



Economic Report of the President

Together with
The Annual Report
of the
Council of Economic Advisers

January 2021



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Economic Report of the President



Economic Report of the President

To the Congress of the United States:

Four years ago, on the steps of the United States Capitol, I pledged to the citizens of this country to return our Nation to greatness, and to thereby enable, secure, and enhance the prosperity of all Americans. While this would require us to confront challenges and hardships, I knew that the American spirit, set free from overbearing taxation and regulation, would drive the country forward to unimaginable economic success. I was right. Over the course of this Administration, the American people demonstrated an indomitable will to prevail and drove our economy to record heights.

Since my first day in office, I have been steadfast in my commitment to put America First. The economic pillars of this movement—sweeping tax reform, extensive deregulatory actions, and fair and reciprocal trade agreements—promoted a robust middle class and led to the longest expansion and strongest recovery in history.

Before the coronavirus came to our country from China, our economy created more than 7 million jobs, nearly 12,000 factories returned to our shores, and wealth for Americans hit all-time highs. Inequality decreased as wage growth for blue-collar workers outpaced that of their managers, and earnings for those in the bottom 10 percent grew faster than earnings for the top 10 percent, reversing the trends of past Administrations. Since the start of my Administration, median household income grew by more than \$6,000, lifting up people no matter their race, ethnicity, educational background, or age group. In 2019 alone, median household income rose \$4,400—more in one year than in the entire 16 years through 2016. Even as more than 2 million people returned from the sidelines to enter the labor force, the unemployment rate plummeted to 3.5 percent in February 2020—the lowest level in more than half a century.

This past year, our Nation has faced trials the likes of which many have never experienced. Through these challenges, however, we have witnessed once again the resilience of the American people. In just 2 months this year, more than 23 million people saw their livelihoods threatened through no fault of their own, as the unemployment rate peaked at 14.7 percent. Since this spring, we have seen more than 12 million jobs return and gross domestic product increase by a record-shattering 33 percent in the third quarter alone, thanks to the largest and fastest economic policy response in history.

When the virus hit, my Administration launched the largest industrial mobilization since World War II. We have created the world's most innovative testing system, pioneered groundbreaking therapies and treatments,

and, most importantly, we have developed and manufactured gold standard vaccines in record time. The pandemic may have begun in China, but we are ending it in America.

Thanks to the pro-growth policies of my Administration, our Nation's economy has exceeded expectations at every turn, and despite the economic shock due to the China Virus, our great American comeback is well underway.

The Renaissance of American Greatness: Rebuilding Our Country

For decades, political leaders and privileged elites worked to silence American workers and families even as opportunity—and with it hope—slipped from the shores of our great Nation. Almost 5 million manufacturing jobs and 60,000 factories fled our country following the establishment of Permanent Normal Trade Relations with China in 2000. Massive tax burdens and overregulation encouraged businesses to invest elsewhere. For decades, multinational corporations flooded our Nation with imported goods, stripping millions of American families of their livelihoods and their dignity. Decades of these damaging policies led to the prevalence of “Made in China,” as China's leaders (and those from other countries) took advantage of establishment politicians who did not have the best interests of American workers at heart.

Before I took office, politicians and their adherence to a globalist doctrine converted our borders and national sovereignty into mere negotiable concepts to be traded away or simply ignored when in conflict with establishment interests. Anti-American ideology flooded into schools, universities, and media, while American wealth, intellectual property, and innovation rushed out of our country. Cities corroded by years of neglect and mismanagement became commonplace, each complete with an allotment of lawless streets that were devoid of prospect, educational choice, and liberty. International financial crises became matters not of “if” but of “when,” yet the attention of those charged with governing turned elsewhere and the American people were forgotten.

Since taking office, rather than apologize for America, I have stood up for America. From day one of my Presidency, I have put America First, and I have fought for the American worker harder than anyone ever has. My Administration has adhered to the two simple rules of “Buy American” and “Hire American,” we have built the most secure border in history, and I took the toughest-ever action to stand up to China.

I have worked every day to restore promise to our Nation through an economic agenda that lifts up all Americans. In just 3 years, my Administration's policies brought more than 6.6 million people out of poverty; created prosperity through record low unemployment rates for Black Americans, Hispanic Americans, Asian Americans, and those without a college degree; reduced homelessness among the general population and our veterans; and saved

thousands of lives by stemming the tide of opioid-related deaths. We committed to breaking a cycle that for too long held children’s education hostage on the basis of affluence and class background—denying children knowledge and unrealized potential. And my Administration returned economic freedom to the American people as we have cut nearly eight regulations for every new, significant rule—weakening the power of the regulatory state and stifling stealth taxation. The power of fracking has forged the path for American energy independence and delivered personal prosperity alongside national security, contributing to a 10 percent decline in the global price of oil. We also created the U.S. Space Force—the sixth branch of the military—and have given new meaning to “Peace through Strength” by expanding our capabilities and restoring American leadership in space.

We unleashed record prosperity at home, while also negotiating fair and reciprocal trade agreements. The passage of the Tax Cuts and Jobs Act increased wages for blue-collar workers, and the implementation of the United States–Mexico–Canada Agreement elevated American competitiveness with respect to our regional trading partners. We took the toughest, boldest, and strongest actions against China in American history, and the United States is now collecting billions of dollars in tariff revenue on imports of Chinese goods.

I took unprecedented action to reduce drug prices and ensure that Americans never pay more for life-saving medicines than consumers in other countries. And my Administration took action to end surprise medical billing. We also eliminated the harmful individual mandate from the so-called Affordable Care Act, as between 1.2 and 4.6 million Americans gained employment sponsored health coverage from 2018 to 2019. These actions, along with countless other taken by my Administration, have not only boosted economic growth and wage gains for all Americans, but they have also protected the American people from foreign competitors trying to take advantage of them.

A Great American Comeback Underway

The virus from China required us to close up the greatest economy in the history of the world. Understanding the risks our Nation faced, I took bold action to ban travel from China and then later Europe, saving countless American lives.

In a matter of days and weeks, the global economy ceased to exist as we knew it. Nations around the world locked down as uncertainty generated tremendous fear. In order to prepare our frontline responders in hospitals and health facilities across the United States, we prioritized the safety of the American people over the strength of our economy. In March of this year, we implemented an initial plan to slow the spread of the virus, in coordination with governors across the Nation. During that time, my Administration facilitated the delivery of thousands of ventilators and millions of gloves, masks, and

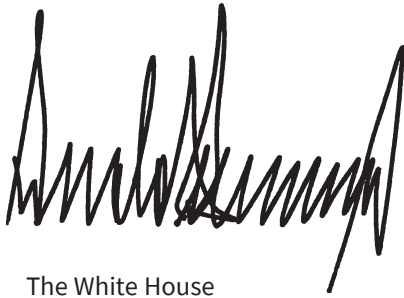
protective gear to States and territories, working to get Americans life-saving medical equipment.

We promised that no patient suffering from the virus would have to pay for their treatment out of pocket, and we provided billions of dollars to hospitals and healthcare providers so that uninsured patients would have access to critical care. By the end of March, the Food and Drug Administration issued Emergency Use Authorizations to fast-track more than 20 diagnostic tests and life-saving treatments. Thanks to our efforts, the case fatality rate today is more than 85 percent lower than its April peak. Meanwhile, Operation Warp Speed has harnessed the innovation of the private sector to develop and manufacture millions of doses of life-saving vaccines, decreasing the average development time from 3 years to less than 9 months. This record-shattering work has cleared the path for an end to this cruel pandemic, saving millions of lives around the world and trillions of dollars in health and other economic costs.

Through no fault of their own, Americans from all walks of life have been forced to confront the Invisible Enemy. To help the Nation through this difficult time, I championed and signed four pieces of legislation. These laws kept Americans connected to their jobs and reduced the economic harm to families and workers. In March, the Coronavirus Aid, Relief, and Economic Security (CARES) Act—the largest piece of economic relief legislation in history—authorized direct payments to citizens, expanded unemployment insurance, and deferred loans for those who needed it most. When Congress later abdicated its duty to expand and extend this relief, for short-sided political gain, I signed four executive actions to continue providing for the families, students, and workers of our country. Additionally, my Administration worked hand-in-hand with the private sector, invoking the Defense Production Act and related authorities more than 100 times to surge production and distribution of ventilators, protective equipment, and other materials, including therapeutics and vaccines.

The Paycheck Protection Program, a core piece of the CARES Act, saved or supported more than 51 million American jobs by providing more than 5.2 million critical loans to small businesses. These loans were crucial lifelines to business owners and their employees that averted widespread bankruptcies. This effort alone meant that more than 80 percent of March and April layoffs were temporary, as over 80 percent of these businesses that received them are still open today. In addition, Economic Impact Payments sent to more than 159 million Americans surged liquidity to every corner of our Nation, and provided nearly three months of income to households in the bottom 10 percent of the income distribution. And our Farmers to Families Food Box Program delivered more than 90 million boxes to families, children, and businesses, protecting millions of Americans from food insecurity.

For the last 4 years, I have fought for you, the American people, in all that I do. The *Economic Report of the President* that follows describes the policies that have made our country so successful and lays out steps we can take to continue the great American comeback in response to the China Virus. This year's *Report* is a testament to the resolve of the American people, who never falter in the face of adversity, and whose courage and relentless drive forge our destiny.

A handwritten signature in black ink, appearing to be "Donald Trump", written in a cursive, stylized script.

The White House
January 2021



The Annual Report
of the
Council of Economic Advisers



Letter of Transmittal

Council of Economic Advisers
Washington, January 15, 2021

Mr. President:

The Council of Economic Advisers herewith submits its 2021 *Annual Report* in accordance with the Employment Act of 1946, as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely yours,

Rachael Seidenschur Slobodien
Chief of Staff

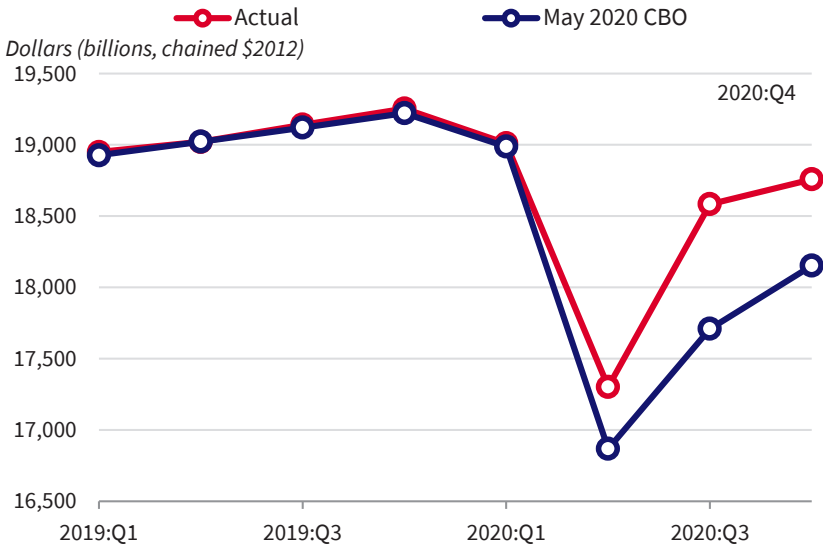


Introduction

In 2020, the U.S. economy experienced its worst macroeconomic shock since the Great Depression. As a direct result of the arrival of COVID-19—and consequent measures to contain and mitigate viral transmission, real output was on pace to contract by as much as 12.3 percent in 2020, which would have constituted the worst economic contraction since 1932. Professional forecasters projected that the unemployment rate would reach as high as 25.0 percent in May 2020, its worst level since the Great Depression and more than twice its peak in the aftermath of the 2008–9 global financial crisis. The Congressional Budget Office (CBO) forecasted a contraction of almost 6 percent during the four quarters of 2020, and that the unemployment rate would remain over 11 percent through the end of the year.

In the face of this exogenous economic shock of historically unprecedented scale and speed that abruptly terminated the U.S. economy’s record expansion, the Trump Administration responded with equally unprecedented scale and speed. As a result of this response, real gross domestic product (GDP) in the third quarter of 2020 was down 3.5 percent from its prepandemic level—less than half the drop in the early projections—and high-frequency forecasts

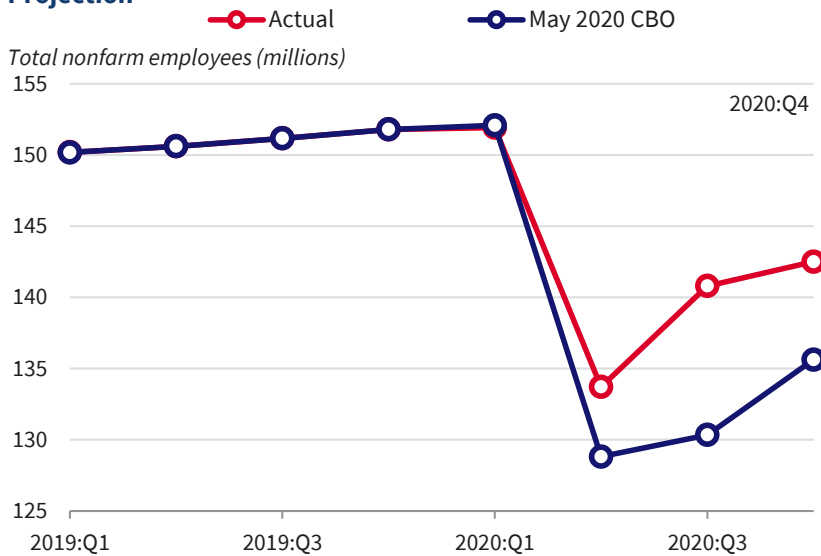
Figure I-1. Actual GDP versus May 2020 CBO Projection



Sources: Bureau of Economic Analysis; Congressional Budget Office (CBO); Blue Chip; CEA calculations.

Note: 2020:Q4 assumes the Nov. 20, 2020 Blue Chip consensus forecast for real GDP growth.

Figure I-2. Actual Payroll Employment versus May 2020 CBO Projection



Sources: Bureau of Labor Statistics; Congressional Budget Office (CBO); CEA calculations.

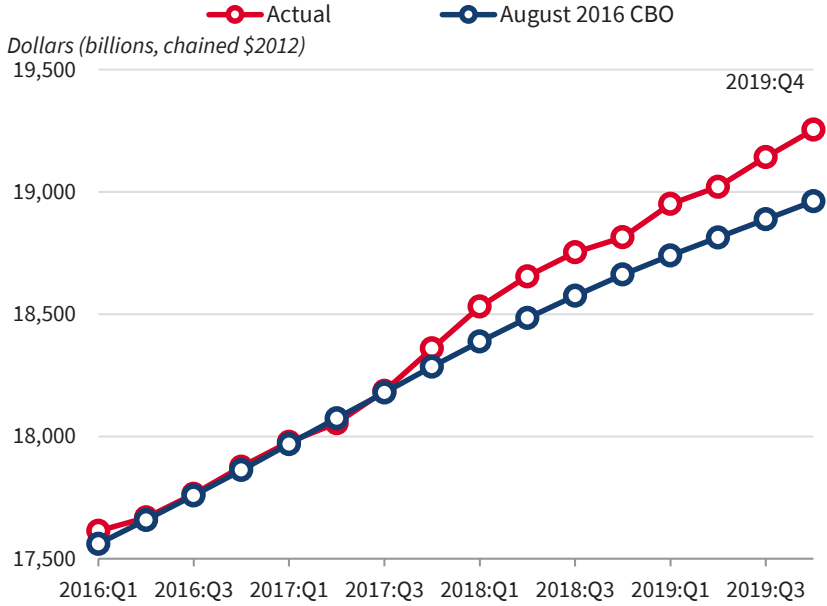
Note: The 2020:Q4 level is the average of the October and November levels.

for the fourth quarter imply a calendar-year decline of 2.3 percent—less than one-third the projected decline (figure I-1). In seven months, the U.S. labor market recovered 12.3 million jobs, or 56 percent of job losses in March and April (figure I-2). The unemployment rate declined from a peak of 14.7 percent in April to 6.7 percent in November, almost 5 percentage points below the year-end unemployment rate projected by the CBO in May. After peaking at 22.8 percent in April, U-6, the broadest measure of labor market underutilization, had declined to 12.0 percent, a level lower than that of July 2014, more than five years into the previous recovery. Aided by unparalleled fiscal support for households, by July 2020 retail and new and existing home sales had regained their prepandemic levels.

The COVID-19 pandemic brought to an end the longest economic expansion in recorded U.S. history—which, for the first time since the 2008–9 financial crisis, was exceeding expectations and delivering real economic gains across the income and wealth distributions (figure I-3). In the three years before the pandemic, the U.S. economy added 7 million jobs—5 million more than projected by the nonpartisan CBO in August 2016. In the first 2 months of 2020 alone, the U.S. economy added more jobs (465,000) than the CBO projected would be created in the entire 12 months of 2020 (figure I-4).

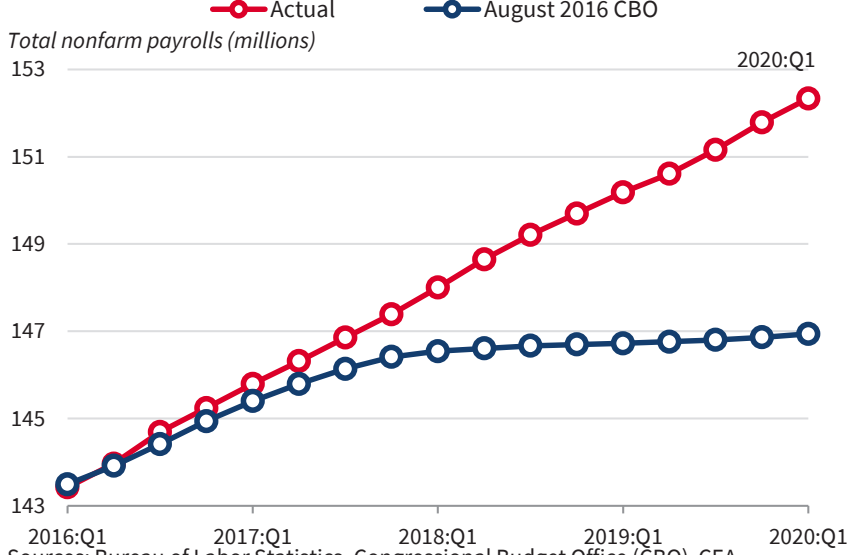
Through 2019, real median household income rose \$6,000—more than five times total gains under the preceding eight years—while wage, income, and wealth inequality declined, and the wage gap between African Americans

Figure I-3. Actual GDP versus August 2016 CBO Projection



Sources: Bureau of Economic Analysis; Congressional Budget Office (CBO); CEA calculations.

Figure I-4. Actual Payroll Employment versus August 2016 CBO Projection

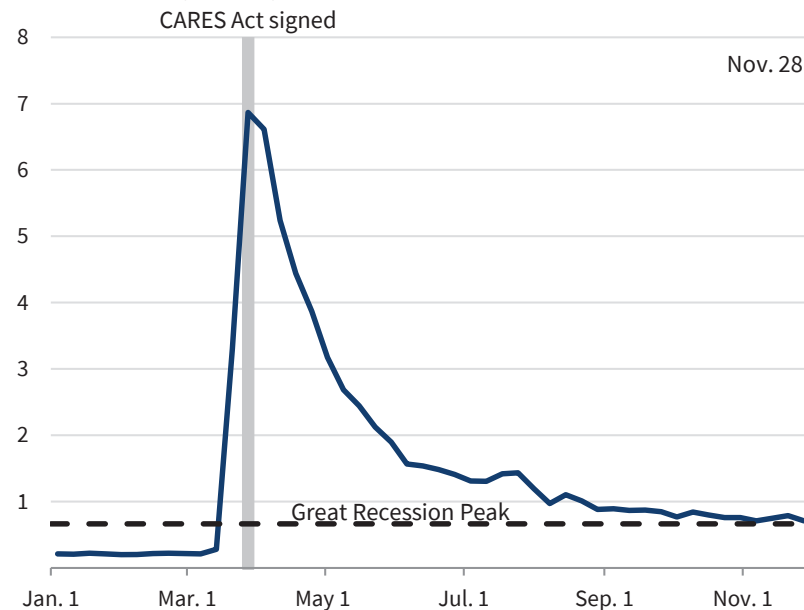


Sources: Bureau of Labor Statistics, Congressional Budget Office (CBO), CEA calculations.

Note: The 2020:Q1 level assumes the January–February average pace.

Figure I-5. Initial Unemployment Insurance Claims, 2020

Initial UI claims, regular programs (millions)

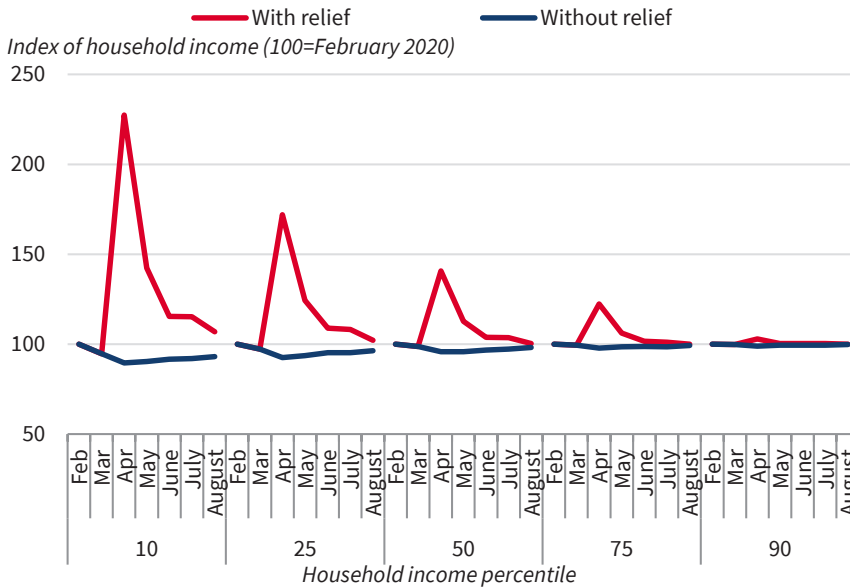


Sources: Department of Labor; CEA calculations.

and White Americans narrowed. After landmark tax reform in 2017, real wealth for the bottom 50 percent of households had risen three times faster than that of the top 1 percent, while real wages for the bottom 10 percent grew almost twice as fast as for the top 10 percent—marking stark reversals from the preceding expansion, when wage, income, and wealth inequality all rose. Although wealth rose across the income distribution, the bottom 50 percent’s share of real net worth increased—while that of the top 1 percent decreased, labor’s share of income rose, and capital’s share decreased. In February 2020, just before the pandemic hit in force, the unemployment rate declined to 3.5 percent—its lowest level in more than 50 years, and a full 1.5 percentage points below the CBO’s final 2016 forecast.

COVID-19 constituted an exogenous shock that abruptly terminated this record expansion, though it was met with a similarly swift policy response. Within a week of the first reported COVID fatality, Congress passed, and President Trump signed into law, the Coronavirus Preparedness and Response Supplemental Appropriations Act. Within four weeks, the President signed into law two more pieces of economic legislation, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$2.2 trillion in direct financial support to American firms, households, medical facilities, and State and local governments. These historic policy responses to the adverse shock of COVID-19, as well as the historic strength of the pre-COVID U.S. economy,

Figure I-6. Index of Household Income by Percentile, 2020



Sources: Census Bureau; Current Population Survey; Monthly and Annual Social and Economic Supplement; CEA calculations.

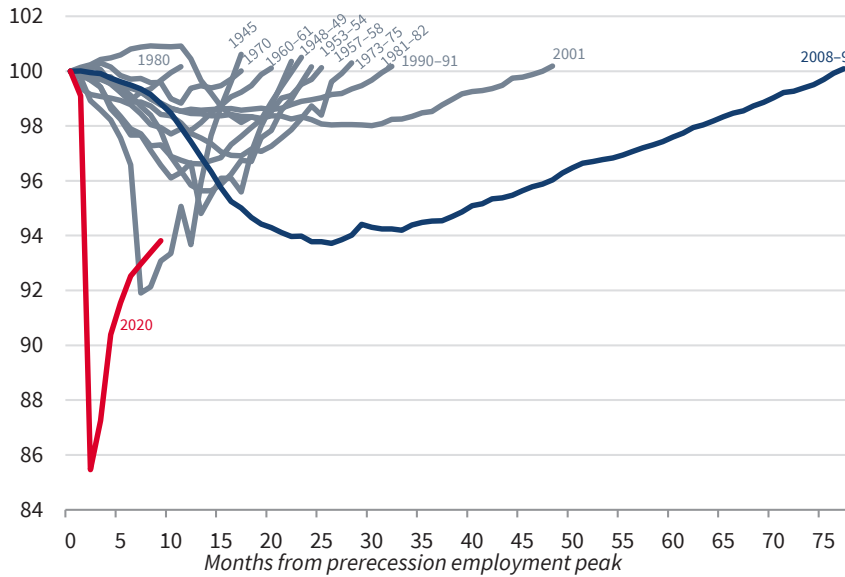
Note: See CEA (2020) for methodology.

mitigated what was on pace to be a macroeconomic contraction on par with the Great Depression. In particular, measures designed to preserve employer-employee relationships, most significantly the Paycheck Protection Program (PPP) and employee retention tax credit, played a key role in allowing firms to retain workers on leave. By limiting eligibility to small and medium-sized enterprises, the PPP targeted aid to those employers that were most at risk of needing to terminate employees (figure I-5).

Meanwhile, income replacement and cost mitigation helped to cushion the shock to household incomes and thereby facilitated stabilization and recovery of consumer spending, which alone constitutes 70 percent of the U.S. economy. Federal assistance programs, including expanded and enhanced Unemployment Insurance and Economic Impact Payments to households earning below set income thresholds, largely offset declines in household compensation due to economic shutdowns. Income replacement rates were highest at the lower end of the income distribution, indicating that relief was targeted toward households that were more vulnerable to an adverse income shock (figure I-6). Upon expiration of these provisions and in the absence of Congressional action, the Trump Administration extended further relief through four executive actions, providing supplemental payments through lost wages assistance to unemployed Americans, temporary payroll tax relief, and extended relief and protection for student borrowers and renters at risk of eviction.

Figure I-7. Labor Market Recovery Comparisons by Recessions

Level of employment (index, prerecession peak = 100)



Sources: Bureau of Labor Statistics; National Bureau of Economic Research; CEA calculations.

Though the pace of the recovery vastly exceeded expectations and constituted the most rapid economic recovery on record (figure I-7), in the face of the continuing global COVID-19 pandemic, U.S. employment and production remained below prepandemic levels at the end of 2020. Recognizing the remaining challenges to full economic recovery, most importantly the ongoing COVID-19 pandemic, the Administration supports and consistently supported additional fiscal relief, including an additional round of the PPP to support small business payroll retention, an expanded employee retention tax credit, a continuation of enhanced Unemployment Insurance benefits, a second round of Economic Impact Payments, targeted aid to schools and State and local governments, additional nutritional support, and temporary relief to specific adversely affected industries. At the time of this writing, the U.S. Congress had not agreed to these measures.

In chapter 1 of this *Report*, we discuss the historic economic gains in the United States on the eve of the pandemic, before quantifying the magnitude of the economic shock that hit the U.S. economy in 2020 and situating this shock in historical context. In chapters 2, 3, and 4, we then document and estimate the economic effect of the Administration's response to the shock, focusing first on households and labor markets, then on business and financial markets, and finally on healthcare. We then turn, in the next five chapters, to the role of pre-COVID-19 Administration policies—specifically in the areas of Opportunity

Zones, deregulation, school choice, space innovation and exploration, and international trade—in establishing the foundations for longer-run potential economic growth. Finally, we review the U.S. economy in 2020 and discuss the economic outlook, including potential risks, before concluding with a discussion of potential future policies to promote further economic recovery and subsequent growth.

In chapter 1, we document that the beginning of 2020 ushered in a strong U.S. economy that was delivering job, income, and wealth gains to Americans of all backgrounds, with historically low unemployment and poverty along with record gains in median income for workers across the socioeconomic spectrum. Moreover, the robust state of the economy led forecasters to expect healthy growth through 2020 and beyond. However, the arrival of COVID-19, with origins in the People’s Republic of China, brought with it an unprecedented economic and public health crisis. This chapter describes the health of the pre-COVID Trump economy and the nature of the economic shock from COVID-19, and gives an overview of the swift and bold fiscal response undertaken by the Trump Administration to provide relief and lay the foundation for the most rapid economic rebound to date in modern U.S. history.

We analyze these issues in greater depth in chapter 2. We find that the Trump Administration’s pro-growth policies contributed to substantial gains for U.S. households between 2016 and 2019. Median net worth increased by 18 percent, median income increased by 9.7 percent, and poverty reached a record low. As the COVID-19 pandemic brought the historic expansion to a potentially catastrophic halt, the Trump Administration helped protect the livelihoods of Americans through legislation and executive actions. Even as the unemployment rate climbed from a 50-year low of 3.5 percent in February 2020 to a record high of 14.7 percent in April, household incomes increased across the distribution, especially for lower-income households, thanks to Economic Impact Payments and expanded and enhanced Unemployment Insurance. Protections against evictions and student loan defaults helped keep people in their homes and out of default. The ultimate success of these efforts will depend on how quickly the economy recovers. Between April and November, the unemployment rate fell by 8.0 percentage points, the fastest six-month decline on record, paving the way to attaining the same strong economy that prevailed during the first three years of the Trump Administration.

Chapter 3 analyzes the effects of the economic policy response on businesses and employer-employee ties. The CARES Act, which was signed into law by President Trump only two weeks after he issued a National Emergency Declaration, provided record economic relief to families and businesses to mitigate the shock from the COVID-19 crisis. In total, the fiscal response to COVID-19 stands out as the most rapid and robust crisis-related economic policy mobilization in the post-World War II era. Two central objectives have constituted the Trump Administration’s approach to combating the economic

fallout from COVID-19: the alleviation of financial distress to reduce hardship, and the preservation of underlying economic health to facilitate a faster recovery. Ensuring the vitality and resilience of small businesses plays an essential role in achieving these objectives. This chapter describes the fiscal relief provisions aimed at helping small businesses and their workers—principally the PPP—and their success in fueling what has been thus far the fastest employment and GDP rebound in U.S. history.

In chapter 4, we examine how the COVID-19 pandemic constituted a rapidly evolving health and economic crisis in the healthcare sector and for working families across the Nation. The Trump Administration’s response to address this multifaceted crisis involved a complementary two-pronged policy approach. First, by enacting several pieces of bipartisan legislation, the Administration secured significant funding to alleviate the financial burden experienced by hospitals, offered tax credits to private employers with fewer than 500 employees to enable them to provide emergency paid family and sick leave for their workers, and fully covered the cost of COVID-19 testing and treatment for many low-income and uninsured individuals. Second, through a series of deregulatory actions, the Administration expanded the use of telemedicine for both COVID-19 screenings and many other health concerns, supported the relaxation of occupational licensing requirements for nurse practitioners, issued Emergency Use Authorizations for COVID-19 diagnostic tests, and accelerated the development, authorization, and deployment of therapeutics and vaccines for COVID-19. This included the Administration’s Operation Warp Speed, which the CEA estimates could result in as much as \$2.4 trillion in economic benefit through the accelerated availability of an effective vaccine. This chapter explores the various effects of these healthcare policy innovations and achievements, some of which are likely to pay dividends after the COVID-19 pandemic is resolved.

Beginning with chapter 5, we discuss the role of pre-COVID Administration policies in establishing the foundations for longer-run potential economic growth. The Tax Cuts and Jobs Act of 2017 not only broadly lowered taxes for businesses and individuals but also made targeted cuts to spur investment in economically distressed communities designated as Opportunity Zones (OZs). This chapter compares the advantages of OZs with those of other Federal anti-poverty programs and documents the characteristics of the nearly 8,800 low-income communities designated as OZs. The CEA finds that \$75 billion has been invested in funds for OZs, and that this investment is already benefiting OZ residents and potentially having only a small effect on the current Federal budget.

In chapter 6, we revisit the issue of economic regulation. During the Trump Administration, Federal agencies have demonstrated a sustained commitment to regulatory reform. As a result, the Administration’s regulatory efforts have helped reduce red tape for small businesses and middle-income households. One of the most important deregulatory actions the Administration finalized

in 2020 is the Safer Affordable Fuel Efficient (SAFE) Vehicles Rule, which we estimate will lead to an increase in real incomes, and raise GDP by \$53 billion annually, or about 0.3 percent. The CEA also finds that the benefits of deregulations, such as the SAFE Vehicles Rule, tend to favor the lower income quintiles, suggesting that lower-income households may have benefited the most, relative to household income, from the Administration’s deregulatory actions.

In chapter 7, we examine the topic of school choice. During the past 30 years, school choice programs have undergone dramatic expansion in the United States. These programs—organized at the Federal, State, and local levels—share a common goal of expanding access to education options that exist alongside and ultimately improve public school options for primary and secondary education. The programs have altered primary and secondary education in fundamental ways by increasing competition in the school system and by enhancing educational opportunities for all students, especially those from disadvantaged groups. We document the development and expansion of school choice programs and discuss the role of Federal policy, including recent actions by the Trump Administration to further this expansion. We explain how educational competition empowers families and incentivizes schools to deliver more value, and we document the growing empirical evidence that carefully crafted school choice programs do improve educational outcomes for all students.

Chapter 8 analyzes important developments in a frontier of economic potential, namely, innovation and opportunity in the space economy. We review advancements in spaceflight and space policy made during the past year, including the first commercial human spaceflight in history and implications for the private sector’s role in the space economy. We also discuss the role of the Administration’s policies—specifically the Executive Order on “Encouraging International Support for the Recovery and Use of Space Resources” and the Artemis Accords—in strengthening investor confidence in the space economy and thereby enabling expansion of the private space sector. After an extensive review of the economic theory of property rights and the empirical property rights literature, we find substantial evidence that improving investor expectations in a novel economic sector such as space increases investment in that sector. In addition, we estimate that private space investment could as much as double in the next eight years, due to the Administration’s executive actions and other enhancements of property rights in space.

In chapter 9, we examine how the Administration has promoted U.S. interests in international trade by forging new bilateral trade agreements with China, Japan, and South Korea, and reshaped regional trade by modernizing the trade agreement with our most important trading partners, Canada and Mexico. The United States–Mexico–Canada Agreement achieves new safeguards for U.S. interests across a range of areas including digital services,

intellectual property, and labor protections. These agreements go well beyond formal tariff barriers that have been the focus of past trade agreements by addressing structural and technical barriers to free and fair trade. We also review how the COVID-19 pandemic reduced international trade overall and has brought into focus underappreciated risks of global supply chains.

In chapter 10, we build on chapters 1, 2, and 3 by summarizing the main macroeconomic developments of 2020, and discuss the economic outlook for the years ahead, with particular attention to upside and downside risks. We find that though the U.S. economy in 2020 was hit with the biggest adverse macroeconomic shock since the Great Depression—with effects on output, labor, capital, housing, and energy markets all of historic magnitudes—the subsequent recovery to date has also been of historic speed, breadth, and magnitude. We highlight that though official and private forecasters currently project continued strong recovery in 2021—aided by an unprecedented economic policy response in 2020, a strong pre-COVID economy, and the availability of vaccines through Operation Warp Speed—substantial risks remain, including both pandemic and policy risks.

In the near term, the single greatest downside economic risk is rising COVID-19 cases before the widespread availability of vaccines, and the policy and behavioral responses to viral resurgences. Already, in December 2020, several State and local governments have reimposed shelter-in-place orders in response to rising cases in November and December. For this reason, the Administration continues to articulate support for additional fiscal measures to provide a bridge to the widespread availability of vaccine candidates developed under Operation Warp Speed. Over the longer term, failure to maintain or implement the types of pro-growth policies discussed in this *Report* and in the 2018, 2019, and 2020 editions of the *Economic Report of the President* would constitute additional potential downside risks. But the continuation and expansion of the Administration’s pro-growth policies in support of full labor market recovery offer the upside potential for a rapid return to the levels of employment, production, and real income growth that prevailed on the eve of the pandemic.

We conclude this *Report*, in chapter 11, by reviewing a collection of policy areas highlighted by the COVID-19 pandemic, and we analyze reforms that might meet the ongoing economic challenges faced by the United States. In particular, we review potential policies to strengthen connections to the labor force, support a balance between work and family, advance international coordination to address 21st-century challenges, create a more effective healthcare system, build a dynamic economy through infrastructure improvement, and generate a more skilled and resilient workforce. We find that solving these challenges can ensure that the United States not only recovers to its prepandemic levels of prosperity but also builds a fairer, more dynamic, and more resilient economy that benefits all Americans.