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ECONOMIC UPDATE

August 20, 2021

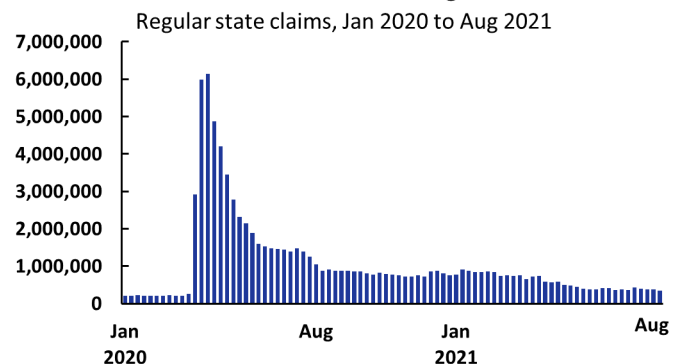
Economic Issue in Focus – Expanded Child Tax Credit Expected to Generate \$19.3 Billion Each Month In Spending In Local Economies

- Updated [estimates](#) from the JEC show the expanded Child Tax Credit (CTC) is expected to generate nearly \$19.3 billion in spending in local economies *each month* based on information released by the Treasury Department for August. The updated brief includes estimates for the economic impact on each state. Data from the Census Bureau show the expanded CTC is already having a major impact with dramatic declines in food insufficiency and financial hardship. Households with children experienced a 2.6 percentage point decline in food insufficiency in July 2021, after the first round of monthly payments was disbursed. Similarly, the number of households with children reporting difficulty paying for household expenses declined by 2.5 percentage points that month. Families who received expanded CTC payments in July overwhelmingly spent the money on essentials for their children: 47% spent it on food and nearly 10% (and 17% of those with at least one child under age five) spent it on child care.

Key Economic Indicators to Track

- Unemployment Insurance Claims:* [Data](#) released by the Department of Labor show that the labor market recovery continues, as new claims for unemployment benefits fell to a pandemic-era low of 348,000 for the week ending August 14. The decline in claims underscores that economic activity continues to strengthen, as businesses safely reopen, vaccine rollout continues and public safety precautions, including masking, are practiced.
- Retail Sales:* [Data](#) released by the Census Bureau show that retail sales remain above pre-pandemic levels by over 17%, indicating that despite concerns about the Delta variant, the U.S. economy remains strong.
- FOMC Minutes:* [Minutes](#) from the Federal Open Market Committee’s July meeting show that Fed officials have continued discussions about when to begin tapering off bond purchases, raising the possibility that this could occur before the end of 2021.

Weekly Claims For Unemployment Benefits Fell to a Pandemic-Era Low in August 2021



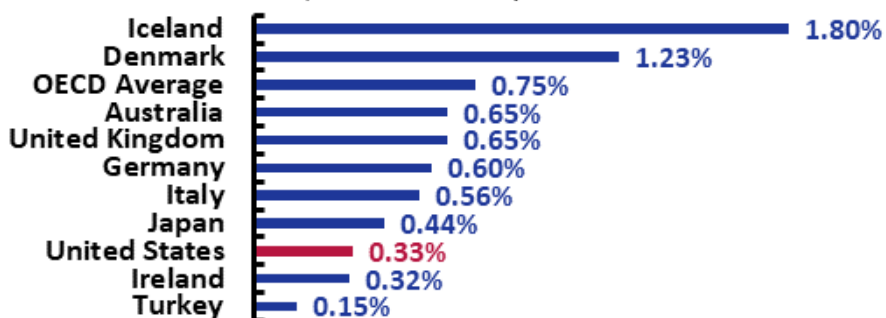
Source: Department of Labor
Note: Data are seasonally adjusted.

JEC Spotlight – Further Investment in Child Care is Needed As It Forms The “Backbone of the Future Economy”

A recent [JEC fact sheet](#) draws attention to the fact that the United States spends significantly less on child care and early education than most other OECD member countries. Out of the 33 OECD members that reported on their spending on child care and early education, the United States ranks third from the bottom for investments as a share of GDP. Recent [reporting](#) underscores the need to make investments to ensure that affordable child care is available to all because, even as much of the economy has reopened, uncertainty surrounding school re-openings and child care as a result of the Delta variant is keeping mothers from applying to jobs. University of Michigan economist Betsey Stevenson recently [described](#) child care as, “the backbone of our future economy because it invests in and develops our human capital.” As the economic recovery continues, the need to make the investments in the care economy contained in the reconciliation package is evident, as choices about child care will shape the U.S. economy for years to come.

U.S. Public Investment in Children Lags Behind Other OECD Countries

Public spending on early childhood education and care as a share of GDP, 2015 or latest year available



Source: OECD Social Expenditure Database, Chart PF3.1.A. Public spending on early childhood education and care

Selected JEC Resources

- [*Concentrated Corporate Power Is Holding Back Our Economy and Undermining Shared Prosperity*](#)
- [*Protecting Renters from Eviction Can Both Keep Families Housed and Ensure an Equitable Economic Recovery*](#)

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Contact: nita_somasundaram@jec.senate.gov