

CHANGING THE COURSE OF RECOVERY: HOW THE AMERICAN RESCUE PLAN SAVED AMERICA

July 5, 2022

The American Rescue Plan Act (ARP) is transformational legislation that saved lives and livelihoods, reshaped the trajectory of our economic recovery, and put our nation on a stronger fiscal path. On Tuesday, June 14th, 2022, the House Budget Committee held a hearing with experts testifying on the lifesaving and life-changing impacts of the Rescue Plan.

THE AMERICAN RESCUE PLAN SAVED LIVES

The American Rescue Plan saved lives by helping to slow the spread of Covid. Funding in the bill expanded vaccination efforts and provided personal protective equipment. The truth is in [the data](#): nearly 14,000 lives that were being lost prior to the passage of the Rescue plan are now being saved each month.

THE AMERICAN RESCUE PLAN SAVED OUR ECONOMY

Before the Rescue Plan was enacted, the American economy was in a precarious position. In June 2020, the unemployment rate was 11 percent — 7.5 percentage points higher than pre-pandemic levels — and our economy had 14.8 million fewer jobs while GDP growth fell by 31 percent in the second quarter of 2020. Clearly, additional support was needed to stabilize our economy. As Dr. Julia Coronado, President and Founder of MacroPolicy Perspectives, explained at the hearing: **“most economists of all institutions and of all stripes were expecting a very prolonged, and painful, and difficult recovery before that fiscal support was provided.”**

The Rescue Plan marked a turning point in our recovery. Thanks to this legislation, America’s economic outlook changed drastically between 2020 and 2021. In 2020, U.S. GDP contracted at 3.4 percent; in 2021, GDP grew at 5.7 percent. In 2020, the unemployment rate was 8.1 percent; in 2021, the unemployment rate was down to 5.4 percent. In 2020, 9.3 million jobs were *lost*; in 2021, 6.7 million jobs were created.

2020		2021
GDP		
-3.4 percent	→	5.7 percent
Unemployment		
8.1 percent	→	5.4 percent
Jobs		
-9.3 million	→	+6.7 million

Looking at the labor market explains how strong the recovery has been. According to the most recent data, the number of Americans on unemployment insurance is at its lowest level [since 1970](#). Wages are continuing to grow and are [up for all workers](#), with the lowest-wage workers seeing the biggest raises. Importantly, incomes are up too — even after accounting for inflation — by [more than 5 percent](#) overall, and by nearly 12 percent for the lowest-earning workers.

Dr. Coronado summarized the labor market recovery when she said, “During the pandemic prime-age labor force participation, again, fell sharply, but a decisive recovery in both jobs and participation has been ongoing for the past 12 months. We are on track to exceed pre-pandemic levels of employment and prime-age participation in the next six months, which would be the fastest labor market recovery in four decades.”

Even Stephen Moore, the Republican-selected witness at the hearing, admitted to Committee Members: “**this is the best jobs market I’ve seen in my lifetime.**”

In addition to a strong labor market recovery, financial markets and households are in an improved position. Dr. Coronado explained these dimensions of the recovery, saying “**Delinquencies on virtually every loan category have fallen through the recession, the first time we have ever seen an improvement in credit quality through a downturn... Business profitability and productivity have risen strongly through the pandemic and applications for new business formation have soared to new heights.**”

Not only did the Rescue Plan power the recovery, it did so while producing the most equitable recovery in recent memory. As the Honorable Mayor Vince Williams, Mayor of Union City, Georgia, and President of the National League of Cities, testified: “**ARPA local government grants have given all cities, towns, and villages in our nation, the ability to be part of a national economic recovery from bottom up, starting with our hardest-hit residents.**” This funding allowed state and local governments to

make critical investments. This provided immediate relief and set communities up to achieve long-term growth and success — an important difference between this recovery and what happened following the Great Recession, which saw state and local governments left behind.

Furthermore, the Rescue Plan made a meaningful impact on poverty. As Sharon Parrott, President of the Center on Budget and Policy Priorities, testified: **“Over the last 80 years or more, it might be difficult to think of a single piece of pre-pandemic legislation that’s more effective than the Rescue Plan at preventing poverty... While annual poverty data are not yet available for 2021, one study at Columbia University estimated that the American Rescue Plan alone reduced annual poverty that year by more than 12 million people, including 5.6 million children, a reduction in child poverty of more than 50 percent.”**

The Rescue Plan also delivered a massive tax cut for middle-class families. Most people received a \$1,400 stimulus check — an effective tax cut. Families with children were eligible for an expanded and enhanced Child Tax Credit of \$3,000 for the year and provided tax refunds each month from July through December 2021. Instead of giving tax cuts to corporations and the wealthy — like the 2017 GOP tax bill — the Rescue Plan was a direct tax cut for American workers and families who needed it. In fact, the average taxpayer received a tax cut [of \\$3,360](#), and [75 percent](#) of the benefits in the Rescue Plan went to low- and moderate-income households with children.

Ms. Parrott spelled out the life-changing impacts of this relief for families in her testimony: **“Absent relief measures, unemployment likely would have spelled financial disaster for millions of people. Evictions and the number of children facing food insecurity would have soared. The ranks of the uninsured would have risen.”**

THE AMERICAN RESCUE PLAN IS NOT DRIVING INFLATION

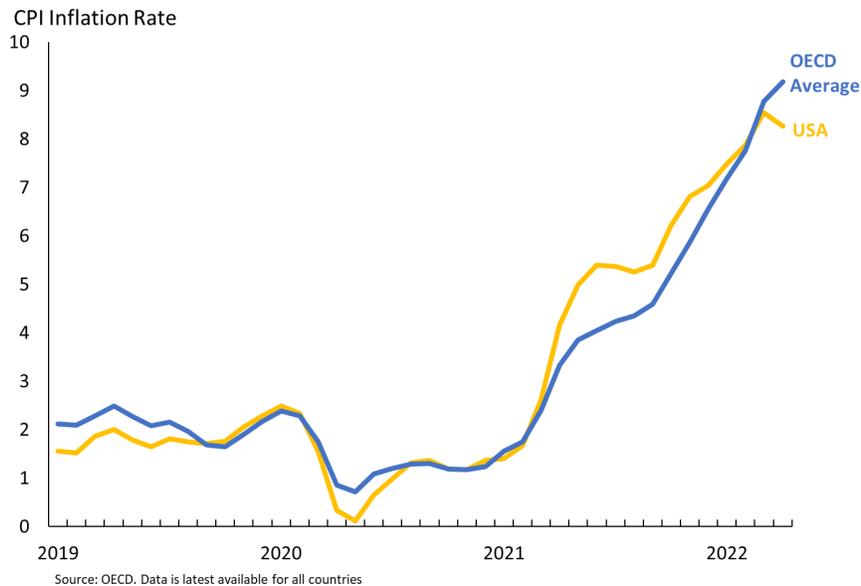
Experts have said time and again: the American Rescue Plan is not a main driver of the inflation we are seeing today. A [recent analysis](#) from Moody’s Analytics found that, of the 8.5 percent inflation the U.S. economy experienced last month, only 0.1 percentage point was caused by the Rescue Plan. The main causes of current inflation are supply chain bottlenecks and Putin’s war on Ukraine. The Rescue Plan changed the trajectory of our economic recovery and put American families and businesses in a better position to handle unforeseen global challenges, like those that are driving high inflation in countries around the world.

Decomposing Consumer Price Inflation	
Yr-over-yr % chg through May '22 on seasonally adjusted CPI	I
Total	8.5
Russian invasion of Ukraine	3.5
Direct impact of higher commodity prices	2.8
Indirect impact of higher commodity prices	0.7
COVID-19 pandemic	2.0
Stressed supply chains	1.5
Reopening effect	0.4
Labor shortages	0.1
Affordable housing crisis	0.6
American Rescue plan	0.1
Energy regulation	0.0
Money supply	0.0
Corporate price gauging	0.0
Other	2.3

Sources: BLS, Moody's Analytics

Despite Republican claims to the contrary, high inflation is a global phenomenon. Dr. Coronado, elaborating on drivers of inflation, pointed out that “The other [portion of inflation] that's the dominant one right now is food and energy prices tied to the war in Ukraine. That's not something that came from the American Rescue Plan or anything that the Biden Administration did. That came from the decision of Vladimir Putin to invade Ukraine.”

Looking at the OECD inflation average, we see that in April 2022 OECD inflation was 9.2 percent — nearly one point higher than the U.S. reading of 8.3 percent. As Dr. Coronado explained, “[inflation is] a global phenomenon. And then there are differences across countries depending on structures and the other universal reality is the food and energy price inflation that we see.” In other words, U.S. inflation rates are not an anomaly, but well in the range of global trends.

Inflation has Increased Across the Globe

And while inflation is a serious issue, it is one that the Federal Reserve is best positioned to address, and they are already taking actions to combat the rise in prices. Meanwhile, fiscal policy to increase supply and capacity — like the COMPETES Act and investments included in the Build Back Better Act — will reduce prices over the long run. “The costs of health care, housing, education, child care — the basic needs of American families — have been rising for decades,” Chairman Yarmuth noted. “That’s why House Democrats have passed legislation to lower prescription drug prices, expand the supply of affordable housing, cut childcare costs, expand access to higher education, and ensure that big corporations cannot take advantage of American consumers with excessive price hikes.”

Without the Rescue Plan, our nation would be facing a very different — and much more dire — situation, with more loved ones lost, higher unemployment, slower growth, exacerbated inequality and more. But it is because of the Rescue Plan that American families, state and local governments, and our national economy have been able to face new global challenges from a position of economic strength, leading the world on the path to recovery.

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members