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What is Bidenomics and How Will it Affect the Economy and Families?

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Since late June, President Joe Biden has dubbed his economic philosophy "Bidenomics," which he describes as an alternative to "trickle-down economics." His priorities focus on "building the economy from the middle out and the bottom up," he said in a July 7 speech in South Carolina.

The term "trickle-down economics," which is usually used as a pejorative, refers to policies that seek to encourage job growth by easing regulations and taxes on businesses. Although Biden's economic plan employs grants and subsidies in an attempt to facilitate job growth, it would also raise taxes on the wealthy and corporations to fund these programs.

"When you build from the middle out and the bottom up, everybody does well," Biden said in his South Carolina speech. "The wealthy still do very well. But [with] that trickle-down economy, not a whole lot dropped to my dad's kitchen table growing up."

The White House has highlighted a few main elements of "Bidenomics." These include higher taxes on the wealthy, more spending on education and job training programs, investments to promote manufacturing, and green energy and infrastructure investments.

How Will We Pay For It?

According to the White House, the president's plan would increase spending in certain sectors of the economy but would still reduce the deficit. This would be done by collecting more tax revenue from wealthy people and corporations.

"We can make smart investments in the American people while reducing the deficit by ensuring the wealthy and large corporations pay their fair share in taxes, closing wasteful tax loopholes, and slashing wasteful spending on special interests," a White House statement said.

Biden included several tax hikes in his 2023 budget proposal, which have received pushback from Republican leadership.

Some of these policies include raising the corporate tax rate from 21% to 28% and raising the income tax rate from 37% to 39.6% for single filers who make more than $400,000 in a year and for joint filers who make more than $450,000 per year. His proposal also includes raising the stock buyback tax, expanding the net investment income tax, and stricter rules on estate taxes, among other tax increases.

The Tax Foundation estimates that the budget proposal would have a net deficit reduction of $2.5 trillion but would have a 1.3% reduction in the GDP in the long run, reduce wages by 1%, and cost the country about 335,000 jobs.

Will the Tax Hikes Affect Me?

Although the middle-class and lower income-tax brackets won't see tax hikes directly, some economists have argued that they will still face indirect consequences from the tax increases.

"Higher taxes on businesses [and the wealthy are] … going to harm, not just those people who are going to be taxed, but it will also harm the rest of the country," Joel Griffith, a senior research fellow at the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation, told CNA.

"We are sucking up capital from the country that could have been either invested in businesses or growing factories or left in the hands of people to spend," Griffith said.

Griffith noted that the money, if not taken through taxes, could otherwise be used in the market through investments in factories, technology, research, or other improvements to the economy. He said that growth helps the businesses as well as the workforce.

"Workers also share in those increased efficiencies," Griffith added.

Michael New, a professor at Catholic University of America's Busch School of Business who has taught classes on the budget and is a former adjunct scholar at the Cato Institute, told CNA that this will also affect anyone who owns stock.

"A growing percentage of families own stock, and higher corporate taxes will lower profit margins and thus lower investment returns," New said. "Also, all tax increases create deadweight loss and reduce the number of economically beneficial transactions, which will also hurt the economy and lower wages and incomes."

How Will Money Be Diverted Toward Job Creation?

One of the key elements of "Bidenomics" is investing more in public education and job training programs. This includes student loan forgiveness, free universal preschool, free community college, and more funding for apprenticeships and technical education programs.

Biden signed an executive order last year to reduce student loan debt, which would have given up to $20,000 in relief to Pell grant recipients and up to $10,000 in relief to non-Pell Grant recipients if the debt-holder made less than $125,000 per year. The Supreme Court ruled in late June that the president did not have this executive authority and struck down the program, but the administration has vowed to keep fighting for student loan forgiveness.

Last year, Biden signed the Bipartisan Infrastructure Law, which included $800 million in job training programs designed for those who do not intend to obtain four-year degrees. The government invested $285 million into the Registered Apprenticeship Program and Biden proposed an increase to $335 million in his latest budget.

The Department of Labor allocated $80 million to the Building Pathways to Infrastructure Jobs grant program, which is intended to bring back manufacturing and other industries through job training funding.

New said these programs are a "politically attractive soundbite" but likely not worth the costs.

"While more assistance to people who wish to attend college is laudable, it should also be noted that a substantial percentage of recent college graduates obtain jobs for which a college degree is not necessary," New said.

Griffith also cautioned against higher education spending, arguing that government spending is driving higher college tuition costs. He said "all the government subsidies that are funneled into higher education" lead to colleges and universities increasing tuition costs and forcing students to "borrow more than they otherwise should have."

Although Griffith praised apprenticeships and job training programs in the private sector, he warned that government funding misallocates the money. He said "federal bureaucrats [are] … willfully inaccurate in determining the needs of the marketplace."

Will 'Bidenomics' Subsidize Businesses?

Even though Biden frames his philosophy as "middle-out" and "bottom-up," his plan includes a top-down approach to certain industries. The president supports subsidies and other incentives to support growth in areas such as manufacturing and chip production.

During his South Carolina speech, Biden said "our plan is working" and that businesses are investing in "communities that have been left out and hallowed out," such as rural areas. He noted the job growth and reduction in unemployment in the post-COVID-19 economy and specifically referenced a growth in manufacturing jobs, chip manufacturing, and green energy, which are priorities of the administration.

Biden referenced the CHIPS and Science Act, which directed about $280 billion toward the domestic production of semiconductors, which included $76 billion in incentives for domestic manufacturing and investment tax credits. The president also supported hundreds of billions of dollars to support clean energy, which included economic subsidies for green energy production.

Griffith countered the president's claims, stating that only a "handful of select businesses" benefit from these subsidies, but that the reallocation of money harms the economy as a whole by removing resources from everyone else.

"They're going to do very well, but we're paying for that by borrowing, printing, and taxing," Griffith said. "... We have to look out how everyone else is being harmed."

Although the unemployment rate has gone down, Griffith pointed toward the labor participation rate as a bad sign of how government investments have been working. The unemployment rate only factors in those who are looking for work, but the labor participation rate shows that nearly 38% of Americans do not work.

Will This Include Infrastructure Improvements?

In addition to the president's investments in the private sector, the plan would support more funding for public infrastructure. During his South Carolina speech, he mentioned funds for roads, bridges, and broadband internet expansion.

A White House statement said that more infrastructure funding supports economic growth and that the use of American-made products boosts manufacturing.

"This infrastructure is the necessary foundation for durable and shared economic growth," the statement read. "Thanks to the Bipartisan Infrastructure Law, 35,000 new projects have been awarded funding in communities all across the country."

How Will This Plan Affect Inflation?

Biden said during his South Carolina speech that his administration has been working to reduce inflation but did not elaborate on what aspects of "Bidenomics" would bring down inflation. Inflation rates have been slowing down, but lower inflation rates do not mean the value of the dollar will increase. Rather, it simply means the value of the dollar is decreasing at a slower rate than before.

Griffith said the proper way to reduce inflation is to "get the federal spending … under control now." Without spending cuts, he said, the only way to pay for these programs is to "unleash the printing presses of the [Federal Reserve]," which will cause more inflation, or increase taxes, which will have other economic consequences.

Inflation has caused increased housing costs, which has made it "nearly impossible to buy a home," Griffith said. He added that inflation rates, compounded with higher regulations, have increased costs for a variety of other goods, including cars and appliances. He said the regulations are also "deterring investors" in agriculture, technology, and other industries.

"Nearly all American families are experiencing the effects of Bidenomics now," Griffith said.

New said “the high inflation rates that have taken place during the Biden administration have hit families hard” and noted hikes in gasoline costs and groceries negatively affecting family budgets. He recommended a different approach than “Bidenomics.”

“Economic history tells us that a better economic strategy for families is to reduce the number of regulations and institute broad income tax rate reductions,” New said. “Such policies improve economic growth and improve the economic conditions for families.”