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### Summary and Analysis of the Economic Objective of Bidenomic

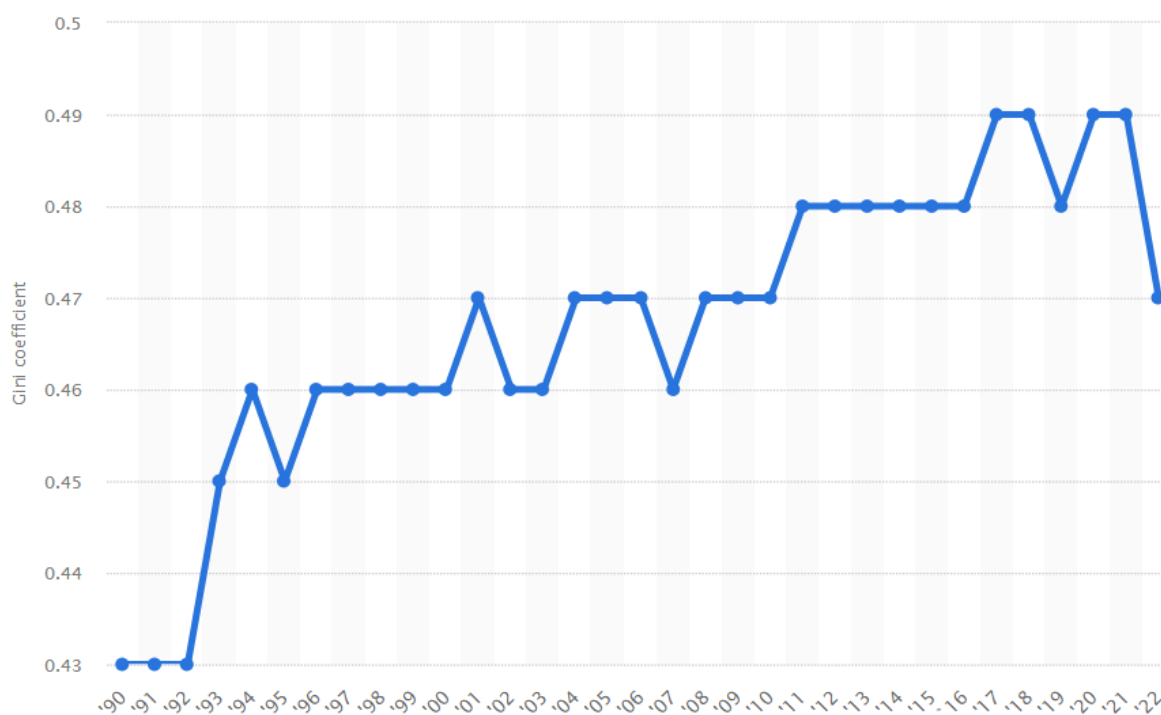
In the everchanging era where trajectories of countries are defined by significant economic policies, the concept of "Bidenomics" emerges as a defining framework not only for the current U.S. administration but also for its allies and foes overseas. This essay provides insight into Bidenomic's core economic objectives -revive and stabilize the economy, and reduce income inequality and the legislative measures associated with said objectives. Following the foundational analysis, the essay provides a summary of the essential monetary, fiscal, industrial, investment, and trade policies that formed the agenda of Bidenomic's original objective. Next, navigating from a historical perspective, a comparative analysis is conducted to highlight the similarities and differences between Bidenomics and Reaganomics. Nevertheless, the essay then navigates through the contrasting perspectives surrounding the long-term implications of Bidenomics and provides an insight into the impact on the American and the world economy.

Biden first entered office in January 2021, where he had to face challenges under his three core economic objectives - reviving the economy post-Covid-19, reducing income inequality, and stabilizing the inflation[economy growth] caused by the expansionary policies.

To stimulate the economy during the pandemic, Biden announced that he would push for more public investment by building domestic infrastructures, revitalizing the Social Safety Net, and addressing climate change ("Bidenomic is working"). Due to the Covid-19 procedure, many in the service industry lost their jobs. In response, Biden passed down the Bipartisan

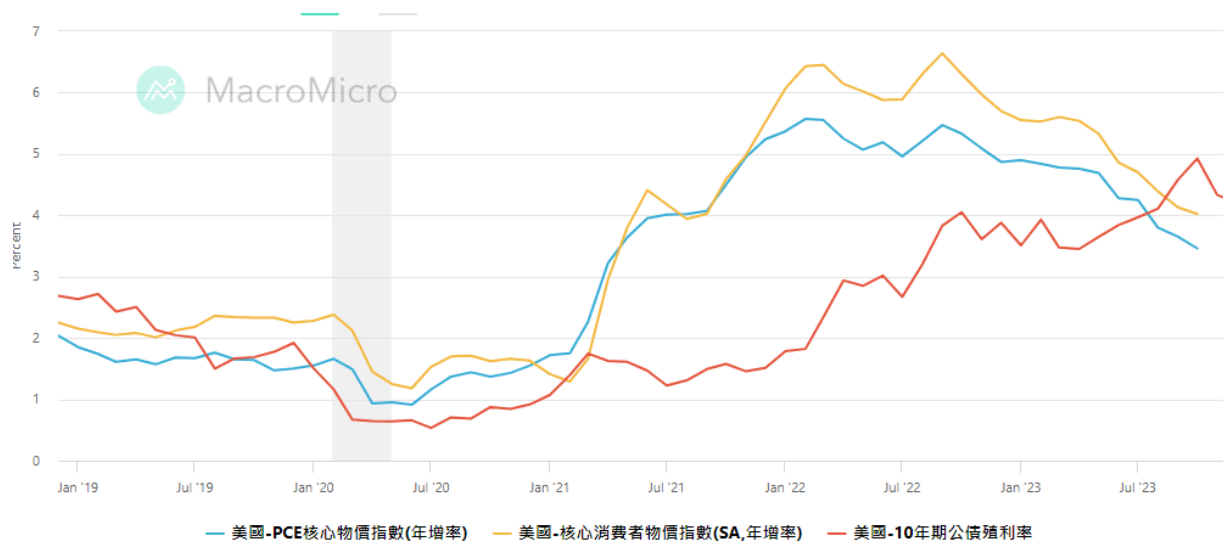
Infrastructure Law - according to the Federal Transit Administration- which provided more than \$33.5 billion to fund the modernization of aging public transportation. Similarly, according to the White House's article *Bidenomic is working*, over 35,000 new public projects are funded across the country. Those projects gave employment opportunities to the cyclical unemployed people who are affected by the pandemic. Furthermore, in March 2021, Biden announced the 1.9 trillion dollar stimulus package to increase unemployment benefits. Delivering the money allowed consumerism to thrive despite the high unemployment rate at the time, which led to greater demand for products that allowed businesses to stay open. One major difference from Trumpnomic is that Biden had announced the plan to lower the healthcare and medicine costs for the public. In addition, Biden is committed to "building the clean energy economy" and "addressing the climate crisis", according to Heather Boushey, which added 21,000 jobs in clean power generation and supply.

Next, reducing income inequality stands as one of Bidenomics' major economic policies. Addressing the burgeoning wealth gap in the United States, this is seen as a challenge that has escalated over the past decades. At the center of this objective is Biden's approach to tax policy, which diverges significantly from Trump. President Biden has proposed increasing taxes on higher-income elites and corporations, a move intended to reverse some of the tax cuts implemented under Trump. Not only can the higher income tax reduce inequality, but also slightly balance the government deficit. However, Biden faces multiple setbacks as billionaires and corporations often legally avoid tax by converting their income into assets, and the 16th Amendment prohibits any direct taxation on assets ("Biden's Big Wealth Tax? Unconstitutional"). Nevertheless, there has been evidence that correlates Biden's tax plan with reducing inequality- A Gini coefficient of one means maximum inequality.



In addition to Biden's tax plan, Secretary of the Treasury Yellen is also pushing for a global minimum tax, requiring all corporations to pay as low as 15% of income. If successful, Yellen's tax plan would give businesses more incentives - no more tax haven- to move to the U.S. and provide more jobs for the economy and revenue for the government.

As public spending increases in 2021, the inflation rate rises rapidly soon after, as seen in the below diagram, PCE, represented by the yellow line.



The third and last major economic policy is to keep inflation stabilized, allowing the economy to cool down from the previous stimulation and not overheat. If the economy overheats, inflation could rise rapidly and the costs of inflation - menu cost, shoe leather cost, cost of holding money - enlarges and could lead to the transfer of wealth and hyperinflation. Biden implemented legislative measures such as the Inflation Reduction Act. The Inflation Reduction Act of 2022 includes reducing prescription drug prices, promoting clean energy, and attempting to cut down the government budget deficit in the hope of inflation reduction (Badlam). As mentioned above, investing in clean energy allows the government to put downward pressure on oil prices, which oil price is a significant factor in CPI. However, the Inflation Reduction Act is also controversial as it is unlikely for the government to lessen their budget deficit based on historical trends of past presidencies.

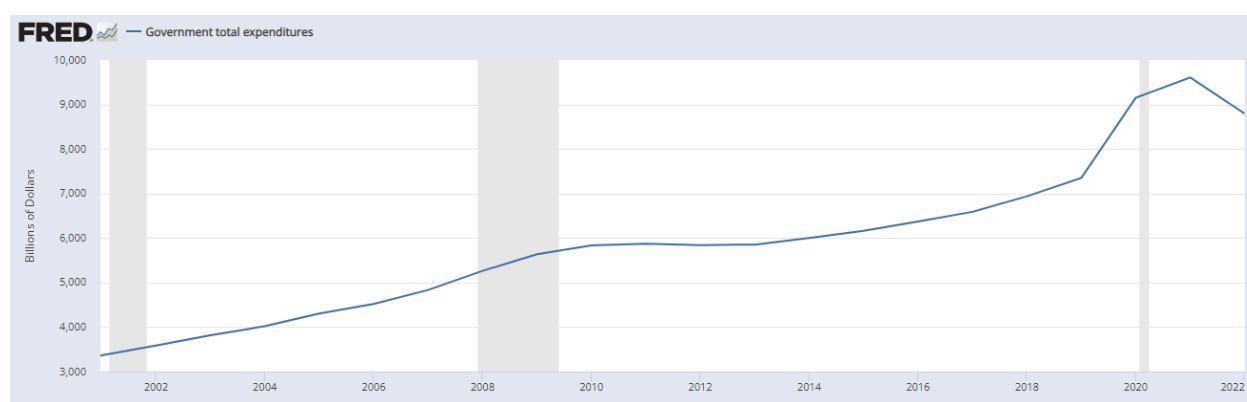
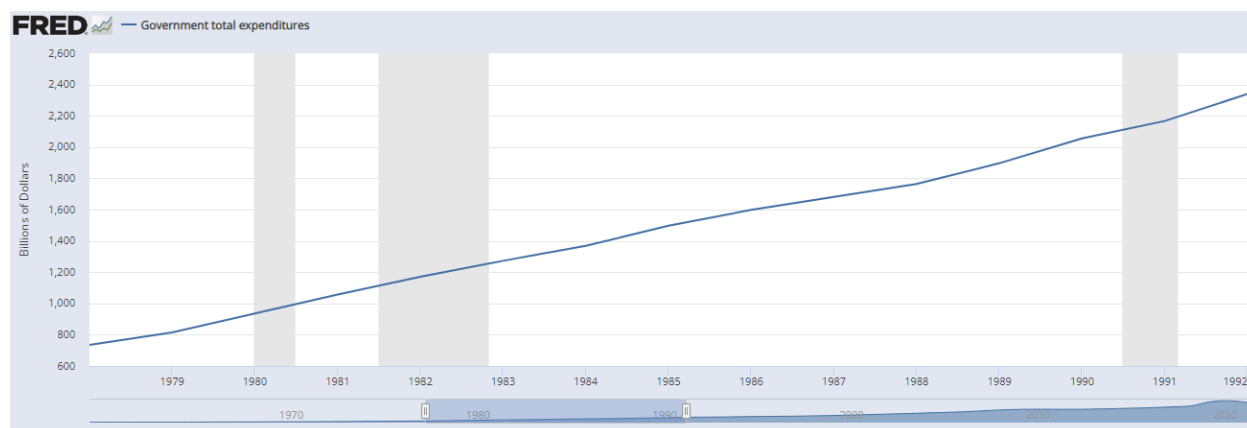
In analyzing the economic strategies under Biden's America, it is evident that these policies are designed to address a range of multifaceted objectives of Bidenomics. Although some policies are coherent in assisting multiple core economic objectives, there are a few applications of policies that are inconsistent and could lead to conflicting results.

First of all, due to the severity of the inflation, Biden's 2022 economic goal of stabilizing the economy requires cooperation from Congress and the Federal Reserve. For example, the monetary policy, controlled by the Fed and rarely influenced by the president, is to increase Fed Funds Interest Rates. Hiking the rates raises the cost of borrowing and spending. Hence, companies would lower their investment/expansion projects due to the rising cost of borrowing. Similarly, households now have more incentive to save in the bank due to higher interest rates. This will reduce the money velocity and, subsequently, the money supply - leading to a lower price level. One of the key disinflation policies is the "ability to influence inflation expectations as an inflation-reduction tool" (Oner). This ability could mean the difference between a soft -cool- landing and a hard -recessionary- landing as the public would perceive the expected price and save now to consume later, which becomes a self-fulfilling prophecy with much interference from the Fed. Although Biden cannot directly influence monetary policy to support the fight against inflation, his direct support for Powell's renewal as the Fed's chairman reinforces the public's confidence in following through with Powell's inflation target. In 2021, the Fed also kept the policy rate near zero to support Biden's economic plan of stimulating the economy during the pandemic by reducing borrowing costs and allowing for liquidity on the market.

During the pandemic, global supply chain issues occurred, where necessities were scarce due to delayed shipping. To solve the problem of the supply crunch and recover from the pandemic, Biden pushed for the American Jobs Plan -fiscal policy. As part of the "Build Back Better" framework, the American Jobs Plan aimed to reshoring jobs from abroad. From fixing highways, renewing electric grids, and revitalizing American manufacturing by localizing the supply chain. Not only did the policy create more supply of jobs to revitalize the economy, but it

also stabilized the supply chain, preventing future economic crises caused by supply chain shortages (“FACT SHEET: The American Jobs Plan”). Furthermore, Bidenomics emphasizes policies on revitalizing American manufacturing and technology sectors. This is exemplified by the CHIPS and Science Act, aimed at bolstering semiconductor manufacturing and scientific research. The policy indicates a strategic move to reduce dependency on foreign technology and stimulate domestic innovation. Furthermore, the act -also be seen as a trade policy- stopped China from purchasing up-to-date semiconductor materials or end products from TSMC or Nvidia. Other allies of America are also prohibited from selling advanced computer chips and equipment to China.

The economic landscapes of the United States under two distinct administrations - Ronald Reagan, a Republican in the 1980s and Joe Biden, a Democrat in the present day - present a fascinating study in contrasts and comparisons. When the two presidents came into power, they both inherited an American economy in distress and subject to the looming threat of stagflation. However, Biden chose to increase tax on corporations while Reagan decided to reduce tax. Reagan believed in the Laffer Curve, which cutting taxes would lead to extra revenue and help balance the government budget (Blanchard 17). The opposite happened for Reagan as the government drew in more deficit, forcing Reagan to adjust his plan. Nevertheless, both presidents emphasized an increase in government spending. By the end of Reagan’s presidency in 1989, average annual government expenditure had reached 1.79 times the size of when he was first elected in 1981. When Biden took office in 2021, government expenditure reached a historical height but decreased slightly in 2022 due to the need to reduce the budget deficit.



Furthermore, Reaganomics was grounded in supply-side economics and advocated for reduced government intervention (45). Bidenomics, conversely, endorses government intervention in critical sectors, increased spending, and raising taxes for the wealthy. Moreover, Biden's fiscal policy is very similar to that of Reagan's. As the chairman of the Fed, Powell has studied and cited the work of Paul Volcker (Timiraos). Both chose to hike rates to reduce inflation, at the cost of possible recession. However, Powell also used Quantitative tightening, a tool which was not invented in the 80s, this allowed him to shrink the Fed's balance sheet and control inflation faster and far more efficiently than Volcker did.

The long-term effects of Bidenomics, the economic policy framework under President Joe Biden, have generated contrasting perspectives from various standpoints. These divergent

opinions are based on political ideologies, economic theories, and expectations for the results of policy.

Supporters argue that Biden's policies are leading America to a strong and resilient economy. Heather Boushey, Chief Economist, emphasized the benefits of large government investment in public infrastructure, clean energy, and health care, arguing that these will spark economic growth, job creation, and reduce income inequality. They also believe that increased taxation on the wealthy and corporations is a necessary approach to fund these investments and reduce the budget deficit over time. Jake Sullivan also delivered his remark in April 2023, that Bidenomics' focus on clean energy and infrastructure will yield long-term environmental benefits and position the U.S. as a leader in sustainable development. Furthermore, Paul Krugman, a world-renowned economist, suggests on Twitter that the American Rescue Plan is not the cause of inflation and ARP allowed strong employment opportunities while bringing down inflation.

Critics of Bidenomics argue that the increased government spending and higher taxes could lead to several adverse effects. Lawrence H. Summers warned of potential fiscal irresponsibility, predicting that massive spending could exacerbate the national debt and lead to inflationary pressures. Furthermore, critics of Bidenomics suggest that "Bidenomics aims to direct private capital toward favoured sectors through regulations, subsidies and other interventions" to win the fight against China geopolitically (Ip).

The author of this essay believes that Bidenomic is short-sighted in trying to promote economic growth while curbing inflation in the short run. In the long run, however, the American government may run into high-interest payments due to large spending and interest rates. This may and already have impacted the government's credit due to the increased risk of default. And

large amounts of government spending would also crowd out private-sector spending - leading to a prolonged period of low growth shortly. Moreover, a strong employment rate could send the wrong expansionary signals to the public, causing the Fed's tasks to combat inflation to be harder as they lose grip on inflation targeting.

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