


The Biden Agenda: Build Back Better

ThinkTank Tuesday: Wine, Water, and Policy Whimsy
November 16, 2021

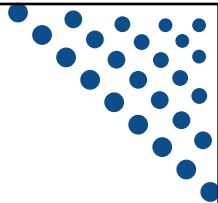
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 - Jon D. Haveman, NEED
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The Biden Agenda:

- **As encapsulated in two pieces of legislation:**

- Infrastructure Investment and Jobs Act
 - o Hard infrastructure/broadband
- Social policy and climate spending package

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Infrastructure Investment and Jobs Act

- **Transportation**

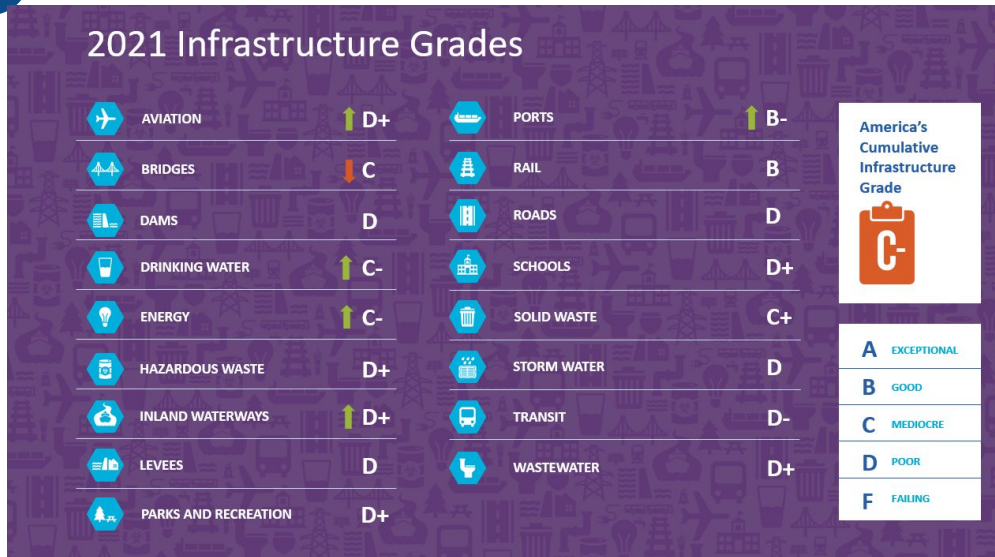
Roads, bridges, major projects	\$110 Billion
Passenger and freight rail	\$66 Billion
Public transit	\$39 Billion
Airports	\$25 Billion
Port infrastructure	\$17 Billion
Transportation safety programs	\$11 Billion
Electric vehicles	\$7.5 Billion
Zero and low-emission buses and ferries	\$7.5 Billion
Revitalization of communities	\$1 Billion

- **Other**

Broadband	\$65 Billion
Power infrastructure	\$65 Billion
Clean drinking water	\$55 Billion
Resilience and waste water storage	\$50 Billion
Removal of pollution from water and soil	\$21 Billion

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Current State of Infrastructure in the US



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Another Aspect of Infrastructure – Broadband

- Talk of a digital divide ubiquitous
 - especially in light of the current pandemic
- 21 million+ Americans lack meaningful access to the internet
 - Meaningful access: 25 Mbps download and 3 Mbps upload
 - 14.5 million have no access at all
- Lack of access more common among the less educated, low income, living in rural or suburban areas
- 9 million+ school children lacked internet access for online schoolwork

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What is missing?

- **Strategic thinking:**
 - Long term thinking, planning, prioritizing.
- **Meaningful climate resilience planning.**
- **Education & R&D.**
- **Expanding/insuring water supplies.**
- **Hazardous waste.**
- **A meaningful magnitude of spending?**

- **Full elimination of lead drinking water piping.**
 - \$15B is 1/3 of total necessary



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Social Policy and Climate Spending Package

• Social Policy

Universal Pre-K	\$400 billion
Child Care Assistance	
Extension of the Child Tax Credit	\$200 billion
Affordable Housing	\$150 billion
Care Services for Elderly and Disabled	\$150 billion
Health Care Coverage Expansions	\$165 billion
Equity Investments	\$90 billion

• Other

Clean Energy and Climate Investments	\$550+ billion
SALT	\$0
Small Businesses	\$15
Immigration	\$100 billion
Supply Chain	\$5 billion



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Social Policy and Climate Spending Package

- **Out:**

- Paid leave
- Big action on climate change
 - o Clean Energy Performance Program
- GOP tax cut reversal
- Free Community College
- Medicare dental and vision benefits.



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The Short and the Long of It.

- **Short term effects:**

- Some estimates suggest that it will reduce economic activity, even in the short run.
 - o The default position of anti-taxers.
- Inflation? Unlikely, if fully paid for.

- **Long term effects:**

- ...



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Some Long Term Effects

- **Greater economic activity**
- **More labor force participation**
- **Better health outcomes**
 - Including longer life expectancy
- **Less childhood poverty**
 - Fewer infant deaths, less interaction with criminal justice system, higher earnings.
- **To name a few.....**

- **The opposite is true....**
 - Reductions in these outcomes are the costs we face w/o investments.



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Paying the Piper!

- **Must it be paid for?**

- **How best to pay for it?**
 - Why is this such a complicated question?



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Debt Outlook is Troublesome

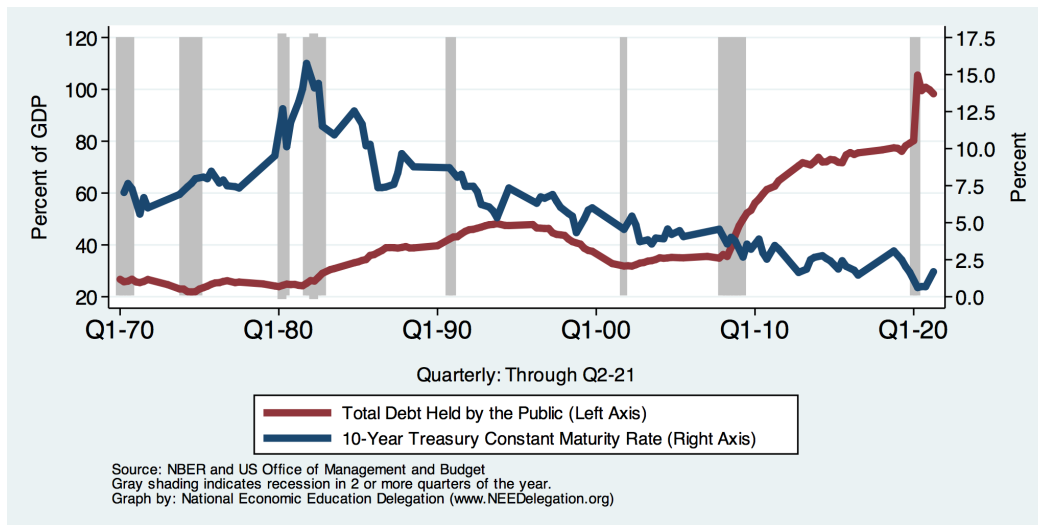
Federal Debt Held by the Public, 1900 to 2050

Percentage of Gross Domestic Product



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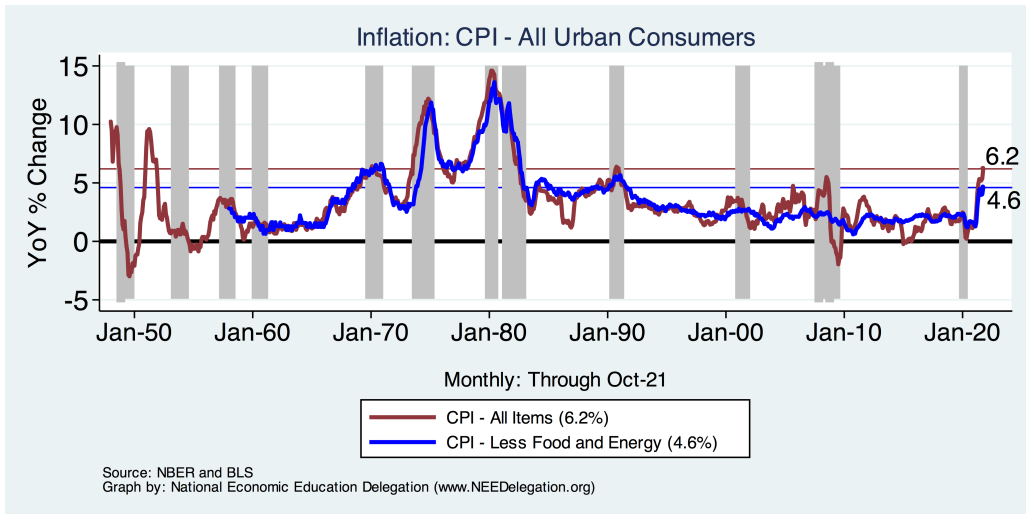
Rising Debt and Low Interest Rates



Source: NBER and US Office of Management and Budget
 Gray shading indicates recession in 2 or more quarters of the year.
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)

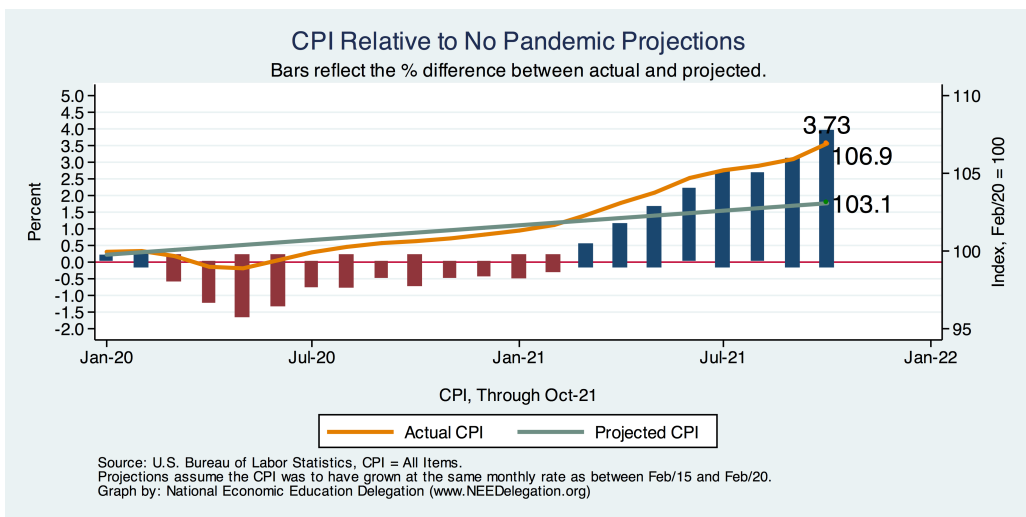
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Inflation: The Headlines!



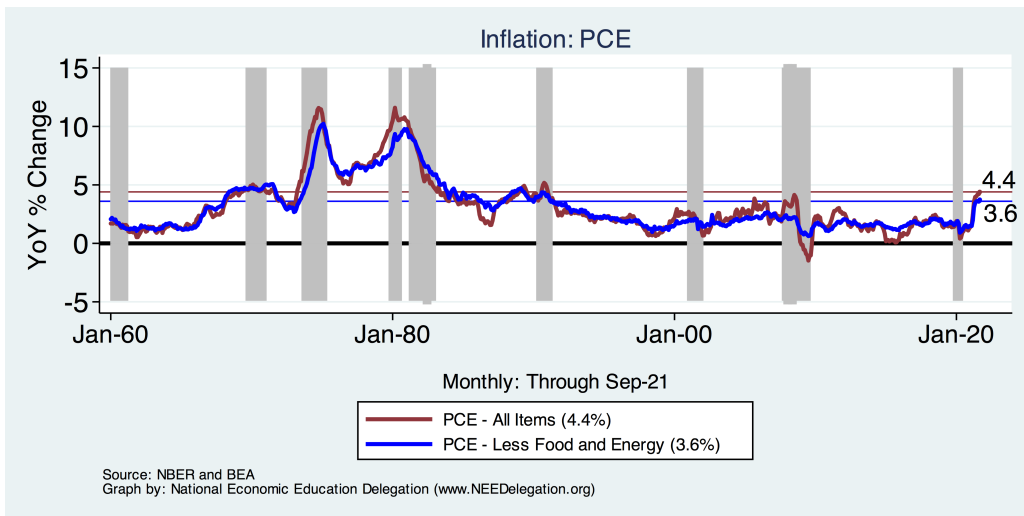
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Inflation: The Headlines!



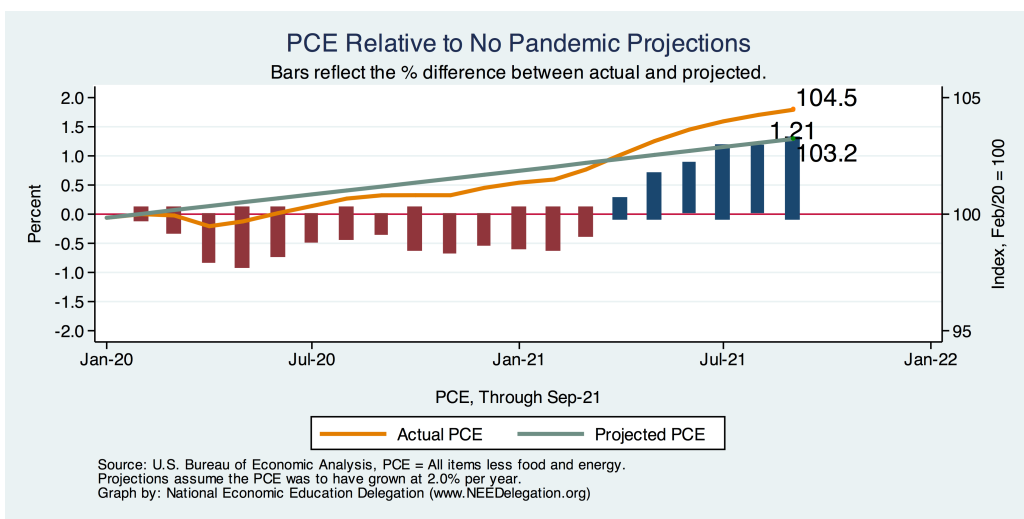
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Inflation: The Fed's Perspective



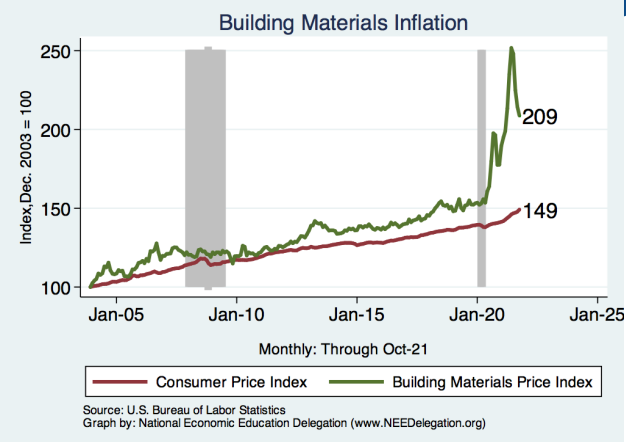
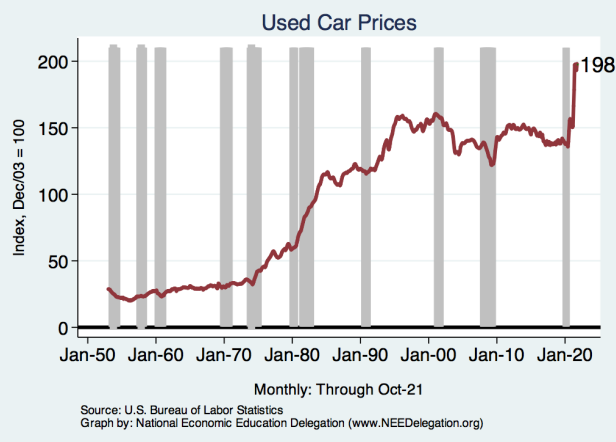
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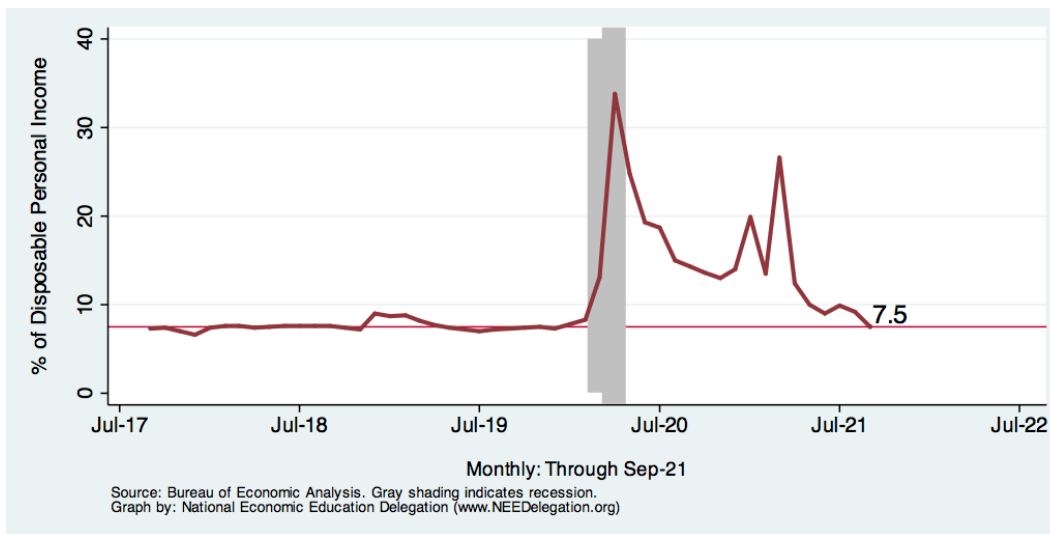
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Inflation: Distinct Major Sources



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Inflation: Excessive Savings is Another Source



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Some Options for Paying

- **Corporate alternative minimum tax**
- **Raising marginal income tax rates**
- **Wealth related**
 - Tax on wealth
 - Eliminate carryover basis
 - Treat capital gains as income, in the year they occur
- **Increase tax collections**
 - Beef up the IRS



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Other Offsets

1% surcharge on corporate stock buybacks	Restore Superfund taxes on oil
Millionaire surtax: 5% 10-25m, 10% 25m+	Expand 3.8% Net Investment Income Tax
Limits on deductibility of tax losses	15% global minimum tax
Repeal drug rebate rule	Whatever other margins can be pushed...



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Some Gimmicks

- Unused relief funds
- Reduce unemployment insurance fraud
- Sell spectrum and apply proceeds from previous sales
- Require information reporting for cryptocurrency transactions
- Apply pension smoothing
- Sell Strategic Petroleum Reserve oil



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Thank you!

Any Questions?

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