

Opening Statement of Cecilia Rouse, Chair of the Council of Economic Advisers
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs
February 17, 2022

Chairman Brown, Ranking Member Toomey, Members of the Committee: Thank you for inviting me and my colleagues, Heather Boushey and Jared Bernstein, here to testify today.

Just over a year ago, President Biden entered office with a full agenda: a pledge not only to fight the pandemic and support economic recovery, but also to rebuild our economy for sustainable and more widely-shared growth. Success was not pre-ordained: the country faced a still-raging pandemic, a weak economic recovery, and historic job loss.

Thanks to the collective efforts of the Administration, Congress, and the Federal Reserve, we have been able to recover with strength and speed. And importantly, we have begun to lay the groundwork for an economy that is stronger, more resilient, and more equitable.

Over the last year, millions of Americans have gained protection from the worst of COVID-19, businesses have been able to resume activity, and children are back at their school desks. Economic recovery has been strong. In 2021, GDP grew faster than it has in almost 40 years and the U.S. job market gained 6.7 million jobs. Unemployment is down to 4 percent—years earlier than projected. Child poverty is likely to be reduced by almost 40 percent in 2021.

The American Rescue Plan (ARP) was a critical component of this recovery. It served as an insurance policy to address the uncertainty of a global pandemic, and support the economy as the virus—and the tools to tamp it down—evolved. The emergency measures worked, resulting in a robust economic turn-around. Families and businesses have had the means and resources to cope in the short-term; ultimately, workers and small businesses have avoided the lasting damage we typically see when economic crises are allowed to linger.

But as President Biden has made abundantly clear, helping Americans weather the pandemic is simply part one of his economic vision. The Administration’s strategy encompasses what the President and Treasury Secretary Yellen have called “modern supply-side economics”—that is, we must make investments in our economy to boost labor supply, raise productivity, reduce inequality, and create strong, sustainable growth.

The Bipartisan Infrastructure Law is a historic step toward realizing that vision, providing long overdue investment in our nation’s roads, bridges, water systems, and broadband infrastructure. We commend the bipartisan work of many on this Committee for making these necessary investments, and know your governors, mayors, and constituents are grateful.

Unlike the ARP, which was short-run relief designed to be spent out over the course of the pandemic emergency, the infrastructure law will be spent out across the country over years, building and strengthening the foundation our economy needs to increase its productive capacity.

Other Administrative actions this past year will also contribute to long-term economic growth. Examples include the whole-of-government approach to increasing competition in markets, addressing climate change, and fostering greater equity.

Of course, challenges remain. The gains in our economy have taken place against the backdrop of a once-in-a-century pandemic economy, where what we know about downturns and recoveries has been tested. Vigilance is required to ensure we do not backslide when curveballs like Omicron come our way.

And Americans are feeling the pinch of inflation--at the pump, in grocery stores, and in the marketplace. The pandemic itself has been a major driver: consumers have shifted their spending from services to goods and global supply chains have been severely tested. A lack of workers has stymied the supply of goods and services as well.

In the near-term, the principal tools to curb inflation rest with the Federal Reserve, which is why it is critical to confirm the five highly qualified nominees now. The Administration also has some tools it can employ, as demonstrated in recent actions to improve supply chain disruptions at the ports and increase the capacity of the trucking industry.

In the longer-term, we must make real investments—be that in our roads and bridges, or people and ideas. Sustainable growth will only come about if we are able to increase economic capacity and allow more Americans to participate productively in our economy. The economic challenges of 2022 must, of course, be met, but we must also lay a foundation for future generations.

In doing so, we must create an economy that rewards work, not wealth. The Administration's economic agenda aims to ensure that those in the middle class, who have largely been left out of economic investments for the past 40 years, will finally benefit, ensuring that growth is more broadly shared.

We need Congress to act on the President's full economic agenda to achieve these goals: providing necessary funding to continue to address the pandemic and keep the economy functioning; passing USICA to bolster competition and build resiliency into the market; enabling the energy transition to curb climate change; and making Build Back Better a reality so that families can afford the needs of everyday life—like prescription drugs and childcare. As noted by 17 Nobel Prize winning economists, these long-term investments not only build a stronger economy but also ease longer-term inflationary pressures.

President Biden's economic vision is predicated on the fact that the economic status quo has not worked for all Americans—for decades, it largely benefitted those at the very top. We share his vision for a stronger and more equitable economic future for our country.