Economic
Policy
Institute

Testimony prepared for the House Committee on Education and the Workforce for a hearing on 'Unleashing America's Opportunities for Hiring and Employment'

Testimony • By Heidi Shierholz • March 28, 2023

Chairwoman Foxx, Ranking Member Scott, and members of the committee, thank you for the opportunity to testify today on the state of the U.S. economy, the labor market, and policy solutions to ensure that the economy works for everyone.

My name is Heidi Shierholz, and I am an economist and the president of the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals. I previously served as Chief Economist at the U.S. Department of Labor during the Obama administration.

Today I will discuss the state of the U.S. labor market, what is behind the current dynamics, and potential threats. I will also provide policy recommendations for continuing the trends of the last two years of increasing employment and improving job quality.

The state of the U.S. economy—and particularly the labor market—is strong

The U.S. economy—and particularly the labor market—is strong. Over the last 25 months, the labor market has added 12.4 million jobs, and the unemployment rate has been below 4% for over a year.[1] Labor force participation has been steadily growing and in the latest month of data, February 2023, it reached its highest point since the pandemic began; it is now less than a percentage point below its pre-COVID level—despite strong downward structural trends stemming from an aging labor force.[2] And strikingly, in contrast to the entire period since the late 1990s, lower-wage workers have posted the strongest wage gains among all groups in this recovery and, in inflation-adjusted terms, have seen gains that are far faster than they have seen at this point in a business cycle following any other downturn in the past 50 years.[3]

This disproportionate boost to wages of the lowest-paid workers stands in stark contrast to how growth was distributed from 2017–2019, the pre-pandemic years of the Trump administration. In those years, wage growth for the 95th percentile of wage earners was more than twice as fast as it was for workers at the 10th percentile.[4] Also in those years, average wage and salary income of all U.S. households grew by roughly 2% per year, while capital gains income grew at almost five times this pace (9% per year).[5] In short, growth between 2017 and 2019 privileged capital owners over workers and privileged corporate managers over rank-and-file workers.

It is crucial that we recognize both how we achieved the labor market success of the post 2019-period—success that has generated real wage gains for low-wage workers—and also what the biggest threats are to today's strong labor market. The success was achieved through policy choices that prioritized rapid recovery and investments to make us more resilient in the future. The threats are also policy choices—both those made in the past and those that loom in front of us today.

The source of today's strong labor market: Fiscal relief and recovery at scale

The last month in which U.S. economic data was unaffected by the COVID-19 pandemic was February 2020, when the unemployment rate was 3.5%. Twenty-five months later (March 2022), the unemployment rate had essentially returned to this level (hitting 3.6%), where it has largely anchored over the past year.[6] This is a stunningly fast labor market recovery. For comparison, we can look to the last recession and recovery before the COVID-19 crisis. In that business cycle, it took a *full decade* after 2007 to reattain the unemployment rate low that prevailed in that year (4.4%).[7] There are many reasons for the difference in labor market recovery this time versus last time, but a much more robust fiscal policy response this time around is a primary part of the explanation.

Some have argued that the nature of the COVID-19 shock meant that a full recovery was always going to happen faster this time. There is very little evidence to support that view. In March and April of 2020, as COVID-19 first spread across the United States, 22 million jobs were lost.[8] Aided by the CARES Act passed in April 2020, the first 12 million jobs came back pretty easily over the following six months—businesses that had closed their doors but not gone bankrupt during the months of lockdown simply reopened. But job growth slowed in every month between August 2020 and December 2020—and in that last month, employment outright *contracted*.[9]

In other words, the incoming Biden administration inherited an economy nearly 10 million jobs below the February 2020 baseline, and progress in getting these jobs back had not just stalled but gone affirmatively backwards. Betting at that point that things were fine and that the economy was rapidly self-correcting from the COVID-19 shock would have been incredibly unwise.

Mistakes made in the past are instructive here. At a similar point in the recovery from the Great Recession of 2008–2009, fiscal policymakers perversely shifted toward austerity and the result was that, as mentioned above, it took a full decade to regain pre-recession labor market health.[10]

This time, however, the Biden administration and Congress chose a dramatically different path when the recovery was faltering. Additional fiscal support was passed in December 2020, and substantially more was passed in March 2021, with the American Rescue Plan (ARP). The payoff to these choices is apparent—2021 and 2022 saw the single largest job growth of any two-year period in U.S. history.[11] In the past year, the unemployment rate has hit 50-year lows while labor force participation has risen steadily even as it was facing downward pressure from demographic trends. This is a huge policy accomplishment.

Legislation following the ARP, like the bipartisan Infrastructure Investment and Jobs Act (IIJA), the CHIPS and Science Act, and the Inflation Reduction Act (IRA), all will come online throughout 2023 and later years, and will provide a macroeconomic insurance policy against downturns in private investment, all while shoring up the nation's economic security and resilience.[12] In short, public investments made during the Biden administration have proven and will continue to prove to be incredibly valuable for boosting living standards and bolstering economic security, both in today's strong economy and in the future.

Challenges and threats to maintaining strong labor markets? Inflation and bad policy choices

Despite the extraordinary labor market recovery and the progressive gains it has generated for U.S. families, there remain major challenges and threats to economic security. Some of these challenges and threats stem from the massive economic shocks imposed by pandemic and war, and some from poor policy decisions, both past and (potentially) future.

The clearest challenge to faster living standards growth for American families today is too-high inflation. This inflation has been the primary impediment keeping the full value of the strong labor market's gains from reaching many.

This acceleration of inflation was overwhelmingly the inevitable result of the mammoth shocks imposed on the U.S. economy by the pandemic and by the Russian invasion of Ukraine. The pandemic led to a historically sharp reallocation of consumer spending away from face-to-face services and toward goods consumption and residential investment. The scale of this reallocation was literally on the order of a wartime mobilization. Simultaneously, the pandemic introduced huge snarls in precisely those global supply chains that need to function smoothly to meet demand for goods and materials used in residential investment. These extreme shocks to both sectoral demand and supply were *the* spark to inflation in 2021. In 2022, the Russian invasion of Ukraine added another shock to energy and food prices.[13]

These shocks in turn set off large and long-lived—but steadily dampening—ripple effects throughout the economy, making high inflation stubbornly persistent.[14] Essentially, the pandemic and war shocks to prices sent economic actors scrambling to protect their own real incomes from higher costs.[15] As nonlabor costs rose due to pandemic and war shocks and pushed up prices, employers also had to raise wages to get and keep the workers they needed, and firms raised prices to keep their own profit margins intact (or to opportunistically raise them). In the first nine quarters of recovery (the period for which we have data), profit margins drove a historically large share of price increases, with profits accounting for over 40% of price increases in the nonfinancial corporate sector. In normal times, profits account for roughly 13% of prices.[16] This cascade intensified the inflationary effect of the initial shocks of pandemic and war and made them more persistent.

One might have expected—I certainly did—that workers' ability to secure higher nominal wages to protect their real incomes from rising prices would have been almost nil. Recent decades have seen a relentless campaign of policy-driven wage suppression that kept wage growth extremely muted even during times of very low unemployment.[17]

But workers experienced a surprising degree of bargaining power in 2021 and early 2022. Well before the unemployment rate approached its pre-pandemic levels, employers needed to raise wages to attract and retain workers. Most notably, this wage growth occurred in industries in which workers typically have the least bargaining power and face the lowest pay—in retail and leisure and hospitality, for example. A key driver of this enhanced bargaining power in 2021 was precisely the tight labor markets generated by the economic recovery, but it was also sustained by unique features of the 2021 and 2022 labor markets—features that look to be quickly fading.[18]

The nominal wage acceleration that accompanied the initial shocks and the unusual boost in worker bargaining power in 2021 and 2022 kept inflation higher than it would have been had wage growth not budged at all from its pre-pandemic pace. But even if nominal wage growth had not increased at all, we still would have had a burst of extremely high inflation over the past two years. The reduction in inflation that could have been "bought" by dampening nominal wage growth by engineering higher unemployment rates in 2021 and 2022 would have been small—and the cost of this slightly slower inflation would have been large declines in real incomes for working families.[19] In short, the labor market strength engineered by investments since 2020 did not cause the inflation of the past two years; instead, it protected workers from the inevitable inflationary shock stemming from the pandemic and war.

While the past years' inflation was an inevitable result of the exogenous shocks hitting the U.S. (and global) economies, other threats to continued labor market strength stem from poor policy choices—from the past, present, and (potentially) future.

One poor policy choice presently being implemented is a too aggressive attempt to pull down inflation by reducing aggregate demand (overall spending in the economy from households, businesses, and governments). The most obvious manifestation of this is the steep interest rate increases undertaken by the Federal Reserve in 2022 and earlier this year. These attempts misdiagnose inflation as mostly a signal that the economy is "overheating" in macroeconomic terms, when in fact inflation has mostly been driven by the global shocks to specific sectors and the associated ripple effects. Further, these efforts to rapidly slow aggregate demand growth put too little faith in clear evidence that the key *potential* drivers of inflation are already rapidly reversing—particularly housing price inflation and nominal wage growth.[20] In short, inflation looks set to normalize even while unemployment remains very low, *unless* aggressive efforts to further cool aggregate demand growth sacrifices this low unemployment.

A related threat concerns recent banking failures. The interest rate increases undertaken by the Federal Reserve over the past year have introduced some pressure on banks. This pressure *should* be eminently manageable by well-run banks. Crucially, in the longer run, a higher level of interest rates should be extremely favorable for bank profitability—it would seem odd indeed that banks would systematically struggle to negotiate the move to a regime that is more favorable for their profits.[21]

Yet a number of prominent banks have struggled—or even required FDIC takeover—in recent weeks. These banks have been precisely those complicit in contributing to a key past policy error by lobbying to have regulations passed under Dodd-Frank in 2010 rolled back for banks that are smaller than "global systematically important banks" (GSIB), but may still be quite large. These lobbying efforts bore fruit when a Republican-led Congress (with a small but not trivial number of Democratic lawmakers joining them) passed the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCP) in 2018. Among other changes, EGRRCP altered the criteria used to determine which banks would be subject to the *enhanced prudential regulations* instituted under Dodd-Frank, raising the asset threshold that triggered this enhanced regulation from $50 billion to $250 billion. Compounding the bad effects of these legislative rollbacks, Trump administration appointees of the Federal Reserve (particularly Randall Quarles as Vice Chair of Supervision) led an even more sweeping rollback of prudential standards used by the Fed in their supervision of banks.[22]

The distress in the banking sector today, which threatens continued strong labor market health, is a completely predictable—and predicted—outcome of this regulatory rollback.

Finally, by far the biggest threat to continued strong labor market outcomes is a looming future policy catastrophe—the failure to raise the debt ceiling. If one is even the slightest bit worried about what the failures of Silicon Valley Bank or Signature Bank have done to credit market functioning and continued growth, then one should be terrified about the consequences of even a short period of default. Many members of Congress have proclaimed themselves deeply concerned about the health of community banks in this country and what the consequences of federal policy are for these institutions. A short period of federal default on its spending obligations would be ruinous for these community banks—and for the wider economy.

Given how apocalyptic a scenario actual default would be, some might miss the extraordinary damage that could be caused by a deal that averts default only at the expense of steep spending cuts. In 2011, a Republican-led Congress demanded such spending cuts as a condition for raising the debt limit. The resulting deal—largely codified in the Budget Control Act (BCA)—led to federal fiscal policy dragging heavily on growth for the next five years.[23] This spending austerity in turn led directly to the post-2010 recovery being the slowest on historical record. This austerity was maintained by Republicans in Congress until 2017. The damage that this spending austerity did to economic performance is highlighted by the fact that as soon as Republicans had control of the presidency in 2017—and hence would be graded by voters on the economy's performance—they immediately rolled back the spending cuts in the BCA. This extremely underappreciated fiscal stimulus in 2017 and 2018 measurably improved the economy.[24]

There is a good-faith debate to be had about the nation's fiscal health and measures to reduce the debt-to-GDP ratio in the future. But this debate has nothing to do with the inarguable proposition that allowing the statutory (and completely arbitrary) debt limit to bind the nation's ability to meet its obligations would be a guaranteed—and wholly self-inflicted—crisis.

Documenting the strength of the labor market

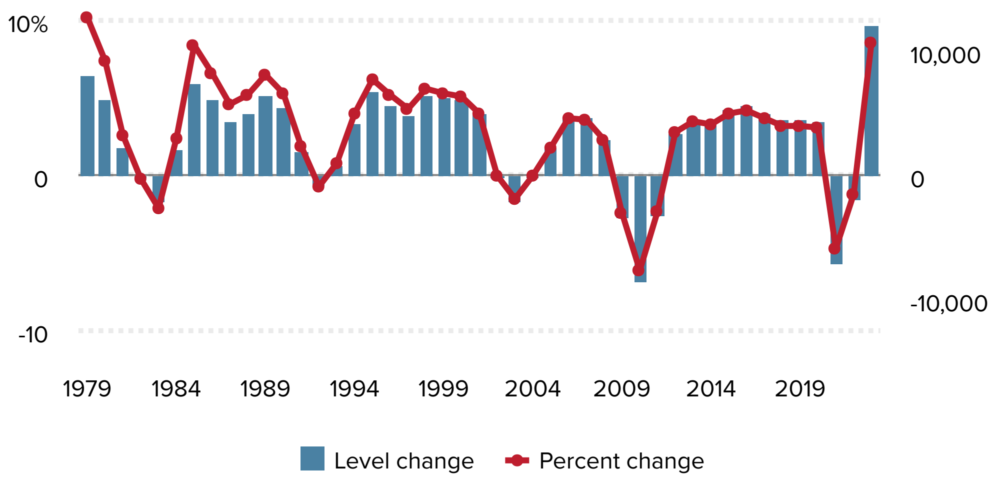
This section provides additional detail on the strength of the U.S. labor market today. As mentioned above, the stunningly fast recovery from the deep pandemic recession was driven by relief and recovery measures at the scale of the problem.[25] **Figure A** shows that the labor market added 12.1 million jobs between January 2021 and January 2023, over 6 million jobs per year on average. In raw numbers, this is by far the fastest two-year span of job-growth in post–World War II history. In percentage terms—i.e., scaled to the size of the workforce—these two years of job growth were the strongest since 1979. It is useful to note that job growth before 2000 was consistently buoyed by strong *structural* trends—both fast growth in the working-age population and the steady increase in women's labor force participation rates. Since 2000, these structural trends boosting job growth have essentially stagnated, making recent job growth performance even more extraordinary.

As also noted above, two very different fiscal policy paths were pursued in the aftermath of the Great Recession and in the aftermath of the COVID recession. **Figure B** provides one picture of how those two policy paths played out in the labor market. In dark blue, we see that it took over six years before private-sector employment returned to pre-pandemic levels, whereas it took just over two years to return to pre-COVID employment levels following the COVID recession.

Figure A

Policy investments meant the best two-year stretch of job creation since 1979

Level and percent change in two-year job growth, January over January, 1979–2023



Source: EPI analysis of Bureau of Labor Statistics' Current Employment Statistics public data series.

Economic Policy Institute

The different outcomes between today's strong recovery and the anemic recovery from the Great Recession is even more pronounced when we look at the unemployment rate and the prime-age employment-to-population ratio. The unemployment rate is currently hovering near a historic low. In January it hit 3.4%, its lowest rate since 1969. As mentioned above, the unemployment rate got back to roughly pre-pandemic levels about two years following the pandemic shock, whereas following the Great Recession, it took about 10 years for the unemployment rate to recover.[26] Similarly, the share of the population ages 25–54 with a job—the prime-working-age employment-to-population ratio—is now 80.5%, exactly where it was the month before the pandemic began. Following the past recession, it took about *12 years* to return to pre–Great Recession levels.[27]

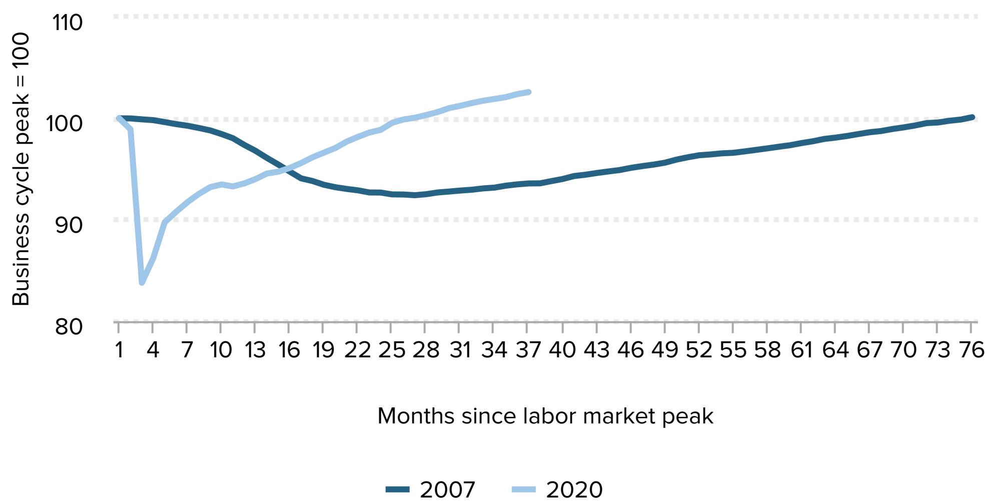
The private-sector jobs recovery has been strong across the board. Of all major industries, leisure and hospitality experienced the largest job losses by far during the COVID recession, and continues to experience the largest shortfall relative to pre-pandemic levels. However, month after month, jobs are added in this sector and its shortfall continues to narrow, now down to just over 400,000 jobs below pre-pandemic levels (as shown in **Figure C**).

While the private sector experienced a much larger drop in employment than the public sector, **Figure D** shows that it also experienced a strong bounceback due to large policy interventions, as described above. Public-sector employment—particularly state and local education employment—has lagged far behind the tremendous growth in private-sector employment. Private-sector employment is 2.6% above pre-pandemic levels, while state

Figure B

Federal fiscal relief at the scale of the problem led to a faster recovery from the pandemic recession

Private-sector employment change since business cycle peak, December 2007 and February 2020



Source: EPI analysis of Bureau of Labor Statistics' Current Employment Statistics public data series.

Economic Policy Institute

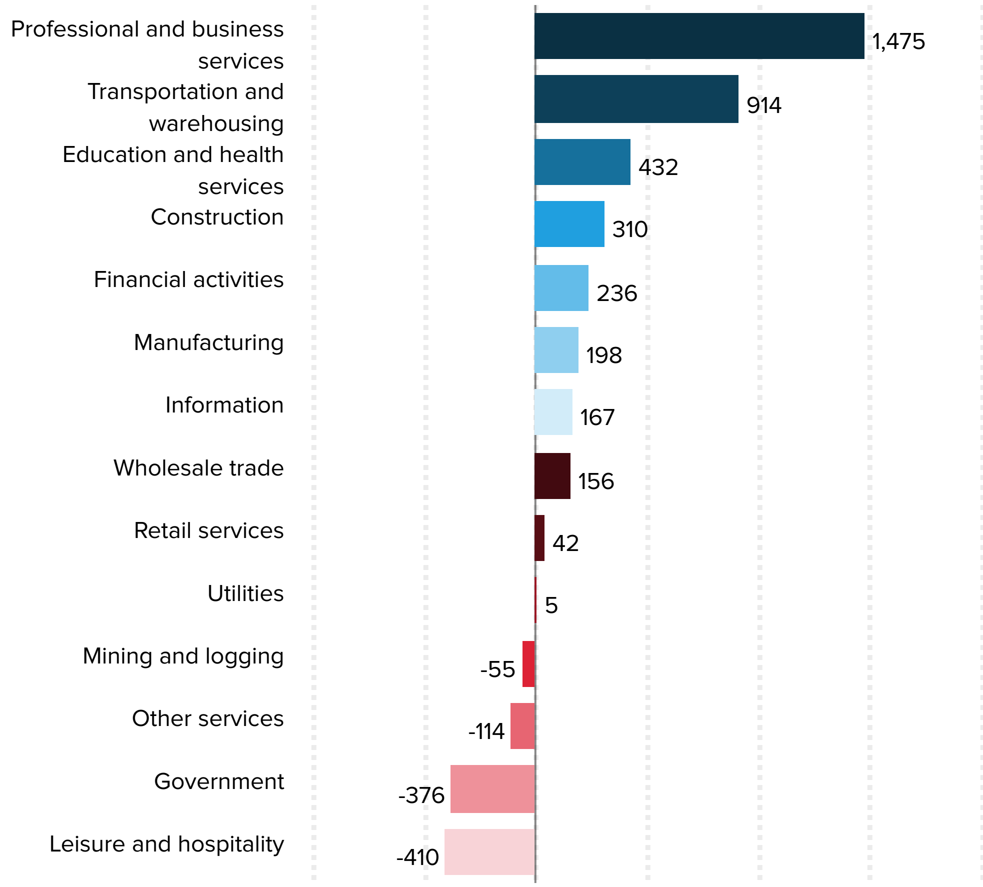
and local government is still down 2.0%. In February 2023, there were 409,000 fewer state and local government workers than there were pre-pandemic, with roughly two-thirds of that shortfall in state and local education, largely public K–12. A large part of this is an issue of recruiting and retention on the part of state and local governments that have failed to use available resources to invest in raising wages enough to attract and retain workers in a highly competitive labor market (roughly one-third of publicsector workers are paid less than $20 an hour). Vacancies in the publicsector workforce mean fewer teachers and reduced access to public services and programs available to communities. State and local governments can and should be using the resources at their disposal to raise pay and refill those jobs.

Because of the broad impact of structural racism on labor market outcomes, Black and brown workers are disproportionately concentrated in low-wage jobs. Wage gains for low-wage workers in this recovery, combined with strengthened safety net relief targeted toward lower-income families, reached Black and brown workers and families much more quickly than in previous economic recoveries, and helped to mitigate some of the most disastrous recession outcomes for workers of color.[28] For example, today the Black unemployment rate is 5.7% and it has hovered around that level since November 2022, less than three years from the start of the COVID recession. In the aftermath of the Great Recession, it took *more than 11 years* for the Black unemployment rate to get down to 5.7%. However, it is important to note that racial inequities in wages, employment, household income, and other economic indicators persist. Today, the nationwide Black–white unemployment ratio still sits at nearly 2-to-1.

Figure C

Employment change by industry since February 2020

All employees (thousands), seasonally adjusted, February 2023



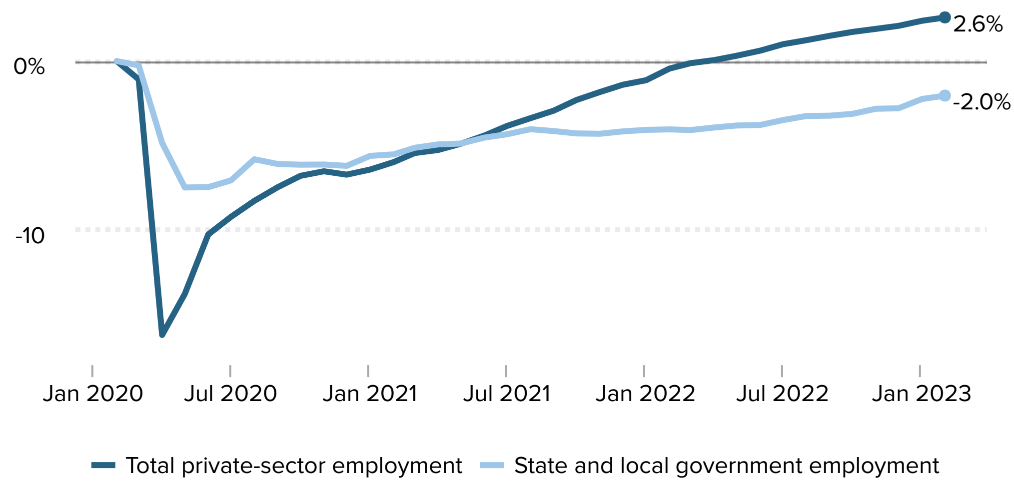
Source: Bureau of Labor Statistics' (BLS) Current Employment Statistics, Establishment Survey (CES) public data series.

Economic Policy Institute

As mentioned above, low-wage workers experienced historically fast real wage growth between 2019 and 2022.[29] The 10th-percentile real hourly wage grew 9.0% over the three-year period. This rapid real wage growth at the lower end of the wage distribution was significantly faster than in any other business cycle peak since at least 1979. **Figure E** compares growth in the 10th percentile real (inflation-adjusted) wage in the recovery from the pandemic recession to the recoveries from the prior four recessions. Real wage growth for low-wage workers was faster over the last three years than we've seen at the same points in the recoveries from the recessions of the last 50 years. And even though their wage growth was slower than for those at the bottom, middle-wage workers also experienced faster wage growth than in the first three years of any of these business cycles. Again, tight labor markets largely protected workers' wages from the global inflation shocks set off by the pandemic and Russian invasion of Ukraine.

Figure D

Percent change in payrolls since February 2020, for all private and state and local government employment



Source: Bureau of Labor Statistics' (BLS) Current Employment Statistics, Establishment Survey (CES) public data series.

Economic Policy Institute

Strengthening unions and labor protections could solidify the economic recovery

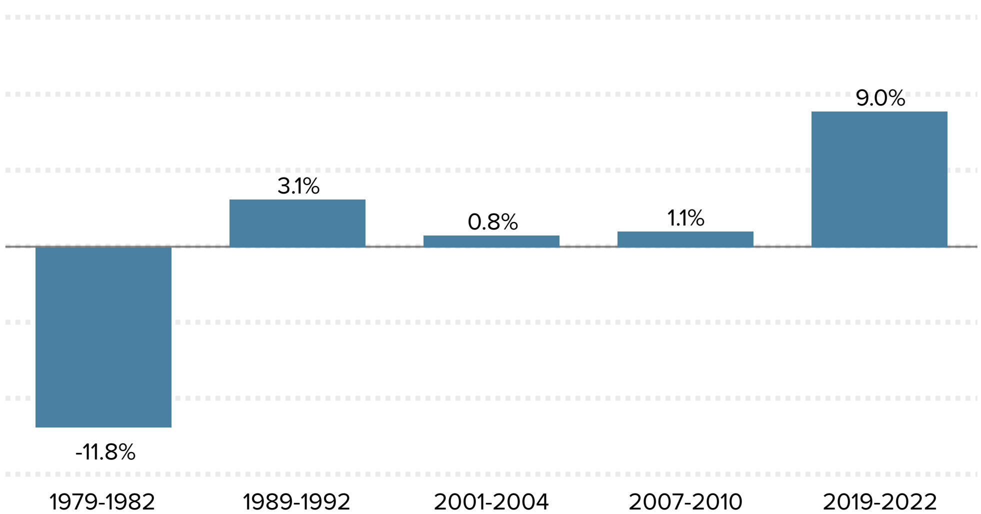
Arguably the most important bargaining tool that any individual, nonunionized worker has is their ability to be mobile—to leave one job and look for another that is better. The "tighter" or "hotter" the labor market is, the more options workers have to find jobs that may have better pay, schedules, training opportunities, or other benefits, because employers have to compete to attract and retain them. The economic recovery has helped to drive a tighter labor market, but some of those effects are weakening as the labor market is beginning to return to more normal levels of growth from the incredibly strong pace of the last two years. As the market "cools," unions can help to lock in some of the gains that workers have enjoyed from a tighter labor market as the pandemic recovery continues. This is especially true for workers who are more likely to be left out in the cold in a weak labor market, such as Black, Hispanic, and women workers, who are overrepresented in lower-wage jobs.

Unions improve job quality and provide protection to workers from employer exploitation, from the negative effects of market concentration, and from other impacts of uncompetitive labor markets. Public support for unions reached a more-than-50-year high—71%—in 2022.[30] However, due to eroded labor laws, it's still incredibly difficult for most workers to join unions.[31] But despite the legal barriers and fierce opposition from employers, between October 2021 and September 2022, the National Labor Relations Board saw a 53% increase in union election petitions, the highest single-year increase since fiscal year 2016.[32] Further, the number of workers in unions is on the rise, with

Figure E

Low-wage workers have experienced stronger-than-usual wage growth in the pandemic business cycle

Real wage changes at the 10th percentile, three years from prior peak, in current and last four business cycles, 1979–2022



Source: EPI analysis of the Current Population Survey Outgoing Rotation Group microdata, EPI Current Population Survey Extracts, Version 1.0.37 (2023), https://microdata.epi.org.

Economic Policy Institute

200,000 more workers joining unions between 2021 and 2022, with the majority of that growth driven by workers of color.

Unions are the most effective way for workers to ensure economic gains and fair workplaces. EPI's analysis of the wages and employment situations of unions and nonunion workers in 2022 found that:

- Workers covered by union contracts earns **10.2% more** in wages on average than peers with similar education, occupation, and experience in a nonunionized workplace in the same sector.
- Hourly wages for women represented by a union are **4.7% higher** on average than for nonunionized women with comparable characteristics.

Unions also help to close gender and racial wage gaps:

- Black workers represented by a union are paid **13.1% more** than their nonunionized Black peers, and Hispanic workers represented by a union are paid **18.8% more** than their nonunionized Hispanic peers.

And unions also provide workers with better benefits:

- Union workers are far more likely to be covered by employer-provided health insurance: More than nine in 10 workers covered by a union contract (95%) have access to employer-sponsored health benefits, compared with just 69% of nonunion workers.

- Union workers also have greater access to paid sick days: More than nine in 10 workers—92%—covered by a union contract have access to paid sick days, compared with 77% of nonunion workers.
- Unions also help to reduce turnover at firms, improve employee retention and morale, and boost productivity.

Policy recommendations and conclusion

As mentioned above, one of the most important things in the near term for the health of the U.S. economy is for the Federal Reserve to prioritize low unemployment. Policymakers should also continue to use fiscal policy levers to make much-needed public investments and create good jobs. On the other hand, one of the worst actions policymakers could take would be to allow the U.S. government to breach the debt limit and default on our payment obligations, or to make harmful and wholly unnecessary cuts in federal spending as part of a deal to keep that from happening. Both options come with a high risk of causing a recession and would be devastating for American workers and businesses.

Finally, it is crucial to note that "unleashing" employers through deregulation is a surefire path to reduce good opportunities for the U.S. workforce and to make our economy weaker, slower-growing, and less resilient. Instead, policymakers should:

- Raise the minimum wage and expand the right to overtime pay.
- Create a level playing field for employers by cracking down on misclassification and wage theft, and strengthen enforcement of wage and hour, workplace safety, and anti-discrimination laws.
- Strengthen the rights of workers to organize, join unions, and collectively bargain, as outlined in the PRO Act.
- Expand federal funding for apprenticeship and other workforce training programs to expand pathways to high-paying, good jobs.

Thank you, and I look forward to your questions.

Notes

1. See U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS] data for January 2019 through February 2023 (https://fred.stlouisfed.org/graph/?g=11MUh) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, March 27, 2023; and U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE] data for October 2019 through February 2023 (https://fred.stlouisfed.org/graph/?g=11Fcf) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, March 27, 2023.

2. See U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART] data for November

2016 to February 2023 (https://fred.stlouisfed.org/graph/?g=11Fck) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CIVPART, March 27, 2023.

3. See Elise Gould and Katherine deCourcy, *State of Working America Wages 2022: Low-Wage Workers Have Seen Historically Fast Real Wage Growth in the Pandemic Business Cycle*, Economic Policy Institute, March 2023, https://www.epi.org/publication/swa-wages-2022. Specific results from Gould and deCourcy's report are highlighted in a later section of this testimony.

4. See Elise Gould, *State of Working America Wages 2019: A Story of Slow, Uneven, and Unequal Wage Growth over the Last 40 Years*, Economic Policy Institute, February 2020. https://www.epi.org/publication/swa-wages-2019/

5. Author's analysis based on the data on household income distribution compiled by the Congressional Budget Office (CBO), downloadable at https://www.cbo.gov/system/files/2022-11/58353-supplemental-data.xlsx.

6. See note 1.

7. See U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE] data for January 2007 to February 2023 (https://fred.stlouisfed.org/graph/?g=11FcX) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, March 27, 2023.

8. See U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], data from May 2016 to February 2023 (https://fred.stlouisfed.org/graph/?g=RmWG) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, March 27, 2023.

9. See U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], data from June 2019 to November 2021 (https://fred.stlouisfed.org/graph/?g=11Fde) retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, March 27, 2023.

10. See Josh Bivens, *Abandoning What Works (And Most Other Things, Too): Expansionary Fiscal Policy Is Still the Best Tool for Boosting Jobs*, Economic Policy Institute, April 2011; and Josh Bivens, *Why Is Recovery Taking So Long—and Who's to Blame?* Economic Policy Institute, August 2016. https://www.epi.org/publication/why-is-recovery-taking-so-long-and-who-is-to-blame

11. See later section of this testimony for more detailed comparisons to past periods.

12. See Adam Hersh, "American Rescue, Infrastructure, and Inflation-Reduction Acts Are Big Steps in Right Direction: But Much More Infrastructure Investment Is Needed to Secure a Prosperous and Equitable Future," Economic Policy Institute, testimony prepared for House Committee on Transportation and Infrastructure Hearing, "Investing in Our Nation's Transportation Infrastructure and Workers: Why It Matters," September 29, 2022. https://www.epi.org/publication/big-steps-in-right-direction-but-much-more-infrastructure-investment-needed/

13. See Asha Banerjee and Josh Bivens, "Lessons from the Inflation of 2021–202(?)," working paper presented at the "Global Inflation Today" conference at PERI, December 2–3, 2022. https://peri.umass.edu/images/BivensPERIInflationConf.pdf

14. On the importance of wage growth—even when it accelerated relative to historic norms—providing a dampening effect on inflation, see Josh Bivens, "Wage Growth Has Been Dampening Inflation All Along—and Has Slowed Even More Recently," *Working Economics Blog* (Economic Policy Institute), May 12, 2022. https://www.epi.org/blog/wage-growth-has-been-dampening-inflation-all-along-and-has-slowed-even-more-recently

15. This aspect of "conflict inflation" was recently highlighted by Olivier Blanchard—perhaps the

single most well-pedigreed macroeconomist in the world (MIT professor and former chief economist of the International Monetary Fund).

16. See Josh Bivens, "Inflation, Minimum Wages, and Profits: Protecting Low-Wage Workers from Inflation Means Raising the Minimum Wage," *Working Economics Blog* (Economic Policy Institute), September 22, 2022. https://www.epi.org/blog/inflation-minimum-wages-and-profits-protecting-low-wage-workers-from-inflation-means-raising-the-minimum-wage/

17. On the expectation that workers would be unable to protect their real incomes from inflationary shocks, see Josh Bivens, "U.S. Workers Have Already Been Disempowered in the Name of Fighting Inflation:

Policymakers Should Not Make It Even Worse by Raising Interest Rates Too Aggressively," *Working Economics Blog* (Economic Policy Institute), January 21, 2022. https://www.epi.org/blog/u-s-workers-have-already-been-disempowered-in-the-name-of-fighting-inflation-policymakers-should-not-make-it-even-worse-by-raising-interest-rates-too-aggressively

18. For more detail on these unique features of workers' bargaining power in 2021 and 2022, see Josh Bivens, "Learning the Right Lessons from Recent Inflation: Why Macroeconomic Overheating Was Not the Problem and Austerity Is the Wrong Cure," *American Prospect*, January 10, 2023. https://prospect.org/economy/2023-01-10-lessons-inflation-federal-reserve-interest-rates

19. See Asha Banerjee and Josh Bivens, "Lessons from the Inflation of 2021–202(?)," working paper presented at the "Global Inflation Today" conference at PERI, December 2–3, 2022. https://peri.umass.edu/images/BivensPERIInflationConf.pdf

20. See Josh Bivens, "The Fed Should Stand Pat on Further Interest Rate Hikes at This Week's Meeting: Inflation Is Easing Even as the Labor Market Remains Strong," *Working Economics Blog* (Economic Policy Institute), January 30, 2023. https://www.epi.org/blog/the-fed-should-stand-pat-on-further-interest-rate-hikes-at-this-weeks-meeting-inflation-is-easing-even-as-the-labor-market-remains-strong/

21. On bank profitability being aided by higher interest rates, see Claudio Borio, Leonardo Gambacorta, and Boris Hofmann, "The Influence of Monetary Policy on Bank Profitability," BIS Working Paper no. 514, October 1, 2015. https://www.bis.org/publ/work514.htm

22. For a prescient critique of the Fed's decision to loosen prudential standards on this class of banks, see Federal Reserve Board, "Statement on Proposals to Modify Enhanced Prudential Standards for Large Banking Organizations by Governor Lael Brainard" (press release), October 31, 2018. https://www.federalreserve.gov/newsevents/pressreleases/brainard-statement-20181031.htm

23. See note 10.

24. On this underappreciated fiscal stimulus stemming from the BCA rollbacks, see Josh Bivens, "The 'Boom' of 2018 Tells Us That Fiscal Stimulus Works, but That the GOP Has Only Used It When It Helps Their Reelection, Not When It Helps Typical Families," *Working Economics Blog* (Economic Policy Institute), October 26, 2018. https://www.epi.org/blog/the-boom-of-2018-tells-us-that-fiscal-stimulus-works-but-that-the-gop-has-only-used-it-when-it-helps-their-re-election-not-when-it-helps-typical-families/

25. See Elise Gould and Heidi Shierholz, "The Economy Is Recovering Fast. But We Need to Ensure It Works for Everyone," CNN Business Perspectives, March 3, 2022. https://www.cnn.com/2022/03/03/perspectives/jobs-labor-market-stimulus-economy/index.html

26. See Economic Policy Institute, "Unemployment Rate: 1948–2023" (chart), March 2023. https://www.epi.org/chart/economic-indicators-jobs-day-unemployment-rate-1948-2017-2

27. See Economic Policy Institute, "Employment-to-Population Ratio of Workers Ages 25–54, 1989–2023" (chart), March 2023. https://www.epi.org/chart/jobs-day-employment-to-population-ratio-of-workers-ages-25-54-1989-2017-5-3

28. See Valerie Wilson and Adewale Maye, "The Labor Market Recovery and Pandemic Relief Measures Lifted Black and Brown Workers and Families in 2021," *Working Economics Blog* (Economic Policy Institute), September 15, 2022. https://www.epi.org/blog/the-labor-market-recovery-and-pandemic-relief-measures-lifted-black-and-brown-workers-and-families-in-2021/

29. See Elise Gould and Katherine deCourcy, *State of Working America Wages 2022: Low-Wage Workers Have Seen Historically Fast Real Wage Growth in the Pandemic Business Cycle*, Economic Policy Institute, March 2023. https://www.epi.org/publication/swa-wages-2022/

30. See Justin McCarthy, "U.S. Approval of Labor Unions at Highest Point Since 1965," Gallup News, August 30, 2022. https://news.gallup.com/poll/398303/approval-labor-unions-highest-point-1965.aspx

31. See Celine McNicholas et al., *Unlawful: U.S. Employers Are Charged with Violating Federal Law in 41.5% of All Union Election Campaigns*, Economic Policy Institute, December 2019. https://www.epi.org/publication/unlawful-employer-opposition-to-union-election-campaigns/

32. See Heidi Shierholz, Margaret Poydock, and Celine McNicholas, *Unionization Increased by 200,000 in 2022: Tens of Millions More Wanted to Join a Union, but Couldn't*, Economic Policy Institute, January 2023. https://www.epi.org/publication/unionization-2022/