

The Washington Times

Biden's expansive economic plans may be too optimistic, experts say

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September 17, 2020

Joseph R. Biden on Thursday released a new analysis to make the case that he would plow trillions of dollars in new tax revenues back into America's middle class while President Trump's economic policies exacerbate wealth inequality.

The Biden campaign said people who earn less than \$400,000 per year won't see their taxes go up at all under his plan and that the middle class will benefit from several new tax credits, such as an expansion of the child tax credit for the duration of the coronavirus pandemic.

"I really do view this campaign as a campaign between Scranton and Park Avenue," Mr. Biden said at a CNN town hall Thursday evening. "All that Trump can see from Park Avenue is Wall Street."

The Biden campaign pointed to the 2017 GOP tax cuts, which lowered taxes for most Americans, to argue that the benefits were disproportionately skewed toward the wealthy.

Virtually all of the benefits from Mr. Trump's new push to cut capital gains taxes would flow to the top 1% of earners, according to the Biden analysis.

Chris Edwards, director of tax policy studies at the libertarian-leaning Cato Institute, took exception with the Biden campaign's contention that Mr. Trump's agenda "rewards wealth over work."

"New census data showed remarkable jumps in income under Trump in 2019 for the moderate-income workers Biden cares about," Mr. Edwards said. "Median household income soared 6.8% in 2019, with particularly strong growth for black and Hispanic households."

Mr. Biden's major economic plans would increase spending by \$5.4 trillion over the next decade, according to an analysis this week from the University of Pennsylvania's Penn Wharton Budget Model.

The new spending includes \$1.9 trillion on education, \$1.6 trillion on health care, and \$1.6 trillion on infrastructure and development.

The model projected that Mr. Biden's plans would eventually decrease the federal debt by 6.1% and boost GDP by 0.8% by 2050.

Some liberals say Mr. Biden needs to think bigger, given the scope of the coronavirus pandemic and pressing issues like climate change.

"Frankly, I think we could go even farther," said Morris Pearl, who chairs the left-leaning group Patriotic Millionaires. "I think we're seeing a tiny number of people at the top ... doing extremely well and I think we're seeing, frankly, millions and millions of people in our country not doing well at all."

Penn Wharton said households with an adjusted gross income of \$400,000 per year or less wouldn't see their taxes increase directly under Mr. Biden's plan, but that they could be hit with lower wages or investment returns from corporate tax increases.

Mr. Biden wants to increase the top individual tax rate back up to 39.6%, from 37%, and increase the corporate tax rate from 21% to 28%.

Mr. Edwards said the Penn Wharton model is too optimistic, particularly when it comes to how much Mr. Biden's infrastructure proposals would juice the economy.

"The health crisis has set incomes back this year, but the economy should come roaring back when COVID-19 is conquered as long as politicians focus on restraining taxes, cutting spending and paring back regulations," he said. "I fear a Biden administration will do the opposite and sink the economy again."

The spending proposals from Mr. Biden are more expansive than what past Democratic nominees like Hillary Clinton and former President Barack Obama laid out in their campaigns, said Robert Bixby, executive director of the Concord Coalition, a fiscal watchdog group.

"Clearly, however you score it, Biden is proposing a much more robust role for the federal government in investment and in the safety net," Mr. Bixby said. "The lid has come off on the spending side and the bipartisan consensus that existed around the fact that deficits matter is no longer in place."