



ECONOMIC UPDATE

March 23, 2023

Issue in Focus: New JEC Report Highlights The Steep Costs of a Republican Default Crisis at Both the National and State Level

By refusing to raise the debt limit, Republicans have created a crisis that will undermine confidence in America's commitment to pay its bills and drive up a range of costs for American families—from mortgages, car loans, student loans, and small business loans. A new [report](#) out today from the JEC highlights the costs of both breaching, and just threatening to breach, the U.S. debt limit.

Lifting the debt limit is necessary for the U.S. government to keep its word to America's 18 million veterans and over 65 million people on Social Security and Medicare. While breaching the debt limit would be catastrophic, the threat of breaching the debt ceiling alone could cause a typical new homeowner to see their monthly mortgage payment go up more than \$150, costing them an extra \$54,300 over the life of their loan.

The [report](#) includes **state-level data** on the number of people in each state who could see their Medicare, Social Security, or VA benefits disrupted due to debt limit brinkmanship, as well as data on the higher mortgage costs in each state if the default crisis increases interest rates like it did in 2011.

What You Need to Know

- **Today marks the 13th Anniversary of the Affordable Care Act, which data show has saved lives and reduced economic inequality.** More than [40 million](#) people are currently enrolled in Marketplace or Medicaid expansion coverage related to provisions of the Affordable Care Act, which is the highest total on record. Research shows that this increased coverage saves lives, increases access to care, and helps to reduce economic inequality. Steps taken by the Biden administration and Democratic majorities last Congress helped bring the uninsurance rate near its all-time low by the end of 2021.
 - Nonetheless, 11 states with Republican-led legislatures have [failed](#) to expand their Medicaid programs under the ACA, though North Carolina [plans](#) to expand in 2024. Together, this failure to expand leaves over 2.1 million low-income Americans [uninsured](#) despite significant federal funds that cover much of the cost of expansion.
- **The Federal Reserve announced that the federal funds rate would be raised by 0.25%.** Fed Chair Powell reemphasized the Fed's [commitment](#) to restoring price stability and highlighted the Fed's view that the U.S banking system is "sound and resilient." The Fed acknowledged however that policy tightening is likely to result in "below-trend growth and some softening of labor market conditions." He also indicated that the Fed will monitor incoming information while considering the extent of future rate hikes given that the recent upheaval in the banking sector has tightened credit conditions.

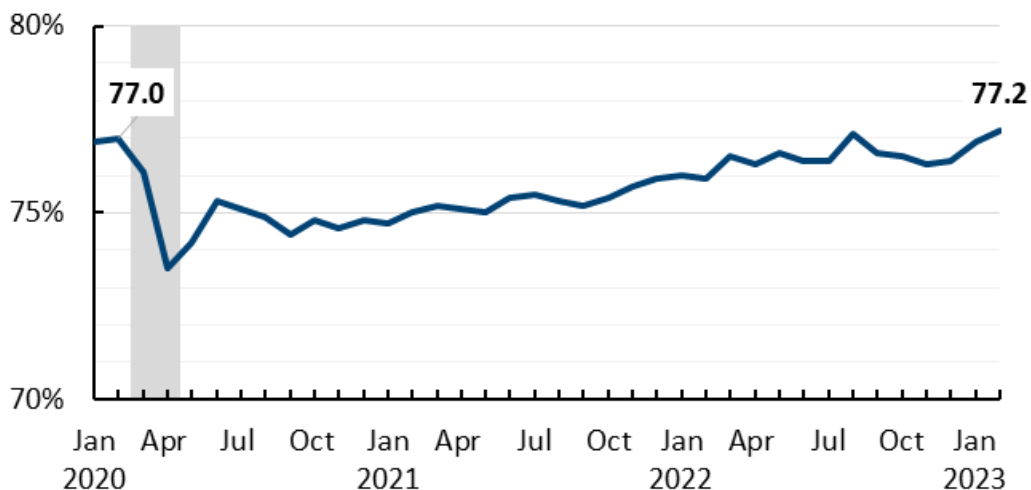
- **Treasury Secretary Janet Yellen indicated that the federal government would be prepared to protect deposits at other smaller banks, if warranted.** Secretary Yellen [stated](#) that the U.S. would be prepared to take the necessary action if smaller financial institutions began to encounter deposit runs, which were likely to jeopardize the stability of the U.S. banking system.
- **Data released by the Bureau of Labor Statistics show that the unemployment rate for veterans fell to 2.8% in 2022.** This rate is the lowest since data on veteran unemployment began to be collected in 2000. It is also [lower](#) than the unemployment rate of 3.6% for non-veterans, as is the share of male, female, white, and Black veterans who are unemployed.
- **The number of federal government employees who joined a union increased by nearly 20% between September 2021 and September 2022.** The White House Task Force on Worker Organizing and Empowerment [announced](#) this on Friday. The Task Force credited the Office of Personnel Management (OPM) for their work on informing federal workers of their right to join a union.

Chart of the Week: Women Helped Drive the Economic Recovery

Women’s participation in the labor force has been critical for maintaining overall labor force participation, especially during the economic recovery from the pandemic. Women were hit hard during this pivotal time, with many leaving the labor force or becoming unemployed. However, women have since seen an impressive recovery with their unemployment rate falling rapidly—faster than among men or the economy overall—before stabilizing. Labor force participation among women also saw a quicker recovery than men, with the rate for women ages 25-54 having now surpassed pre-pandemic levels.

Labor Force Participation for Women Ages 25-54 Has Surpassed Pre-Pandemic Levels

Labor force participation rate of women ages 25-54, January 2020 to February 2023



Source: Bureau of Labor Statistics
 Note: Data are seasonally adjusted.



What to Watch Next Week

- *Tuesday, March 28:* The Senate Banking Committee is [scheduled](#) to hold a hearing with federal financial regulators on why Silicon Valley Bank and Signature Bank failed. The witnesses include FDIC Chairman Martin Gruenberg, Fed Vice Chair for Supervision Michael Barr, and Treasury Under Secretary for Domestic Finance Nellie Liang.
- *Wednesday, March 29:* The House Financial Services Committee is also [scheduled](#) to have a hearing on the collapse of Silicon Valley Bank and Signature Bank with the same witnesses.
- *Friday, March 31:* The Bureau of Economic Analysis [releases](#) core Personal Consumption Expenditures (PCE) inflation data for February. The pace of core PCE, the Fed's preferred measure of inflation, is expected to decline from 0.6% in January to 0.4%. On an annual basis, core PCE inflation is expected to have eased from 4.7% to 4.3%.

New Reports and Research

- An [analysis](#) from the Center on Budget and Policy Priorities assesses that House Republicans' pledge to cut appropriated programs to their 2022 levels would have harmful effects, especially for non-defense programs. The authors find that fully funding veterans' medical care and shielding the Defense Department from cuts would mean an average cut of 23% to other non-defense programs to achieve the House Republican goal of lowering total appropriations funding to 2022 levels.
- Recent [analysis](#) from the Century Foundation explains why Medicaid should be off limits from cuts during budget negotiations. They find that in November 2022 over 91.7 million people were enrolled in Medicaid/CHIP, representing a 33% increase since the start of the pandemic as a result of public health emergency regulations.
- A new [report](#) from the Economic Policy Institute outlines state rollbacks of child labor laws just as child labor violations are on the rise. They find that the number of minors employed in violation of child labor laws increased 37% in the past year while at least 10 states introduced or passed laws rolling back child labor protections in the last two years.

Recommendations

- [“No, ‘Wokeness’ Did Not Cause Silicon Valley Bank’s Collapse,”](#) *The New York Times*
- [“Women and Minority Business Owners Relied on Silicon Valley Bank When Other Banks Turned them Away. Now What?,”](#) *The 19th*
- [“Senior Care Is Crushinglly Expensive. Boomers Aren’t Ready.,”](#) *The Washington Post*
- [“The Gas Stove Wars Are Far From Over,”](#) *Vox*
- [“Job Listings Abound, but Many Are Fake,”](#) *The Wall Street Journal*

JEC Resources

- [Women’s Entrepreneurship Is Growing Rapidly](#)
- [National and State-Level Data on the Economic Status of Black Americans, 2023](#)
- [Public Investments Improved the Economic Status of Black Americans, But Significant Barriers to Economic Opportunity and Security Remain](#)
- [The Economic State of Black Workers and Families in the United States](#)