JOINT ECONOMIC COMMITTEE DEMOCRATS

CHAIRMAN DON BEYER @JECDEMS

ECONOMIC UPDATE

October 21, 2022

House Republican Leaders Signal Their Intent to Use Debt Ceiling Relief Negotiations to Cut Vital Economic Security Programs

House Republican leaders, including Minority Leader Kevin McCarthy, have indicated their intent to use next year's debt-limit deadline to demand policy concessions, while signaling that Social Security and Medicare cuts will be on the table. Breaching the debt ceiling—or even threatening to breach the debt ceiling—would have catastrophic effects on the economy. While the United States has recovered more than all of the jobs lost during the pandemic, families are still feeling the pain of global inflation, and Republican debt-limit brinksmanship would add to that pain.

The House Republican agenda, outlined in the Republican-issued budget, would cut benefits and raise the retirement age for Social Security and Medicare, programs that are essential for the financial security of U.S. seniors and overall economic growth and stability. The budget also proposes ending Medicare's commitment to seniors and replacing it with an inadequate voucher system.

A debt-limit breach would make it impossible for the federal government to continue expected payments to the military, veterans and seniors. Once the United States reaches the debt limit, the Treasury would only be able to pay debts using existing funds and revenue as it comes in. The majority of federal spending pays for the military, veterans, Social Security and health programs such as Medicare and Medicaid, and incoming tax revenue would not be sufficient to continue making these payments.

Defaulting on federal debt would cause an economic catastrophe at a time when families are feeling the pain of global inflation and the recovery is ongoing. Moody's Analytics economist Mark Zandi predicted last year that a default on U.S. debt obligations would trigger a global market panic on the scale of the 2008 financial crisis, which could result in a loss of nearly six million jobs, an unemployment rate of nearly 9%, the elimination of $15 trillion in household wealth and a decline in real GDP of almost 4%.

Key Economic Indicators to Track

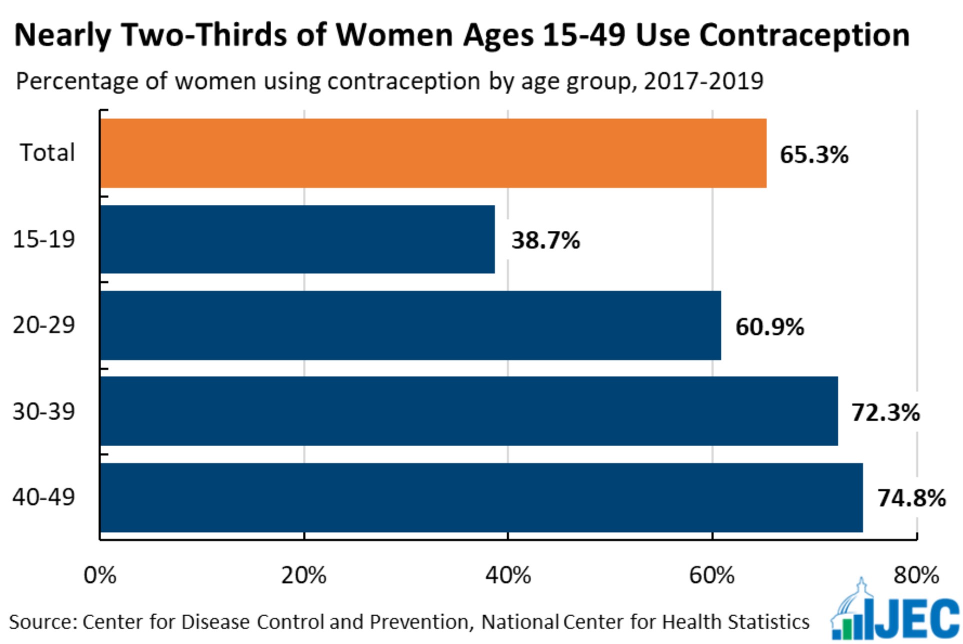
- **The IRS Announced the Inflation-Adjustment of Tax Brackets to Reduce the Tax Bills for Many Americans Next Year:** The IRS announced it would be adjusting key tax code parameters for 2023 to reflect higher inflation, by raising both the standard deduction and the income thresholds where tax rates take effect. Such adjustments are generally designed to prevent inflation from causing tax increases. People will see lower tax withholding from their paychecks as early as January and will get larger take-home pay early next year, all else being equal.

- **State Unemployment Data Show the Labor Market Remains Strong Across the Country:** The Bureau of Labor Statistics released state-level employment data for the month of September. Data showed 49 states, DC and Puerto Rico added nonfarm jobs or remained stable, and unemployment rates decreased or remained stable in 41 states and the District of Columbia. The majority of states either had unemployment rates lower than the U.S. figure of 3.5% or were not significantly different from that of the nation.
- **Filings for Initial Unemployment Insurance Claims Remain Close to Pre-Pandemic Levels During October 2019:** The number of Americans who filed new claims for unemployment insurance fell to 214,000 from 226,000 during the week ending October 15. Over the last four weeks, the average number of Americans receiving unemployment insurance benefits is down by 75% since President Biden took office.
- **Initial Estimates of Q3 2022 GDP Will Be Released this coming Thursday:** The Bureau of Labor Statistics is scheduled to release its first estimate of Q3 2022 gross domestic product (GDP) on Thursday, October 27.

JEC Spotlight: Access to Contraception Generates Savings for the Broader Economy

A new JEC fact sheet highlights how every dollar spent on contraceptive services saves almost $6 of public spending through reducing unplanned pregnancies alone, and each year, public investments in contraception save $10.5 billion. Some of the other far-reaching economic benefits of contraception access include achieving a reduction in female poverty by providing legal access to contraceptives at an early stage in life.

Access to contraception generates economy-wide benefits. It has been shown to reduce poverty, raise wages and improve educational outcomes. By the 1990s, contraception contributed to nearly one-third of the reduction in the gender wage gap. Women with access to contraception in their early 20s earned 11% more per year by their early 40s than women who did not. Enrollment in college is 20% higher for individuals who have legal access to birth control early in life than for those who did not, and completion rates are higher for those with access to contraception.



Selected JEC Resources

- *Repealing the Inflation Reduction Act Would Increase Costs for Families, Drive Up the Deficit and Hurt Job Growth*
- *By the Numbers: How Democrats Are Creating Jobs and Cutting Costs, State Data and Congressional District Data*
- *States That Most Restrict Access to Abortion Have Worse Economic Conditions for Families*
- *The Economic Toll of the Opioid Crisis Reached Nearly $1.5 Trillion in 2020*
- *Electrifying Commercial Transportation Will Generate Significant Climate Benefits, Save Companies Money and Reduce U.S. Dependence on Foreign Oil*

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