waterways, White House (November 9, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/09/fact-sheet-the-biden-harris-action-plan-for-americas-ports-and-waterways/>.

<sup>107</sup> USDA Announces Partnership to East Port Congestion and Restore Disrupted Shipping Services to U.S. Grown Agricultural Commodities, USDA (January 31, 2022), <https://www.usda.gov/media>

<sup>108</sup> Fact Sheet: The Biden-Harris Administration Trucking Action Plan to Strengthen America’s Trucking Workforce, White House (December 16, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/16/fact-sheet-the-biden-%E2%81%A0harris-administration-trucking-action-plan-to-strengthen-americas-trucking-workforce/>.

<sup>109</sup> Fact Sheet: The Biden Administration’s Unprecedented Actions to Expand and Improve Trucking Jobs, White House (April 04, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/04/fact-sheet-the-biden-administrations-unprecedented-actions-to-expand-and-improve-trucking-jobs/>.

<sup>110</sup> Commerce Establishes Early Alert System to Improve Semiconductor Supply Chains, U.S. Dept. of Commerce, (Oct. 04, 2021), <https://www.commerce.gov/news/press-releases/2021/10/commerce-establishes-early-alert-system-improve-semiconductor-supply>.

<sup>111</sup> DOE Releases First-Ever Comprehensive Strategy to Secure America’s Clean Energy Supply Chain, U.S. Dept. of Energy (Feb. 24, 2022), <https://www.energy.gov/articles/doe-releases-first-ever-comprehensive-strategy-secure-americas-clean-energy-supply-chain#:~:text=New%20Manufacturing%20and%20Energy%20Supply,support%20the%20clean%20energy%20transition.>

<sup>112</sup> Id. at 105.



## Saving Small Businesses and Spurring Strongest Small Business Creation on Record

Competitive and fair markets, in addition to resilient supply chains, are necessary for America's small businesses to thrive. The Biden-Harris Administration has provided billions of dollars in pandemic relief, investment, lending, and technical assistance to level the playing field and allow small businesses—which are often engines of economic growth and employment in communities throughout the country—to thrive.<sup>113</sup>

In January 2021, millions of small businesses had been forced to shutter their doors due to the combined impact of the pandemic and the obstacles many businesses faced in accessing pandemic relief programs. Minority-owned businesses were hit the hardest, with one study finding that the number of Black, Latino, and Asian business owners declined by 41, 32, and 26 percent, respectively, during the first two months of the pandemic, compared to a 17 percent decline among white business owners.<sup>114</sup>

Within weeks of taking office, the Biden-Harris Administration reformed the Paycheck Protection Program (PPP) to make it easier for sole proprietors, independent contractors, and self-employed individuals—businesses disproportionately owned by women and people of color—to access critical relief.<sup>115</sup> According to a February 2022 study and a report by the independent Government Accountability Office, the reformed program successfully increased loan access for the smallest and minority-owned businesses left out of earlier PPP funding.<sup>116</sup> The Administration has also put in place a number of policies to make it easier to go after fraud in the PPP program.

The Administration also took swift action to enact and implement the American Rescue Plan, which expanded non-profits' access to PPP loans<sup>117</sup>, created the \$28.6 billion Restaurant Revitalization Fund<sup>118</sup>, and continued support for the Shuttered Venues Operating Grant programs.<sup>119</sup> These programs provided critical support to more than 100,000 restaurants, food trucks, caterers and other food-related businesses<sup>120</sup> and more than 13,000 live entertainment

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<sup>113</sup> *Fact Sheet: The Small Business Boom Under the Biden-Harris Administration*, White House (April 28, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/04/28/fact-sheet-the-small-business-boom-under-the-biden-harris-administration/>.

<sup>114</sup> Robert Fairlie, *The impact of COVID-19 on small business owners: Evidence from the first three months after widespread social-distancing restrictions*, 29 *Journal of Econ. Manag. Strategy* 727-740 (2020), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7461311/>.

<sup>115</sup> *Fact Sheet: Biden-Harris Administration Increases Lending to Small Businesses in Need, Announces Changes to PPP to Further Promote Equitable Access to Relief*, White House (Feb. 22, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/02/22/fact-sheet-biden-harris-administration-increases-lending-to-small-businesses-in-need-announces-changes-to-ppp-to-further-promote-equitable-access-to-relief/>.

<sup>116</sup> Robert W. Fairlie & Frank Fossen, *The 2021 Paycheck Protection Program Reboot: Loan Disbursement to Employer and Nonemployer Businesses in Minority Communities*, National Bureau of Economic Research Working Paper 29732 (February 2022), [http://www.nber.org/papers/w29732?utm\\_campaign=ntwh&utm\\_medium=email&utm\\_source=ntwg11](http://www.nber.org/papers/w29732?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg11); <https://www.gao.gov/products/gao-21-601>.

<sup>117</sup> *American Rescue Plan Act Elevates Small Business Support in Response to COVID-19 Pandemic*, U.S. Small Business Admin. (March 11, 2021) <https://www.sba.gov/article/2021/mar/11/american-rescue-plan-act-elevates-small-business-support-response-covid-19-pandemic>.

<sup>118</sup> *Fact Sheet: The Biden-Harris Administration Supports Hard-hit Restaurants and Bars*, White House (May 05, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/05/fact-sheet-the-biden-harris-administration-supports-hard-hit-restaurants-and-bars/>.

<sup>119</sup> *SBA Reaches New Milestone Awarding \$7.5 Billion in Shuttered Venue Operators Grants to over 10,000 Venues*, U.S. Small Business Admin. (July 27, 2021), <https://www.sba.gov/article/2021/jul/27/sba-reaches-new-milestone-awarding-75-billion-shuttered-venue-operators-grants-over-10000-venues>.

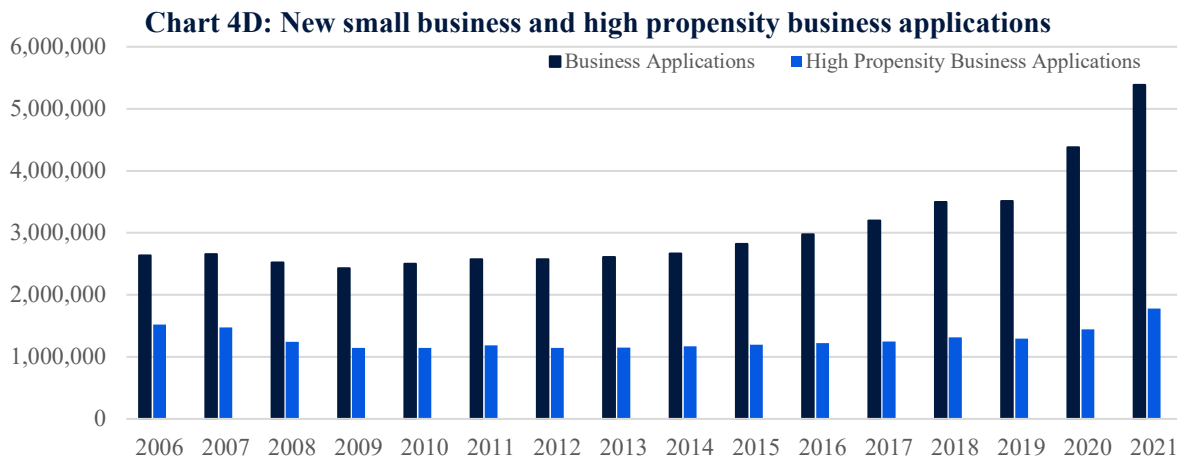
<sup>120</sup> *Id.* at 120.





small businesses, nonprofits, and venues.<sup>121</sup> Including these and other small business programs, the Biden-Harris Administration delivered over \$450 billion in emergency relief to more than six million small businesses in 2021.<sup>122</sup> A May 2021 working paper on growth in Black entrepreneurship found a link between Federal relief payments and new business license applications, strongly suggesting that the supports contained in the American Rescue Plan were a key driver of the nation’s boom in small business creation.<sup>123</sup>

These actions helped drive an unprecedented surge in entrepreneurship.<sup>124</sup> In 2021, Americans applied to start a record 5.4 million new businesses, and businesses with fewer than 50 workers created nearly two million jobs—the highest rate of small business job creation ever recorded (Chart 4D).<sup>125</sup> Entrepreneurs of color helped drive this boom. In 2021, Hispanic entrepreneurs started new businesses at the fastest rate in more than a decade and 23 percent faster than pre-pandemic levels.<sup>126</sup> Start-up rates by women entrepreneurs remained above pre-pandemic levels.<sup>127</sup>



Source: Census via FRED

Note: High propensity business applications are those that have a higher likelihood of becoming businesses with employees and payroll capabilities which include businesses that define themselves as a payroll entity or indicate a plan to higher employees.

We’re not only delivering a historic small business boom following the pandemic recession; we’re committed to continuing to help small businesses grow and create jobs for the long-haul. Small businesses struggle with high-cost loans, and access to equity financing is too highly concentrated in just a few places. These problems are especially acute for entrepreneurs from economically distressed areas and rural areas. The Biden-Harris Administration is expanding access to capital by offering more than \$300 billion in loans and equity investments through the end of the decade—reforming existing SBA loan programs and standing up the American

<sup>121</sup> See U.S. Small Business Admin., Shuttered Venue Operators Grant Public Report (2022), [https://www.sba.gov/sites/default/files/2022-07/SVOG%20Public%20Report%20-%20Midday%205%20July%202022-508\\_0.pdf](https://www.sba.gov/sites/default/files/2022-07/SVOG%20Public%20Report%20-%20Midday%205%20July%202022-508_0.pdf).

<sup>122</sup> The Small Business Boom Under the Biden-Harris Administration, White House (April 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/04/President-Biden-Small-Biz-Boom-full-report-2022.04.28.pdf>.

<sup>123</sup> Catherine E. Fazio et al., *How Is Covid Changing the Geography of Entrepreneurship? Evidence From the Startup Cartography Project*, Working Paper 28787 (2021), [https://www.nber.org/system/files/working\\_papers/w28787/w28787.pdf](https://www.nber.org/system/files/working_papers/w28787/w28787.pdf).

<sup>124</sup> Id. at 124

<sup>125</sup> Id.

<sup>126</sup> Robert Fairlie, *National Report on Early-Stage Entrepreneurship in the United States: 2021* (2022), <https://indicators.kauffman.org/wp-content/uploads/sites/2/2022/03/2021-Early-Stage-Entrepreneurship-National-Report.pdf>.

<sup>127</sup> Id.



Rescue Plan’s State Small Business Credit Initiative (SSBCI). SSBCI will help close persistent gaps in access to capital by catalyzing tens of billions in public and private capital to support low-cost loans and venture capital programs established by states, territories, and Tribal governments focused on small businesses. The SSBCI program will also support small manufacturers by expanding access to working capital, to equity investment, and to the funds needed to modernize manufacturing facilities, with Treasury facilitating the sharing of best practices through a manufacturing-focused working group of states.

The Biden-Harris Administration is also helping entrepreneurs access the support resources they need to succeed, including technical expertise, accountants, and lawyers. The Administration is helping small businesses access these critical support services through the American Rescue Plan’s \$100 million SBA Community Navigator program<sup>128</sup> and a historic investment of \$500 million at Treasury to help small businesses apply for SSBCI capital programs and other state or federal small business programs.<sup>129</sup> As the President says, “you have to know how to know”—and with these efforts, the Biden-Harris Administration is helping small businesses owners know what resources they have available.

Finally, the Administration is also leveraging federal procurement, infrastructure spending, and research and development to direct hundreds of billions in government contracts to small businesses. For example, through an all-of-government effort, the Administration is ensuring Bipartisan Infrastructure Law investments support state and local contracting opportunities for underserved small businesses,<sup>130</sup> and executing a plan to increase the share of federal procurement dollars that go to small disadvantaged businesses by 50 percent by 2025.

## Looking ahead

In the coming months and years, the Biden-Harris Administration will continue fighting to make our economy more competitive, less concentrated, and more resilient, including by continuing to implement the President’s competition agenda, making supply chains more resilient for the long-haul by focusing on closing vulnerabilities in supply chains that have been identified as key to our economic competitiveness, security, and preparedness, and promoting investment and entrepreneurship in underserved communities.

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<sup>128</sup> *What They Are Saying: SBA Administrator Guzman Announces Community Navigator Pilot Program Awardees to Serve as Hubs for Critical Outreach to Millions of Small Businesses*, U.S. Small Business Admin. (November 02, 2021), <https://www.sba.gov/article/2021/nov/02/what-they-are-saying-sba-administrator-guzman-announces-community-navigator-pilot-program-awardees#:~:text=The%20Community%20Navigator%20Pilot%20Program%20will%20provide%20%24100%20million%20in,they%20can%20recover%20and%20thrive>.

<sup>129</sup> U.S. Dept. of Treasury, <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-small-business-credit-initiative>.

<sup>130</sup> *Fact Sheet: Biden-Harris Administration Advances Equity And Economic Opportunity Through Federal Procurement And State And Local Infrastructure Contracting*, White House (July 26, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/26/fact-sheet-biden-harris-administration-advances-equity-and-economic-opportunity-through-federal-procurement-and-state-and-local-infrastructure-contracting/>.



# Rewarding Work and Not Wealth

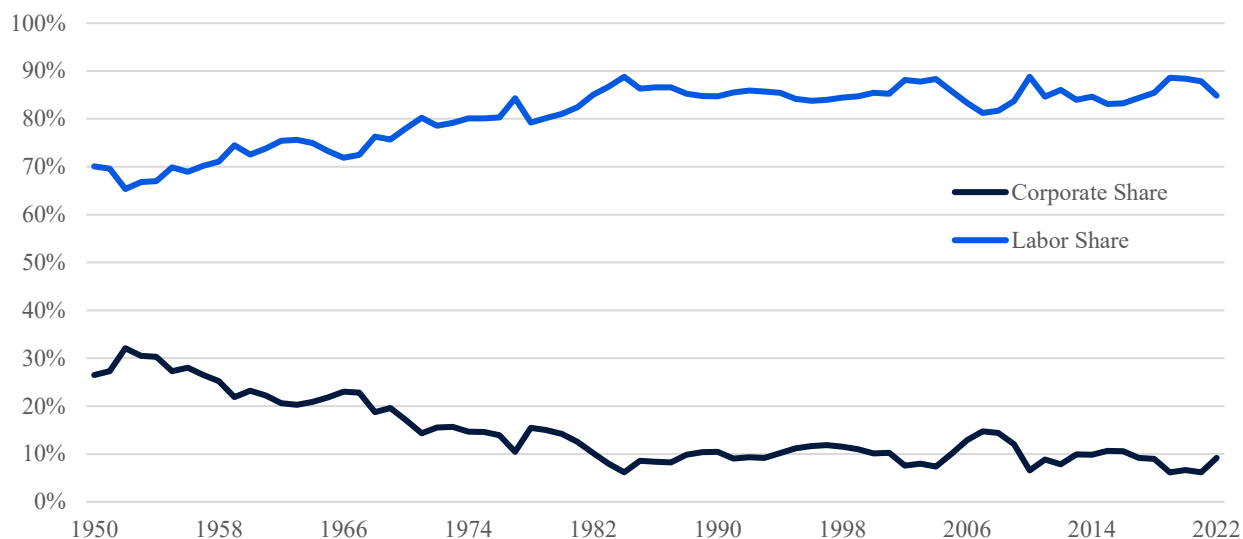
Over the years, our tax code has become inefficient and unfair. Critically, it also fails to raise sufficient revenue from the largest corporations (Chart 5A) and wealthiest Americans to fund much-needed investments. The wealthiest Americans and largest corporations benefit from a range of loopholes that allow them to lower their tax obligations. And too often, wealthy Americans and large corporations evade the taxes they owe because the IRS has for years lacked sufficient resources to crack down on wealthy tax cheats and compete with the endless supply of high-priced lawyers and accountants.

### Key Accomplishments

- Lowered child poverty by nearly 40% in the second half of 2021 thanks to the expanded CTC and helped millions of frontline workers out of poverty with the expanded EITC
- Put an end to large profitable corporations paying no federal incomes taxes on reported profits, with a 15 percent corporate minimum
- Passed investments and reforms to improve IRS service for middle-class Americans and make sure wealthy tax cheats can't get away with evading taxes

**Chart 5A: Corporate and labor tax shares 1950 - present**

*Percent of total tax receipts*



Source: Office of Management and Budget Historical Tables

While Republican tax policies – like the 2017 tax law – have succeeded in driving corporate tax revenue lower, they have not have not promoted long-run growth, employment, or investment in the manner that proponents of trickle down tax policies argued they would. Specifically, in the two years following passage of the 2017 law, both the economy and employment grew at about the same pace as the two years before the 2017 tax law. Real GDP grew by 5.0% over the eight



quarters following the law’s enacted versus 4.8% over the eight quarters prior to its passage. In the two years following passage of the 2017 law, average monthly job growth was 178,000—as compared to 185,000 monthly job growth in the two years prior.<sup>131</sup> Moreover, an IMF analysis of S&P 500 companies found that those companies directed just 20 percent of the increased cashflow into investment and R&D while directing the remaining 80 percent into share buybacks, dividends, and other activities.<sup>132</sup> As one economist wrote in evaluating evidence of investment patterns since passage of the 2017 law, “there is little reason to believe the 2017 tax law substantially boosted investment to date and that to the degree some components of investment initially rose it was more due to rising oil prices than changing tax laws.”<sup>133</sup> And another analysis noted that the 2017 law “failed to deliver its promises on investment and growth, leaving the country instead with higher deficits and a less equal distribution of after-tax income.”<sup>134</sup>

President Biden believes our tax system should reward work, not wealth – and he has long rejected the trickle down philosophy that gave us the failed 2017 tax law. Not only is it unfair for large corporations and the wealthiest Americans to escape paying sufficient taxes, it is economically inefficient and makes it harder to maintain the kind of dynamic, innovative, and resilient economy that requires sufficient public investment. That’s why President Biden has taken action to expand tax relief to low-income and middle-class families, while closing loopholes and ensuring that the largest, most profitable companies pay their taxes – all while ensuring that no family earning less than \$400,000 pays a penny more in taxes.

## Expanding the Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC), which provides a tax cut for low and moderate-income workers, is a powerful tool to lift low-income workers out of poverty and support working families.<sup>135</sup> Since its inception, the EITC has had bipartisan support and helped millions of low-income workers each year. It benefits workers in nearly every community across the country, but disproportionately supports workers in rural communities, workers without a college education, and Black and Latino workers.<sup>136</sup>

The EITC has always been an effective anti-poverty tool, but the pre-pandemic EITC left some workers out—largely excluding workers without dependent children. As a result, before the American Rescue Plan, low-income workers without children – disproportionately young and people of color – were the most likely group of workers to have a federal tax burden despite

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<sup>131</sup> *All Employees, Total Nonfarm*, Fed. Reserve Bank of St. Louis: FRED, <https://fred.stlouisfed.org/series/PAYEMS> (last visited August 31, 2022).

<sup>132</sup> Emanuel Kopp et al., *U.S. Investment Since the Tax Cuts and Jobs Act of 2017*, International Monetary Fund (IMF Working Paper May 2019), [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewjjs4eXjOz5AhUKFVkfHHTI-B\\_oQFnoECAgQAQ&url=https%3A%2F%2Fwww.imf.org%2F%2Fmedia%2FFiles%2FPublications%2FWP%2F2019%2FWPIEA2019120.ashx&usg=AOvVaw29pz8TcBSuOvzVM7ywjcM\\_](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewjjs4eXjOz5AhUKFVkfHHTI-B_oQFnoECAgQAQ&url=https%3A%2F%2Fwww.imf.org%2F%2Fmedia%2FFiles%2FPublications%2FWP%2F2019%2FWPIEA2019120.ashx&usg=AOvVaw29pz8TcBSuOvzVM7ywjcM_)

<sup>133</sup> *The Disappearing Corporate Income Tax: Hearing Before the H. Comm. On Ways and Means*, 116th Cong. (statement of Jason Furman, Professor, Harvard), <https://www.congress.gov/116/meeting/house/110494/witnesses/HHRG-116-WM00-Wstate-FurmanJ-20200211.pdf>.

<sup>134</sup> William G. Gale & Claire Halderman, *The Tax Cuts and Jobs Act: Searching for supply-side effects*, Brookings (July 2021), [https://www.brookings.edu/wp-content/uploads/2021/07/20210628\\_TPC\\_GaleHalderman\\_TCJASupplySideEffectsReport\\_FINAL.pdf](https://www.brookings.edu/wp-content/uploads/2021/07/20210628_TPC_GaleHalderman_TCJASupplySideEffectsReport_FINAL.pdf).

<sup>135</sup> Chuck Marr et al., *American Rescue Plan Act Includes Critical Expansions of Child Tax Credit and EITC*, Center on Budget and Policy Priorities (Mar. 12, 2021), <https://www.cbpp.org/research/federal-tax/american-rescue-plan-act-includes-critical-expansions-of-child-tax-credit-and>.

<sup>136</sup> Cecile Murray & Elizabeth Kneebone, *The Earned Income Tax Credit and the white working class*, Brookings (Apr. 18, 2017), <https://www.brookings.edu/blog/the-avenue/2017/04/18/the-earned-income-tax-credit-and-the-white-working-class/>.



having incomes below or near the poverty line. The Center on Budget and Policy Priorities estimates that before the American Rescue Plan, roughly 5.8 million workers without dependent children were being taxed into poverty or deeper into poverty because their earned income tax credit was too small to offset the federal taxes that they paid.<sup>137</sup>

The American Rescue Plan raised the maximum EITC for workers without dependent children from \$540 to \$1500 for 2021, significantly increased eligibility, raising the income cap from \$16,000 to at least \$21,000, and expanded the age range to include non-student working adults age 19-24, and working seniors. Previously only workers aged 25 to 64 could claim the credit for workers without dependent children.

The Center on Budget and Policy Priorities estimates that this expansion reached 17 million workers – the first real increase for this group since 1993.<sup>138</sup> The EITC expansion is also expected to disproportionately help front-line workers, including over 3 million cashiers, cooks and food prep workers, health aides, and child care workers.<sup>139</sup>

## Expanding the Child Tax Credit (CTC)

The American Rescue Plan also achieved one of the largest reductions in child poverty in a generation through expanding the child tax credit. In one year, the American Rescue Plan was projected to bring child poverty to record lows – with the CTC playing the leading role.<sup>140</sup>

The American Rescue Plan expanded the CTC to \$3,600 per child under six and \$3,000 per child 6-17. It reached an estimated 40 million families with 65 million children (roughly 90 percent of all children in the U.S.).<sup>141</sup> The American Rescue Plan also provided the first ever monthly tax credit payments – delivered reliably mid-month. This support helped families avoid high-interest loans and stay current on their bills, and significantly cut food insufficiency.<sup>142</sup>

This expanded credit helped working families cover the costs of raising their families. The Treasury Department estimates that 97% of the families receiving the expanded Child Tax Credit were working – with the remaining few largely grandparents and those with disabilities. Further, this credit provided real world evidence that providing monthly relief to help families raise their children has no impact on labor market participation – with researchers from UC Irvine and the Urban Institute finding no drop in employment but major drops in food insufficiency and other signs of financial stress including overdraft fees.<sup>143</sup>

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<sup>137</sup> Chuck Marr et al., *supra* note **Error! Bookmark not defined.**

<sup>138</sup> The “Childless” EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2), Congressional Research Service (May 3, 2021), <https://crsreports.congress.gov/product/pdf/IN/IN11610>.

<sup>139</sup> Chuck Marr et al., *supra* note **Error! Bookmark not defined.**

<sup>140</sup> *Monthly Poverty Rates among Children after Expansions of the Child Tax Credit*, Center on Poverty & Social Policy (Aug. 20, 2021), <https://www.povertycenter.columbia.edu/publication/monthly-poverty-july-2021>.

<sup>141</sup> *FACT SHEET: State-by-State Analysis of American Rescue Plan Tax Credits for Families and Workers*, White House (Mar. 8, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/08/fact-sheet-state-by-state-analysis-of-american-rescue-plan-tax-credits-for-families-and-workers/>.

<sup>142</sup> Daniel J. Perez-Lopez, *Household Pulse Survey Collected Responses Just Before and Just After the Arrival of the First CTC Checks*, U.S. Census Bureau (Aug. 11, 2021), <https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html>.

<sup>143</sup> Michael Karpman et al., *Child Tax Credit Recipients Experienced a Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021*, Tax Policy Center (May 2022), <https://www.urban.org/sites/default/files/2022-05/CTC%20Recipients%20Experienced%20Larger%20Decline%20in%20Food%20Insecurity%20and%20Similar%20Change%20in%20Employment%20as%20Nonrecipients%20v2.pdf>; Ben Lourie et al., *Effects of the 2021 Expanded Child Tax Credit* (SSRN Working Paper June 22, 2022), [https://papers.ssrn.com/sol3/Papers.cfm?abstract\\_id=3990385](https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3990385).



The expanded Child Tax Credit was a critical investment in equity, disproportionately helping communities of color and rural communities. Prior to the expansion, half of Black and Latino children in families eligible for the credit received less than the full credit because their families earned too little, compared to one in five white children in families eligible for the credit.<sup>144</sup> COVID exacerbated this discrepancy, since Black and Latino Americans are more likely to be employed in the service sector, and face lower wages, and more frequent work interruptions. Expansion of the CTC thus yielded a large reduction in the poverty rates for Black and Latino children, with the poverty rate for Black children falling over 6 percentage points and the poverty rate for Latino children falling about 7 percentage points as of December 2021, the last month of expanded CTC payments. The expansion also had an outsized impact for rural communities, where 45 percent of residents were eligible for a larger refund, compared to 38 percent in metro areas.<sup>145</sup>

## Improving tax treatment for Puerto Rican workers and families

The American Rescue Plan permanently addressed a 25-year problem with the U.S. federal tax system—the fact that Puerto Ricans were not granted equal status when it came to the CTC or the EITC. The American Rescue Plan permanently expanded access to the CTC and EITC for working families in Puerto Rico.

Since 1997, Puerto Rican families were eligible for the CTC only if they had three or more children, resulting in only 10 percent of Puerto Rican families with children receiving the credit, despite child poverty rates over 50 percent. Now, Puerto Rican families receive the same treatment as families in the 50 states and the District of Columbia. Under the American Rescue Plan expansion, 97 percent of Puerto Rican families were eligible for the expanded credit of \$3,600 for children under six and \$3,000 for children age 6 to 17 for 2021.<sup>146</sup> Going forward, the American Rescue Plan permanently expanded the CTC so that Puerto Rican families are eligible for the same credit as those on the in the 50 states and the District of Columbia, no longer excluding low-income families with fewer than three children.

Additionally, prior to this year, Puerto Rico locally administered the EITC without federal support, leading to an EITC that was significantly smaller than that available to state and D.C. residents. While Puerto Rican workers will still claim their EITC through their commonwealth government, the American Rescue Plan helped Puerto Rico fund a dramatic expansion of the credit, tripling available EITC benefits for workers. The maximum EITC for a family with two children has increased from \$1,500 to \$5,500—bringing the credit broadly in line with the maximum benefit available to a similar family living elsewhere in the United States.<sup>147</sup>

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<sup>144</sup> Kris Cox et al., *If Congress Fails to Act, Monthly Child Tax Credit Payments Will Stop, Child Poverty Reductions Will be Lost*, Center on Budget and Policy Priorities (Dec. 3, 2021), <https://www.cbpp.org/research/federal-tax/if-congress-fails-to-act-monthly-child-tax-credit-payments-will-stop-child>.

<sup>145</sup> Chuck Marr et al., *Expanding Child Tax Credit and Earned Income Tax Credit Would Benefit More Than 10 Million Rural Residents, Strongly Help Rural Areas*, Center on Budget. (Aug 2020), <https://www.cbpp.org/research/federal-tax/expanding-child-tax-credit-and-earned-income-tax-credit-would-benefit-more>.

<sup>146</sup> Gene Sperling, *Getting the Child Tax Credit Right for Puerto Rico: The American Rescue Plan's Permanent, Historic Changes to Tax Relief in Puerto Rico*, White House (Apr. 14, 2020), <https://www.whitehouse.gov/briefing-room/blog/2022/04/14/getting-the-child-tax-credit-right-for-puerto-rico-the-american-rescue-plans-permanent-historic-changes-to-tax-relief-in-puerto-rico/>.

<sup>147</sup> *Id.*



## Closing loopholes and ensuring that the largest, most profitable companies pay their taxes

Corporate tax revenue as a share of the economy has declined for decades, as corporations exploited a range of tax loopholes to lower their tax bills.<sup>148</sup> President Trump and congressional Republicans' 2017 tax law only made an unfair tax system worse. In 2020, 55 of our largest, profitable corporations paid \$0 in federal income tax.<sup>149</sup>

To address this unfairness, President Biden's Inflation Reduction Act imposed a 15 percent minimum tax on the corporate profits that large corporations—those with over \$1 billion in profits—report to shareholders. This means that if a large corporation says it is earning a billion dollars in profits, it can't pay tax rates in the single digits on those profits. This tax is levied on a global basis so that corporations cannot avoid it by shifting profits overseas. Tax experts find that basing a minimum tax on the income corporations report to shareholders will improve the accuracy and integrity of corporate financial reporting,<sup>150</sup> and limit the incentive for corporations to engage in transactions solely for tax purposes.<sup>151</sup> This new corporate minimum tax increases taxes only on the large companies that are reporting high profits but paying little to no tax, leveling the playing field for companies that are already paying their fair share.

The Inflation Reduction Act also addresses the distortion in our tax code that enables corporations to funnel tax-advantaged payouts to wealthy and foreign investors in the form of stock buybacks, instead of paying dividends that shareholders pay taxes on. What's more, a number of experts have argued that CEOs—who are compensated mostly in stock—use buybacks to enrich themselves to the detriment of the long-term growth of the company.<sup>152</sup> These distortions have led America's biggest corporations to use excess cash to repurchase their own stock at an unprecedented rate. In the early 1980s, American corporations reinvested roughly half of their profits in greater production, innovation, and long-term growth. Today, they direct more than half of their profits towards buybacks.

By instituting a 1 percent surcharge on corporate stock buybacks, the Inflation Reduction Act reduces the differential tax treatment between buybacks and dividends and encourages businesses to invest in their growth and in the economy, rather than enriching corporate executives or funneling profits tax-free to shareholders.

## Investing in the IRS to provide world class service and increase enforcement at the top

A decade of Republican-led budget cuts hollowed out the IRS, creating a two-tiered tax system in which the top 1 percent avoids paying around \$160 billion each year in taxes, while wage

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<sup>148</sup> Jean Ross, *A Corporate Minimum Tax Would Ensure Large Corporations Begin to Pay Their Fair Share*, Center for American Progress. (Dec 14, 2021), <https://www.americanprogress.org/article/a-corporate-minimum-tax-would-ensure-large-corporations-begin-to-pay-their-fair-share/>.

<sup>149</sup> Matthew Gardner & Steve Wamhoff, *55 Corporations Paid \$0 in Federal Taxes on 2020 Profits*, Inst on Taxation and Economic Policy. (April 2, 2021), <https://itep.org/55-profitable-corporations-zero-corporate-tax/>.

<sup>150</sup> Reuven Avi-Yonah, Opinion: This tax would make wealthy corporations pay their fair share, CNN. (Nov 24, 2021) <https://www.cnn.com/2021/11/24/perspectives/corporate-minimum-tax-build-back-better/index.html>.

<sup>151</sup> Daniel Shaviro, Opinion: Build Back Better is a chance to finally make corporate taxes line up better with profits, CNN. (December 26, 2021), <https://thehill.com/opinion/finance/585906-build-back-better-is-a-chance-to-finally-make-corporate-taxes-line-up-with/>.

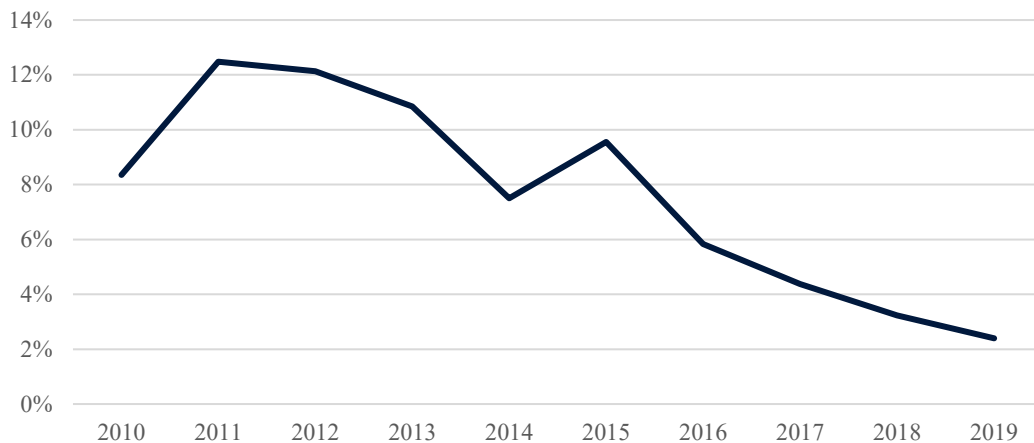
<sup>152</sup> Karen Brettell, David Gaffen & David Rohde, *Stock buybacks enrich the bosses even when business sags*, Reuters. (December 10, 2015), <https://www.reuters.com/investigates/special-report/usa-buybacks-pay/>.



earners have a 99 percent compliance rate on their taxes.<sup>153</sup> All told, the “tax gap”—the difference between taxes that are owed and collected—totals around \$600 billion each year and by some estimates will lower revenues by approximately \$7 trillion over the next decade. The annual “tax gap” is equal to about 3 percent of GDP, or all the income taxes paid by the lowest-earning 90 percent of taxpayers. Decades of budget cuts have shielded tax-evading millionaires, with low-income taxpayers about as likely to be audited as the top 1 percent of taxpayers—even though the top 1 percent is responsible for over 25 percent of owed but unpaid taxes.

### Chart 5B: Audit rates for millionaires, 2010-2019

*Percent of millionaire returns audited*



Source: CBPP, IRS Databooks Table 9A (2000-2018), Table 17b (2019)

To ensure the wealthy and large corporations pay what they owe, the Inflation Reduction Act includes an \$80 billion long-term investment in the tax administration system. Because most working Americans already pay their taxes, the Administration has committed to ensuring that this investment does not increase audit rates for those making less than \$400,000 a year.<sup>154</sup>

The \$80 billion investment will also modernize the decades old tax administration infrastructure to increase taxpayer service for ordinary Americans, making it easier for them to get the benefits and tax relief they are entitled to through the tax code. For too long, budget cuts have led to long hold times on the IRS phone lines and delayed refunds. The new funds will allow the IRS to deliver refunds faster, increase online information for taxpayers, reduce unnecessary audits by improving analysis of information already received from taxpayers, and improve the resiliency of the tax system so that it can better adapt to changes in law and withstand cyber security threats.

<sup>153</sup> Natasha Sarin, *The Case for a Robust Attack on the Tax Gap*, U.S. Department of the Treasury. (September 7, 2021) <https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap>.

<sup>154</sup> Secretary Janet L. Yellen Sends Letter to IRS Commissioner in Support of Funding for IRS to Improve Taxpayer Service & Combat Evasion By High Income Earners and Corporations, U.S. Department of Treasury. (August 10, 2022), <https://home.treasury.gov/news/press-releases/jy0918>.

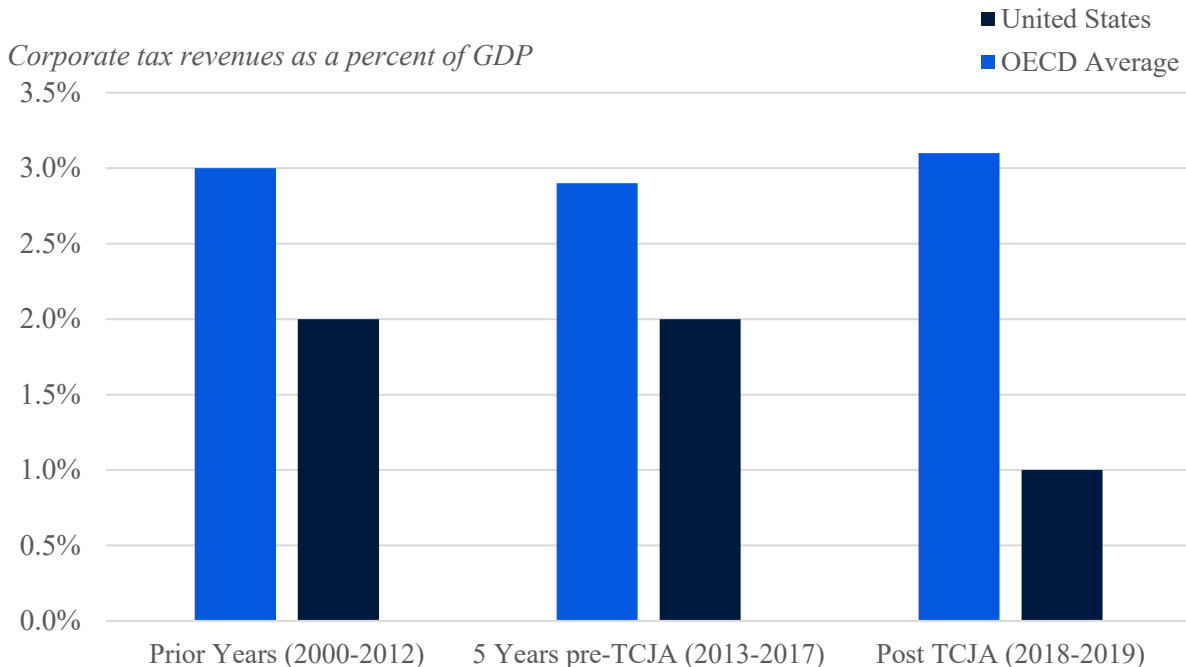




## Putting in place a system of global taxation that supports America's middle class

For too long, our tax code has incentivized U.S. multinationals to shift profits and jobs overseas. The 2017 tax law furthered these distortions through incentives for offshoring. The result was an American tax code where multinational corporations pay an average tax rate of 8 percent (Chart 5C).<sup>155</sup>

**Chart 5C: U.S. corporate tax collection relative to OECD average**



Source: Congressional Budget Office, OECD

In contrast, President Biden's international tax reform plan puts middle-class Americans first. He has proposed to reform the tax code so that large multinationals pay their fair share, we maintain U.S. competitiveness, shore up the tax base, and end the decades long race to the bottom in tax rates that has ravaged the global tax system. The Biden-Harris Administration is leading negotiations on the international stage to implement this plan and has secured a once-in-a-century agreement between 136 countries on a corporate global minimum tax to end the race to the bottom on corporate tax rates. This agreement ensures that all of the largest multinational companies are subject to at least a 15 percent tax rate, eliminating the incentives to shift profits and jobs to low tax jurisdictions.

<sup>155</sup> *The Made in America Tax Plan*, U.S. Dep't of Treasury (Apr. 2021), [https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan\\_Report.pdf](https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf).



## Looking ahead

While the Biden-Harris Administration has made significant progress in reforming the tax system to ensure that the wealthy and corporations pay their fair share by closing tax loopholes, more needs to be done to create a tax code that rewards work, not just wealth, and paves the way for innovation and broad-based economic prosperity. The Administration is committed to rewarding work and fighting child poverty by pushing for Congress to permanently extend the expanded CTC and expanded EITC. And the Administration is committed to pursuing further corporate tax reform that corrects the failures of the 2017 tax law, as well as further reforms to the tax code to ensure that the wealthy pay their fair share. This includes making further structural changes to our tax code to remove incentives to offshore jobs and profits, meet our obligations under the international global tax agreement, close tax loopholes for the rich (including the Medicare tax loophole), and return to pre-TCJA rates for taxpayers with more than \$400,000 in income, in addition to fighting for capital gains reforms like closing the carried interest loophole, ending the step-up in basis for taxpayers at the top, and the Billionaire Minimum Tax.