Washington Examiner
PRESENTS

# The missing piece to ‘Bidenomics’: Tax hikes

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July 13, 2023

"Bidenomics" is the new name President Joe Biden embraced to describe his vision for a more activist federal government that aims to direct a larger share of private investment decisions, workforce training, and consumer choices.

“Our plan is working,” he said , pointing to recently strong job growth, consistently low unemployment, and progress on bringing inflation down from its 2022 highs. Some of this strength is overstated. Still, the economic expansion has so far defied many economists’ expectations.

Whatever you think of the current economy and its causes, the unspoken truth of Bidenomics is that the part of his plan that’s “working” consists of all the booze — more than $5 trillion in new deficit spending — and none of the hangover. Biden’s $4.7 trillion in proposed tax increases are missing in action.

We can’t assess Bidenomics without accounting for the costs of the president’s tax increases. The new and expanded taxes would blunt the positive progress made since the pandemic and compound the other well-worn costs of activist industrial policy .

The president’s plan includes new and higher taxes on broad swaths of the economy, on employers, investments, and wages.

Central to Bidenomics is raising the corporate income tax rate by seven points, to 28% — reversing the historic gains made when Congress cut America’s business tax from the highest rate in the developed world to a bit above average. Investment, wages, and hiring increased after the tax cut. Returning to higher taxes on businesses will stifle investment and job growth.

Accounting for state taxes, Bidenomics would have U.S. employers paying top corporate tax rates of about 32%. The average rate among some of America’s largest trading partners in the Organization for Economic Co-operation and Development is 23%. It’s 25% in China.

Workers, as opposed to investors or consumers, typically pay a majority of the cost of corporate tax increases through lower wages. Lower wages are the result of less investment and slower productivity growth.

Bidenomics also calls for doubling federal taxes on capital gains and raising top income tax rates. These higher taxes target the financial rewards of successful entrepreneurs who risk failure to build high-return businesses that bring us the everyday inventions we often take for granted.

Taxing capital gains at the proposed higher wage tax rate of 39.6% and raising Obamacare's investment tax from 3.8% to 5% would put the U.S. top combined state-federal capital gains rate above 50%. That's more than double the revenue-maximizing rate and more than 30 percentage points above the OECD average (19%).

These estimates don't include other levies layered atop the internationally high rates, such as a 4% stock buyback tax , a new unrealized capital gains tax on millionaires and estates, new taxes on investment managers, limits on retirement accounts, higher taxes on real estate investments, new taxes on cryptocurrencies, and higher taxes on businesses competing abroad.

Buoyed by rosy economic assumptions in the president's budget, his tax increases are still insufficient to stabilize government debt as a share of the economy. Over the next several decades, automatic spending programs, such as Medicare, Medicaid, and Social Security, will continue to grow unsustainably. Even with the president's tax plan, deficits would rise to 9% of gross domestic product by 2053 — only 1 percentage point lower than under current law.

Following the implementation of unprecedented tax increases on the most productive sectors of the economy, Bidenomics would crumble under its own weight. Slower growth, less economic innovation, fewer jobs, and soaring government deficits are a recipe for financial ruin, not restoring the American dream.

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