Statement by

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Secretary

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Chair Neal, Ranking Member Brady, thank you for inviting me to discuss the Administration's budget proposals. This budget prioritizes essential investments in education, medical care, and affordable housing, alongside tax reforms that enable deficit reduction and prioritize a fairer tax system.

Over the past year and a half, we have experienced a robust recovery characterized by strong economic growth, historically low unemployment, and high household savings rates. This rapid, broad-based recovery has been buttressed by the Congressional response to the challenges of the pandemic – beginning with the CARES Act at the beginning of the pandemic, and continuing with the Consolidated Appropriations Act in late 2020, and the American Rescue Plan legislated at the beginning of 2021. As President Biden said last week, we now are entering a period of transition from one of historic recovery to one that can be marked by stable and steady growth. Making this shift is a central piece of the president's plan to get inflation under control without sacrificing the economic gains we've made.

We also managed to avert the far worse outcomes that were forecast at the beginning of the pandemic in 2020. After the onset of the pandemic, CBO forecast that unemployment would exceed 9 percent in 2021; now, we are experiencing historically low unemployment. We are also witnessing sharp reductions in the budget deficit, with CBO recently forecasting the largest nominal reduction to the federal deficit in history. According to their projections, the deficit as a share of the economy this year will be a lower level than CBO projected before the American Rescue Plan passed.

Still, we currently face macroeconomic challenges, including unacceptable levels of inflation as well as the headwinds associated with the disruptions caused by the pandemic's effect on supply chains, and the effects of supply side disturbances to oil and food markets resulting from Russia's war in Ukraine. To dampen inflationary pressures without undermining the strength of the labor market an appropriate budgetary stance is needed to complement monetary policy actions by the Federal Reserve. Moving forward, elements of the President's proposed legislation – including the clean energy initiatives and plans to reform the prescription drug market – can help lower the costs paid by American consumers

Treasury has been actively working with Congress on many challenges. Most important is our joint response to Russia's illegal and unprovoked war against Ukraine. Treasury is committed to doing what we can to ensure that Putin's brutal war continues to be met with fierce resistance internationally. Alongside more than 30 other partners abroad accounting for more than half the world's economy, the US government has imposed unprecedented financial pressure measures on Russia and its leadership. Today, the Kremlin has been cut off from the global financial system, the Russian economy is experiencing severe contraction with most analysts projecting a double-digit decline in Russian GDP in 2022, and they are experiencing sharply elevated inflation.

We are grateful for the strong support of Congress in this endeavor, including its recent provision of $40 billion in security, economic, and humanitarian aid to the people of Ukraine. Our joint resolve is essential to supporting the people of Ukraine against this brutal invasion of their homeland.

Over the past year and half, we have successfully collaborated with Congress on the bipartisan infrastructure bill, a bill designed to do the hard, generational work of building a more dynamic, structurally sound economy by smartly investing in the future. This law will rebuild America's roads, bridges and rails, expand access to clean drinking water, ensure every American has access to high-speed internet, and invest in communities that have too often been left behind. However, our work isn't done. Building a fair and stable tax system that promotes broadly shared growth is important to both adequately funding investments and to reducing deficits and debt. I look forward to working with Congress to ensure that we continue to make progress in this regard.

In the Administration's FY23 budget, we suggest smart, fiscally responsible investments—cutting deficits and keeping the economic burden of debt low. The Budget's investments are more than fully paid for through tax code reforms requiring corporations and the wealthiest Americans to pay their fair share, closing loopholes, and improving tax administration.

Finally, it is no secret that I am keenly focused on moving forward on the global agreement on international tax reform, including a global minimum tax that will level the playing field and raise crucial revenues to benefit people around the world. Last fall, 137 countries - representing nearly 95% of the world's GDP - agreed on a deal that will stabilize our tax systems, provide resources to invest in security and respond to crises like COVID-19, and ensure corporations fairly share the burden of financing government. I am hopeful that Congress will also implement this global minimum tax as part of its legislative agenda.

Thank you, and I look forward to taking your questions.