



Introduction

The Biden-Harris Administration entered office as the country was in the grip of a once-in-a-century global pandemic. The economy was in the throes of one of the deepest macroeconomic shocks since the Great Depression, and while unemployment was down from its peak, it was still highly elevated. The Administration took immediate and decisive action to offset the impact of the two-sided pandemic shock—to both the economy’s supply and demand sides—and lay the groundwork for a lasting, durable, and inclusive recovery.

The *2025 Economic Report of the President*, the fourth and last of the Administration, provides careful analyses of how the Administration has implemented public policy to achieve the President’s economic goals. It begins by reviewing macroeconomic trends over the past four years, illustrating the path from economic uncertainty to robust growth and a historically strong labor market. It then delves into specific topics within labor markets, tax policy, healthcare, climate policy, international trade, and education to examine how policy implementation can make a tangible, positive difference in the lives of families and communities.

Many of these policy details rarely make headlines either on traditional or social media. But, as this volume shows, well-designed policies can help struggling families and address consequential market failures, just as failing to make such interventions can stall or reverse progress.

For example, chapter 4 of this *Report* highlights more than a dozen specific healthcare policies that together helped boost health insurance enrollment to a record high. Chapter 5 highlights numerous policies summing to the largest-ever U.S. investment in clean energy, which are helping to bend the arc of U.S. carbon emissions. Chapter 6 highlights how investment incentives

created through the Inflation Reduction Act have attracted record foreign direct investment. Addressing the sobering reality of pandemic-era learning losses, chapter 7 highlights numerous actions taken by federal policymakers to aid academic recovery following the pandemic.

Elsewhere, this *Report* highlights additional policy action that may be needed to respond to broad economic trends. Chapter 2 explores structural changes to the U.S. labor market brought about by remote work and potential new policy challenges and opportunities. Chapter 3 explains why U.S. participation in the Global Tax Deal is necessary for shoring up tax revenue from multinational corporations operating across numerous tax regimes in various countries. Taken together, the *Report's* chapters illustrate the difference that competent policy creation and implementation can make in building an economy based on fairness, opportunity, and broadly shared growth.

Chapter 1: Four Years in Review and the Years Ahead

The U.S. post-pandemic recovery is an unusual and, in many ways, remarkable period in macroeconomic history. Among the most notable trends is the speed at which the U.S. economy returned to full employment and how durable full employment has been. When President Biden took office in January 2021, the unemployment rate was still elevated at 6.4 percent and payroll employment was well below its pre-pandemic level. In far less time than in past recoveries, the economy surpassed the pre-pandemic level of real GDP, entering a robust expansion that consistently exceeded forecasters' expectations. Figure i-1 shows how the actual unemployment rate came in lower than even the most optimistic Blue Chip forecasts through the second quarter of 2024. This uniquely strong job market helped support real wage and income gains, which in turn bolstered consumer spending. The Biden-Harris investment agenda was also consequential to the recovery and long-term health of the economy by crowding in private capital in support of key sectors, including clean energy and semiconductors.

During the pandemic, nearly all advanced economies experienced a spike in inflation, which climbed to levels not seen in decades. At the time of this writing, the spike had largely dissipated in the United States. What factors were behind inflation's rise and fall? The CEA has long shown that the inflation surge was driven by the collision of strong demand and snarled supply. This view has been further supported by the extent of disinflation

Figure i-1. Unemployment Rate



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Sources: Bureau of Economic Analysis; Congressional Budget Office; Blue Chip Economic Indicators; Federal Reserve Board of Governors; CEA calculations.
Note: Data are seasonally adjusted. All forecasts (besides Blue Chip) were finalized before 2022:Q4 data were released. Summary of Economic Projections (SEP) data reflect median Federal Open Market Committee projections, Q4 level. Shaded area indicates the difference between Blue Chip Top 10 average and Blue Chip Bottom 10 average estimates.
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that occurred as supply chains unsnarled. Chapter 1 carefully reviews the details of inflation’s roundtrip.

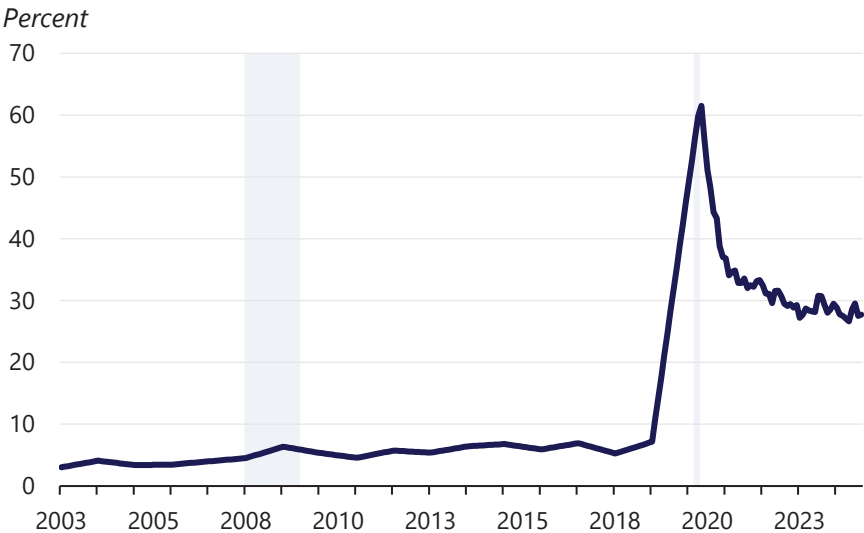
The chapter concludes with two policy lessons from the past four years. Hitting back hard and fast against exogenous shocks is one key lesson, both to quickly return to full employment and to avoid scarring effects that can persistently damage economic performance. The second lesson is the urgent need to reform one of the nation’s first lines of counter-cyclical defense: the unemployment insurance (UI) program. The enormous expansion of UI during the COVID-19 era served as a critical stabilizer, but it also stretched the capacity of an antiquated system. In the spirit of “fixing the roof when the sun is shining,” policymakers would be smart to engage in needed reforms, many of which are cited in chapter 1. The chapter concludes with the Administration’s 10-year forecast.

Chapter 2: How Remote Work Is Reshaping the Economy

The rise of remote work is one of the more economically important labor market legacies of the pandemic. Chapter 2 is largely motivated by the figure below, which shows an elevated level of remote work relative to just a few years ago (figure i-2). Many employers and workers have continued to operate in either fully remote or hybrid work models since the pandemic, with improved technology and new workplace practices supporting the trend.

It will take time for researchers to fully understand the economic implications of this fundamental shift in the structure of work. Available evidence suggests that remote work comes with benefits and costs to employers and employees. It is a valued job amenity that can reduce barriers to accessing the labor market—for example, for those with disabilities or caregiving responsibilities. Remote work is also likely to leave an imprint on the geographic pattern of economic activity as it loosens locational constraints to matching workers with suitable jobs. At the same time, remote work poses real challenges to businesses because some of the traditional benefits

Figure i-2. Share of Paid Workdays That Are Remote



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Sources: Barrero, Bloom, and Davis (2021a); CEA calculations.

Note: Remote work share is defined as the share of full paid days worked from home. Pre-2020 estimates are derived from the American Time Use Survey. Estimates beginning in May 2020 are from the Survey of Working Arrangements and Attitudes. Gray bars indicate recessions.

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of in-person work—teamwork, collaboration, and mentoring—may be more difficult to achieve remotely.

With these economic considerations come a collection of public policy issues. Remote work is most common among workers with high education and income levels and, as such, reinforces some pre-existing patterns of labor market inequality. Policymakers must also grapple with changes in economic activity patterns, such as central business districts experiencing reduced demand for commercial real estate. As this key structural shift plays out, maximizing its benefits and minimizing its costs will require careful investigation of its economic implications.

Chapter 3: Aligning the International Tax System with the Globalized Economy

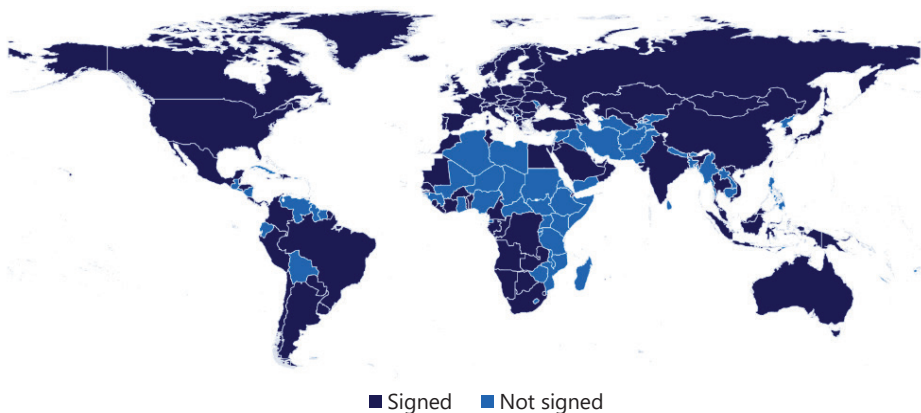
The Administration has long argued that the United States needs to put its fiscal accounts on a more sustainable path. The Administration’s budgets have focused on deficit reduction by proposing increased taxes on corporations and high-wealth individuals. Chapter 3 explores a critical aspect of protecting the corporate tax base: reforming the way countries, including the United States, tax multinational corporations.

The chapter focuses on how the Global Tax Deal—a coordinated international framework agreed upon by the United States and more than 130 other countries—seeks to align the international tax system and globalized economy (figure i-3). Despite unilateral country efforts to curb cross-border tax planning by multinational corporations, including the U.S. Tax Cuts and Jobs Act, an estimated \$2 trillion of global multinational profits were taxed at effective rates below 15 percent from 2017 to 2020. The ability of multinationals to exploit differences in tax regimes across countries motivates the proposals discussed in the chapter.

In a global economy, countries have an incentive to decrease their corporate tax rates to attract economic activity. Without coordination, such incentives encourage a “race to the bottom” in corporate tax rates across countries. Given this structure of corporate tax competition, multinationals spend significant resources shifting profits around the globe to reduce their tax burden. At the same time, the rapid growth of digital services has raised questions about which countries have taxing rights over digital activity and led to a rise in unilateral Digital Services Taxes.

The Global Tax Deal addresses these challenges through two pillars. Under one pillar of the agreement, large multinationals would face a global minimum tax rate of 15 percent. The deal also includes mechanisms that provide strong incentives for countries to join, thus curbing the race to reduce corporate tax rates. The other pillar of the agreement outlines a

Figure i-3. Countries That Agreed to the October 2021 Global Tax Deal Framework



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Sources: Organisation for Economic Co-operation and Development; CEA calculations.

Note: Figure shows which countries signed the October 2021 *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy* as of June 9, 2023.

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coordinated approach to levying taxes based in part on where large multinationals' customers are located. Specifically, this pillar reallocates a portion of a large multinational's taxable income to the countries where its customers are located even if it has no physical presence in those countries.

The chapter argues that replacing international tax competition with cooperation would improve economic efficiency, protect revenues, and improve tax fairness by aligning the international tax system with the globalized economy.

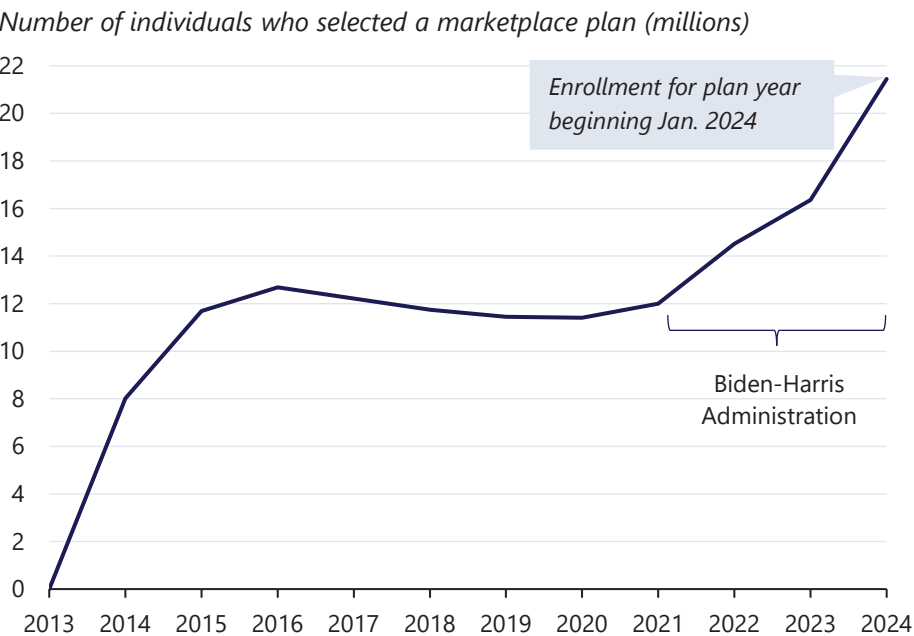
Chapter 4: Expanding and Strengthening U.S. Health Insurance Coverage

Figure i-4, from chapter 4, is a powerful illustration of the impact of both useful and damaging healthcare policy. The figure shows the millions of individuals enrolled in the Affordable Care Act Health Insurance Marketplace. Enrollment initially grew quickly, with the Marketplace providing coverage for about 12 million individuals by 2015. But as the chapter discusses, the Trump Administration took active steps to discourage signups for Marketplace coverage. In contrast, the Biden-Harris Administration removed barriers to enrollment by increasing outreach and simplifying ways to sign up for coverage. At the same time, those eligible

were provided support to pay for coverage through increased premium tax credits. The results were record coverage in the Marketplace and the lowest-ever uninsured rate.

Numerous policies contributed to the results; table i-1 lists more than a dozen that the Administration introduced or expanded to raise health coverage among American families. Chapter 4 documents the many positive effects of acquiring health coverage, including not only improved medical outcomes, but also long-term benefits such as increased labor supply, earnings, and overall wellbeing.

Figure i-4. Marketplace Enrollment at the End of Open Enrollment



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Sources: Centers for Medicare & Medicaid Services; Department of Health and Human Services.
Note: Data for each year denote plan selections during the open enrollment period for that plan year.
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Table i-1. Notable Biden-Harris Administration Health Insurance Policies

Expanding Access to Marketplace Coverage
<ul style="list-style-type: none">• Increased generosity of Premium Tax Credits to help purchase Marketplace coverage• Created a special open enrollment period in 2021 in response to the pandemic• Extended the annual open enrollment period to 10 weeks• Substantially increased funding for advertising and enrollment assistance• Established a year-round special enrollment period for those with incomes less than 150 percent of the federal poverty level• Fixed the family glitch to extend financial assistance to eligible family members• Protected consumers from junk health plans with short-term duration limits and coverage disclaimers
Protecting and Extending Medicaid Coverage
<ul style="list-style-type: none">• Raised federal matching funds to encourage states to adopt ACA Medicaid expansions• Provided states with the option to extend postpartum Medicaid coverage from 60 days to 12 months• Required states to provide 12 months of continuous eligibility for children in Medicaid and CHIP• Minimized declines in coverage following the end of pandemic-era continuous Medicaid coverage
Strengthening Prescription Drug Coverage and Reducing Costs Under Medicare
<ul style="list-style-type: none">• Limited out-of-pocket insulin spending under Medicare Parts B and D to \$35 per month/prescription• Expanded the Low-Income Subsidy Program under Medicare Part D• Capped out-of-pocket prescription drug spending under Part D beginning in 2024• Gave Medicare the authority to negotiate prices of certain high-price drugs

Chapter 5: Achieving a Net Zero Carbon Dioxide Emissions Economy in the United States

The Administration set ambitious goals for reducing CO₂ emissions and passed historic legislation to safeguard a future where continued economic progress can coincide with a safe and stable climate. Table i-2 highlights some of the Administration’s major climate commitments and policies. Figure i-5 shows trends to date in CO₂ emissions by economic sector.

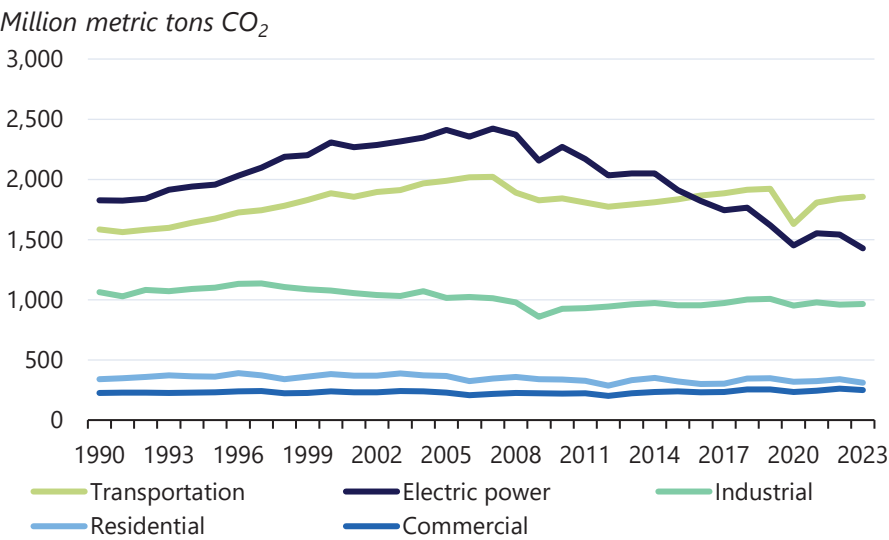
Chapter 5 presents a framework for the next steps in a net zero CO₂ emissions strategy, highlighting four distinct components guided by a concept in environmental economics known as the equimarginal principle. The principle, which might be summarized as “picking the lowest-hanging fruit first,” highlights the fact that each sector of the economy faces unique costs and challenges to decarbonization.

The first strategic component of reaching the Administration’s goals is achieving net zero CO₂ emissions in the electricity sector, broadly considered to be technologically possible and less expensive than other abatement options. The linchpin of the step is increasing energy storage and transmission capacity so variable renewables like wind and solar power can be efficiently deployed even when and where the wind is not blowing and the sun is not shining. Second, the United States can reduce CO₂ emissions significantly by powering more economic activity with clean electricity, a process known as electrification.

Given current and near-term technology expectations, significant parts of economic activity and commerce are more costly to electrify than others. Thus, the final two components of the chapter’s framework focus on (i) how to decarbonize economic activities that cannot be electrified and (ii) using negative emissions technologies to capture and store CO₂ emissions that would be more costly to eliminate.

The chapter highlights an ambitious suite of policies necessary to implement the framework. The ideas build on Administration measures that provide investors, firms, and households with incentives to research and implement methods of producing and storing clean electricity, expanding its use, and applying other decarbonization strategies in areas where electrification is more difficult.

Figure i-5. Energy-related CO₂ Emissions by Sector, 1990-2023



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Sources: Energy Information Administration; CEA calculations.
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Table i-2. Selected Biden-Harris Administration Climate Commitments and Major Policies

Climate Commitments

- On day one of taking office, the Administration rejoined the international Paris Climate Accords, which intends to limit global temperature increases to below 1.5–2°C above pre-industrial levels. The Administration set a target of reducing greenhouse gas (GHG) emissions by 50–52 percent by 2030 from 2005 levels and achieving a net zero GHG emissions U.S. economy by 2050.

Expanded Role of Federal Climate Leadership

- The Administration established the first White House Office of Domestic Climate Policy and elevated the role of Special Presidential Envoy for Climate to prioritize domestic and international decarbonization efforts and engagements.
- Historic federal actions and nationwide climate strategies across sectors include the U.S. National Blueprint for Transportation Decarbonization, the Administration’s efforts to achieve 100 percent clean electricity by 2035, the U.S. Industrial Decarbonization Roadmap, the U.S. Buildings Decarbonization Blueprint, the Administration’s climate-smart agriculture efforts and Nature-Based Solutions Roadmap, the U.S. Methane Emissions Reduction Action Plan, the National Climate Resilience Framework, and more.

Clean Energy Tax Credits

- Under the IRA, production tax credits can be claimed for renewable and clean electricity, zero-emissions nuclear power, advanced manufacturing, clean fuel, and hydrogen.
- Additionally, consumers can claim tax credits for energy efficiency home improvements such as heat pump purchases as well as qualifying electric vehicle (EV) purchases and electric and alternative fueling infrastructure under the IRA.
- Investment tax credits can also be claimed for investment in a variety of clean energy projects. As of October 2024, announced private investment in clean energy manufacturing and infrastructure, clean power, and EVs and batteries under the Administration has totaled over \$400 billion.

Clean Energy Demonstrations and Deployment

- Through IRA, BIL, and CHIPS, over \$100 billion has been invested directly in accelerating the deployment of clean energy, clean buildings, and clean manufacturing as well as making communities more resilient to climate change and providing clean water across the United States.
- The Department of Energy has taken steps to speed up the commercialization of emerging energy technologies through a \$25 billion fund for clean energy demonstrations and increased project financing by the Loan Programs Office.

Buy Clean Initiative

- The Administration prioritized the procurement of American-made, lower-carbon construction materials in federally funded projects.

Grid Enhancement and Expansion

- The Administration has taken a number of steps to improve the reliability of the grid through measures that speed up the buildout of new transmission and increase the efficiency of existing infrastructure. This includes administering over \$10 billion to modernize the grid through the Grid Resilience and Innovation Partnerships Program and improving the process for environmental reviews under the National Environmental Policy Act.

Greenhouse Gas Standards and Reduction Efforts

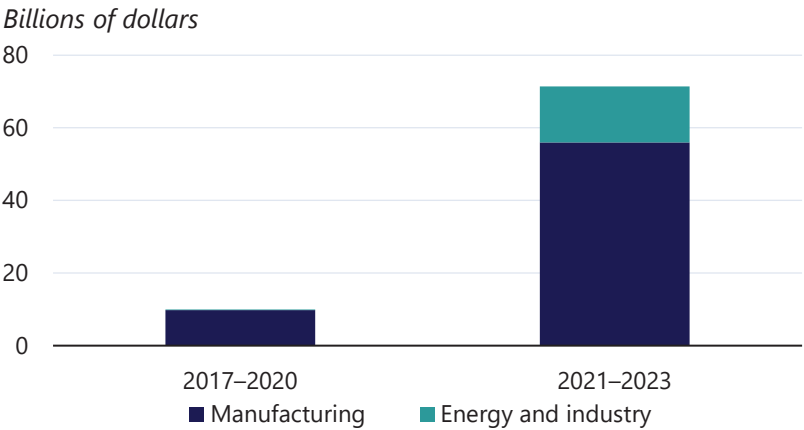
- Under the Administration, the Environmental Protection Agency (EPA) has finalized rules and standards to reduce GHG emissions from fossil fuel-fired power plants and vehicles. Additionally, the EPA implemented a first-of-its-kind fee for methane emissions.
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Chapter 6: America’s Role in International Capital Flows

International capital flows have evolved in important ways over the course of the Administration, reflecting changes in geopolitics and specific policy actions. Chapter 6 describes recent trends in U.S. external balances by focusing on the evolution of the financial account of the balance of payments. The resilience and strength of the U.S. post-pandemic recovery helped to make the United States a premier destination for foreign investment, providing an important source of capital for productive American enterprises. The country has increased its dominance of global flows, receiving a much higher share of international capital flows in recent years compared to pre-pandemic levels.

Cross-border investments comprise familiar financial assets, like stocks and bonds, and foreign direct investment, which often goes toward building factories and equipment. The Administration’s investment agenda in infrastructure, clean energy, and semiconductor technology has served as a rich and productive target for foreign capital (see figure i-6). Notably, incentives created by the IRA and CHIPS Act have helped crowd in foreign investments to the United States, often reaching areas of the country that have traditionally faced economic distress.

Figure i-6. Announced Investment in Clean Energy Projects by Foreign Companies



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Sources: Clean Investment Monitor; CEA calculations.
Note: Energy and industry refers to new or expanded facilities to produce clean energy, capture carbon dioxide emissions, or decarbonize industrial activity. Manufacturing refers to the construction or expansion of factories that manufacture clean energy, clean vehicle, building electrification, or carbon management technology.
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The Administration has also taken consequential actions to protect American workers, producers, and taxpayers from violations of rules-based trade, particularly against China’s long-applied strategy of capturing global market share, gained via subsidies and non-market policies and practices. The Administration has worked to address urgent national security challenges—for example, by blocking exports of advanced technologies to those who might use them against the United States and curtailing outbound investments that undermine U.S. strategic interests.

Although trade deficits are often cited as a scorecard of U.S. competitiveness, chapter 6 rejects this view. If foreign capital inflows—which mirror trade deficits in the international accounts—support productive investments, they are unequivocally positive, helping to boost domestic production and support high-quality U.S. jobs. Indeed, the United States’ post-pandemic recovery has been uniquely characterized by rising productivity and high levels of business investment. International financing has played a critical role in advancing these lasting and transformative achievements.

Chapter 7: Economic Impacts and Opportunities for Innovation in the K-12 Education System

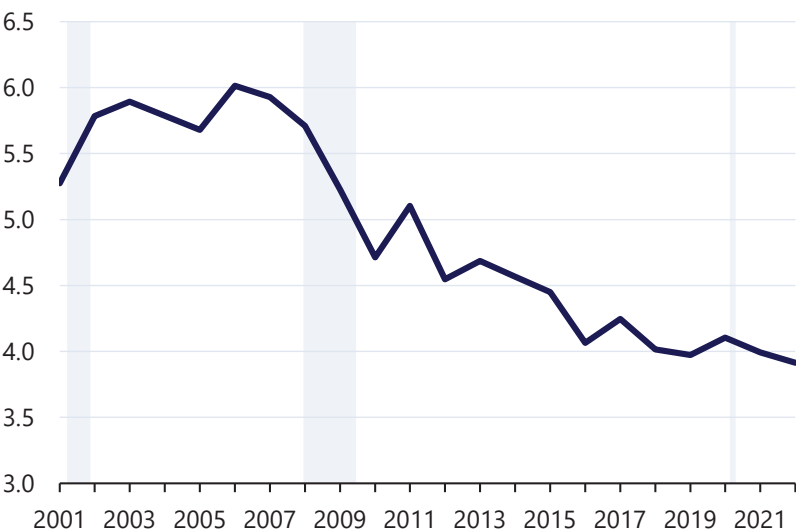
Chapter 7 focuses on a set of challenges facing the country’s kindergarten through 12th-grade (K-12) education system. The COVID-19 pandemic significantly disrupted K-12 schooling, with profound consequences for student achievement, attendance, and engagement. Ongoing recovery efforts must address both pandemic disruptions and longstanding structural shortcomings and inequities in the K-12 system. Although the federal share of K-12 funding is relatively small (around 9 percent), the Federal Government has a critical role to play in stabilizing education expenditures during recessions, facilitating greater resource equity across districts, shaping education policy through laws and incentives, funding innovation and research, and expanding data collection to inform improvement efforts.

Staffing all classrooms with well-prepared and qualified educators remains a central obstacle to improving K-12 education. As figure i-7 shows, the nation’s supply of new teacher licensures relative to its number of school-age children fell by 26 percent from 2001 to 2022. The steady decline of entry into the teaching profession, coupled with increasing turnover and the localized nature of teacher labor markets, has resulted in one out of every eight K-12 public school teaching positions being either vacant or staffed by underqualified teachers.

One explanation for the overall decline in teacher supply is the continued erosion of pay relative to other occupations requiring college degrees. Evidence in chapter 7 shows that teachers face a negative wage premium,

Figure i-7. New Teacher Licensures

Licensures per 1,000 school-age children



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Sources: Title II of the Higher Education Act; American Community Survey accessed via IPUMS; National Center for Education Statistics; CEA calculations.

Note: Gray bars indicate recessions. School-age is defined as age 5 to 17. Data are not reported for school year 2008–2009, so that data point is imputed linearly. In 2020 and 2021, two and one states, respectively, did not report licensures, so data are also imputed linearly for those states. Academic year licensure data are adjusted using population estimates from the spring of the academic calendar. X-axis labels represent the spring year of the academic calendar.

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with median wages 20 percent lower than those of comparable workers in other occupations. Attracting and retaining diverse and effective educators will require making the profession more attractive to potential future teachers through increased pay and opportunities for career advancement, safer schools with reduced gun violence, and improved financial aid for those who commit to K-12 teaching.

Actions by the Administration to bolster academic recovery efforts, accelerate the return to pre-pandemic staffing levels, expand high-quality pathways into the teaching profession, enhance scholarship and debt relief programs for teachers, and modernize school infrastructure exemplify how the Federal Government is fundamental to improving K-12 education. Table i-3 lists some of these specific actions.

Table i-3. Actions by the Biden-Harris Administration to Strengthen K-12 Education

Stabilizing State and District Education Expenditures

- Secured \$130 billion in supplemental funding via the ARP
 - Increased funding for Title I, Part A by \$2 billion and the Individuals with Disabilities Education Act by \$1.5 billion
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Accelerating Academic Recovery and Student Engagement

- Launched the National Partnership for Student Success, organizing 320,000 Americans to serve as K-12 tutors, mentors, and student-success coaches
 - Targeted more than \$1 billion in funding for school-based health centers and mental health professionals through the Bipartisan Safer Communities Act and Department of Education grant programs
 - Increased federal funding for K-12 career and technical education
 - Advanced evidence-based practices to address chronic absenteeism with more than \$250 million in grant funding, technical assistance, and data toolkits
-

Strengthening the Teacher Workforce

- Fixed the application and certification process for the Public Service Loan Forgiveness and Teacher Education Assistance for College and Higher Education (TEACH) Grant programs to make teacher education more affordable
 - Supported states, districts, and institutions of higher education to establish high-quality teacher preparation models, such as Grow-Your-Own Programs and teacher residencies, through grant funding and guidance
 - Created registered apprenticeships programs for teachers in 46 states
 - Provided grants to Historically Black Colleges and Universities, Tribally Controlled Colleges and Universities, and Minority Serving Institutions to expand teacher preparation programs
 - Developed a pipeline of future special education teachers through Office of Special Education Programs Personnel Preparation grants
-

Improving School Infrastructure

- Secured historic new funding as part of the ARP and BIL to improve school HVAC systems, modernize buildings, and build fleets of electric buses
 - Advanced efforts to identify and replace lead pipes in schools through the BIL
-

Reducing Gun Violence in Schools

- Signed the Bipartisan Safer Communities Act which provide \$1 billion to create safer schools and address students' mental health needs
 - Established the Office of Gun Violence Prevention and an Emerging Firearms Threats Task Force
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