President Biden’s Build Back Better Agenda Will Boost Economic Growth

While President Biden’s American Rescue Plan has enabled the U.S. economy to recover at a historic pace, longstanding economic challenges threaten future growth and prosperity. President Biden’s Build Back Better Agenda tackles these challenges head on through smart, long-term investments in climate change mitigation and the human infrastructure of our country. A growing body of research shows that these investments will increase labor force participation, improve living standards, enhance U.S. competitiveness, and boost economic growth in the decades to come. This fact sheet provides an overview of the economic recovery to-date and the economic literature on the many high-return investments in the Build Back Better Agenda.

The U.S. Economic Recovery is Leading the World

Last month, the U.S. Bureau of Economic Analysis confirmed that the U.S. economy grew at the fastest rate in the first half of a year in nearly 40 years. With annualized growth at 6.7 percent in the second quarter, the United States returned to its pre-pandemic GDP peak faster than forecasters projected before the American Rescue Plan passed. At the end of August, the OECD released a new report showing the U.S. is the only Major Seven Economy that has already returned to pre-pandemic levels. The U.S. is also projected to grow faster than any other Major Seven economy in 2022.

The Build Back Better Agenda Will Grow the U.S. Economy

Even after the COVID-19 pandemic, the U.S. will continue to face longstanding barriers to economic growth and prosperity, including extreme weather fueled by climate change; barriers to education beyond high school; and the high cost of living and raising a family. The U.S. has also endured a stark and persistent gap in labor force participation for decades. If American women between 25 and 54 participated in the labor force at the same rate as they do in Canada or Germany, there would be more than five million more women in the labor force in the U.S., which would translate into over $500 billion of additional economic activity per year. President Biden’s Build Back Better Agenda will make a historic, long-term investment in addressing these challenges. Research suggests these investments will increase labor force participation, improve living standards, enhance equity, and drive higher economic growth:

- According to Moody’s Analytics, the Build Back Better Agenda – combined with the bipartisan Infrastructure Investment and Jobs Act – will add an estimated $4.6 trillion in 2012 dollars to GDP over the next decade. This is the equivalent of more than adding
Germany’s annual GDP to U.S. GDP over the next 10 years. According to Moody’s Analytics, annualized economic growth is projected to be on average around 0.2 percentage points higher each year over the coming decade than without the plans.

- According to the International Monetary Fund, President Biden’s American Rescue Plan and proposed American Jobs Plan and American Families Plan – the vast majority of which would be enacted if Congress passes the bipartisan infrastructure deal and the reconciliation package – will cause potential growth to “move up (to around 2 percent) and the level of real GDP would be higher by around 1 percent in 2030.”

The economic literature shows that elements of the Build Back Better Agenda – from preschool and child care to affordable housing and health care – will pay significant long-term dividends; produce a larger, more productive, and healthier workforce; generate savings to states and the federal government; and boost economic growth in the decades to come.

**Preschool and Child Care**

Insufficient access to early childhood education and child care undermines U.S. growth and competitiveness. The United States currently ranks 35th out of 37 economies tracked by the OECD in public investment in children from birth to five as a percentage of GDP. In fact, the U.S. spends just $500 per year for a toddler’s care, compared to an average of over $14,000 in advanced countries – meaning we spend more than 28 times less than our competitors. Across the country, only 57 percent of young children have parents who report that there are good child care options where they live. And, only about half of 3- and 4-year-olds in the United States are enrolled in early childhood education, compared to more than 90 percent of children in countries like Germany, France, the United Kingdom, Korea, and Latvia.

The Build Back Better Agenda will increase equitable, economic growth by establishing a subsidized child care program that cuts costs in half for most American-families and allows them to access high-quality care, extending the $8,000 per family Child and Dependent Care Tax Credit, and providing free, universal preschool for 3- and 4-year old children. Research shows that every $1 invested in high-quality early childhood care and education can yield $3 to $7 over the long-run.

Expanded access to high-quality child care and preschool leads to long-lasting, multi-generational economic benefits for families and children, especially those who are economically disadvantaged. Children benefit from improved health outcomes and education outcomes, increased likelihood of being employed, and higher earnings in adulthood. Studies find that increased access to child care can also increase the likelihood parents, and especially mothers, are employed and enroll in education and training beyond high school. One recent study of a high-quality preschool program for low-income children found that even the siblings and descendants of children in a preschool program benefit in the long-run. Investing in high-quality child care and preschool will boost productivity, labor force participation, and economic growth for generations.

**Education Beyond High School**

Education beyond high school is increasingly important for growth and competitiveness in the 21st century economy, even as it has become unaffordable for too many families. According to the OECD, the United States ranks 12th out of 43 countries on the percentage of people age 25–34 who have attained a post-high school degree. The United States also spends just 0.1% of GDP on active labor market policies that includes training and workforce development,
making us 2nd to last among OECD countries.

The Build Back Better Agenda would make a historic investment in making college affordable by making two years of community college free; providing tuition subsidies to low- and middle-income students enrolled at Historically Black Colleges and Universities, Tribal Colleges and Universities, and minority-serving institutions; and increasing Pell Grants. The President’s Agenda will also invest in training programs that will prepare millions of workers for high-quality jobs in fast-growing sectors, make historic investment in Registered Apprenticeship programs and increase pathways for underserved communities to access these training opportunities that lead to good, middle-class jobs. Free community college alone will boost the earnings of low-wage high school graduates who take advantage of the benefit by approximately $6,000, increasing productivity, and accelerating growth. Research shows people who graduate from college have higher incomes and lower unemployment. This is why the Build Back Better agenda also invests in evidence-based strategies that support retention and completion. A greater supply of college graduates also has widespread economic impacts including increasing the wages of people who have not completed high school and high school graduates. Enrollment gains are particularly important for filling middle-skills jobs. In fact, most high-quality jobs for middle-skills workers are jobs that require associate’s degrees. Reducing higher education costs also creates clear economic benefits that will be realized over the long-run. According to Moody’s Analytics’ Mark Zandi, the Build Back Better Agenda will, “increase labor productivity by raising the educational attainment of the workforce,” with benefits playing out well beyond the 10-year budget window.

Paid Family and Medical Leave
Nearly four of five private sector workers – and 95 percent of the lowest wage workers – have no access to paid family leave, which is a critical input for economic growth and competitiveness in the 21st century. Compared to 40 other developed countries, the U.S. came in dead last in terms of offering any type of parental paid leave. This has severe consequences, with one study finding that expansion of family friendly policies in other OECD countries explains up to 29 percent of the relative decrease in women’s labor force participation in the United States. The Build Back Better agenda would provide paid family and medical leave for millions of American workers to take time to bond with a new child, care for a seriously ill loved one or heal from their own serious illness. Research shows paid leave policies increase employee retention and morale, boosting productivity and profitability for employers and contributing to economic growth. According to McKinsey, advancing gender equity through policies like paid leave prior to the end of the COVID-19 pandemic could shrink gender gaps in the labor force and boost U.S. GDP by as much as $2.4 trillion by 2030.

Home Care
The United States is in the midst of a long-term care and caregiving crisis, made worse by COVID-19. Hundreds of thousands of older adults and people with disabilities who need better care are unable to access it, even if they qualify under Medicaid. More than 1 million Americans work in home care. Wages for essential home care workers are about $13 per hour, among the lowest in our economy— one in six home care workers lives in poverty. The Build Back Better Agenda will make a historic investment in home care in the United States. According to research from the Urban Institute and Center for American Progress, investment in home care increases economic growth by raising wages, creating new jobs, building a stronger home care workforce and allowing working people to keep their jobs and pursue careers. With increased access to formal home care, adult children of parents in need of care are less likely to drop out
of the labor force and more likely to work full time.

**Tax Cuts for Families**

Even before the COVID-19 pandemic, countless American households struggled to afford regular expenses like food, housing, clothing, and transportation. The United States has a higher percentage of children living in poverty, after taxes and transfers, than many countries including Canada, New Zealand, Australia, France, Germany, Ireland, and South Korea. One study estimated that child poverty costs the U.S. economy 5.4 percent of GDP each year, by reducing economic productivity and raising costs due to increased crime, poor health, and child homelessness and maltreatment. The researchers conclude that every dollar spent on reducing childhood poverty would save seven dollars.

President Biden’s Build Back Better Agenda will extend the Child Tax Credit expansion in the American Rescue Plan. The increase from $2,000 per child to $3,000 per child for children over six and $3,600 for children under six will provide 39 million households and nearly 90 percent of American children a major tax cut – and cut child poverty nearly in half. According to Census Bureau data, the number of families with children reporting not having enough food to eat fell by 25 percent after families received their first expanded Child Tax Credit payment under the American Rescue Plan. According to research from the Center for American Progress, substantially increasing the Child Tax Credit "would help secure economic stability for working families, reduce inequality, and sustainably boost economic growth."

**Climate Investments**

Climate change is an existential threat and is already undermining economic growth in the United States and around the world. In one recent year, extreme weather fueled by climate change cost more than 1.5% of GDP. The cost of “billion-dollar” climate-related weather disasters in 2020 exceeded $100 billion dollars. And, 4.5°C of average warming (by 2050) could cost the U.S. economy $5.2 trillion. A new report by EPA on climate change and social vulnerability also illustrates the disproportionate climate impacts vulnerable communities will face, including on certain workers, coastal communities, and lower income communities. There is also tremendous opportunity to grow the economy and support good-paying jobs by tackling the climate crisis, but the U.S. is lagging behind other countries in developing the manufacturing base and workforce needed to seize this opportunity.

The Build Back Better Agenda will make the largest investment in climate and clean energy in history, delivering smart solutions for agriculture, forestry, industry, transportation, power, and buildings – driving emissions reductions that will grow the economy and reduce future costs to the government and to the American people. In fact, the key climate provisions of the Build Back Better Agenda could deliver 638,000 jobs in 2030, concentrated in the manufacturing, construction, and service industries. They would also avoid 4,600-7,000 premature deaths and 127,000-194,000 asthma attacks annually by 2030.

**Affordable Housing**

The annual supply of new housing units is 300,000 below the demand for new housing—the largest shortfall in nearly 50 years—putting pressure on families, increasing price pressures in the economy, and undermining growth. In fact, housing supply shortages cost the U.S. $400 billion in lost economic output each year. Today, some 10.5 million renters pay more than half of their incomes in rent, with renters of color more likely to be rent burdened or live in sub-standard housing.
The Build Back Better Agenda will increase economic growth and reduce inflationary pressures by spurring the construction and rehabilitation of affordable housing units and helping struggling families cover housing costs. According to research from the Economic Policy Institute, the housing investments in the President’s plan will create and support more than 115,000 jobs each year over the decade. A literature review conducted by the Center for Housing Policy, an affiliate of the National Housing Conference, also found that "the development of affordable housing increases spending and employment in the surrounding economy, acts as an important source of revenue for local governments, and reduces the likelihood of foreclosure and its associated costs".

Affordable Health Care
While the Affordable Care Act (ACA) cut the nonelderly uninsured rate by about 40 percent, 30 million Americans were still uninsured when President Biden took office. One major reason is that coverage under the ACA was too expensive for many families, with millions of low-income people locked out of health insurance because they reside in states that refuse to expand Medicaid. At the same time, many older Americans still struggle to afford the care they need because Medicare does not cover dental, vision, or hearing. The Build Back Better Agenda would extend the American Rescue Plan’s Premium Tax Credit expansion, close the Medicaid coverage gap, and expand Medicare for older Americans. These efforts could yield higher insurance coverage at a significant savings for states, improve the health and financial situation of many Americans, and ensure the financial stability of rural hospitals. For example, a literature review from the Council of Economic Advisers, found that expanding Medicaid coverage improves health and financial wellbeing and could produce as many as 1 million additional jobs. In addition, recent research has shown that expanding Medicaid expansions resulted in significant reductions in medical debt in collections and also improves the financial viability of rural hospitals by reducing the amount of uncompensated care costs they incur.