Antoni Soy – Bidenomics: reforming capitalism to preserve it

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After Trump almost any American president would look great. But whose interests is Joe Biden really serving?

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Joe Biden's economic proposals have caused surprise, as well as a mixture of envy and enthusiasm in what is left of social democratic (little) and social liberal (in political terms, the centre and centre-left) world, and particularly in Europe. And they have been received effusively by the mainstream neo-liberal media: thus, the *Financial Times* has described them as "almost as historic as the pandemic it is trying to mitigate", for the *New York Times* they mean "the greatest anti-poverty effort in a generation" , the *Washington Post* describes them as "a seismic movement in U.S. politics," *Bloomberg* spoke of "the beginning of a new economic era, a structural break with the neoliberal consensus."

Let's review Biden's big proposals: first, a $ 1.9 trillion rescue plan for the most urgent consequences of the pandemic (*the "American Rescue Plan"*), which was already approved by Congress and by the Senate; second, a $ 2.3 trillion investment plan in infrastructure and job creation and, theoretically, in climate change (*the "American Jobs Plan"*); third, a $ 1.8 trillion plan for families, students and workers (*the "America Families Plan"*). These last two plans, which have yet to be approved by the legislative chambers, which does not seem easy without any major changes, can be found summarized in a magnificent *New York Times*: The $ 4 trillion Biden plans to spend is over 8 years, or 500 billion annually. The package of measures will account for about 1.9% of GDP in this period, i.e. 60% of projected military spending in the same period, which will reach 3.3% of GDP.

In addition, Biden wants to give $ 80 billion more to the *Internal Revenue Service (IRS)*, the U.S. tax agency, as well as more authority to fight tax evasion by large corporations and elites. At the same time, it is proposed to increase the marginal rate of income tax on those who earn the most, from 37% to 39.6%, and to increase the tax rates on capital gains to those who earn more than $ 1 million yearly. All in all, they say, it would mean more than $ 700 billion in revenue over the next ten years. And Treasury Secretary, Janet Yellen, has begun talking about a minimum international global tax rate on businesses that would affect existing tax havens. (Recall that the European Union apart from an urgent rescue plan amounting to about 150/175 billion Euros, in the recovery plan -Next Generation- only provides for 750 billion Euros, part in the form of credits and not subsidies, very conditional on countries complying with certain tax rules and making reforms – “structural” – in the labour market, public pensions, etc., and that countries will start receiving resources in July).

Faced with such important figures, there are economists (and normal people) who ask themselves: And how will all these expenditures be financed? According to James K. Galbraith (son of the legendary John K. Galbraith), a post-Keynesian economist close to the theses of Modern Monetary Theory (MMT), who advised Syriza and then Corbyn among others. This is the typical question when politicians try to pursue economic and social policies that they consider “progressive” and necessary. Their answer is that if you have the real (non-monetary) resources and organizational skills, and you want to use them, you can employ more people, which is the goal one wants to achieve, and you can produce more goods and services. Financing is not a problem if you have your own currency, and even less so if it is the US dollar that remains the most widely used currency in the international arena, both in trade and finance.

It’s really interesting and enlightening to hear (or read the transcript), in *The New York Times*, *“The Best Explanation of Biden’s Thinking I’ve Heard,” April 9, 2021*), from the interview with Brian Deese, director of the National Economic Council, – the nerve centre that coordinates the economic policy of the entire US Executive, and which is behind Biden’s proposals – on the *Ezra Klein Show Podcast*. Brian Deese, an economist who, after going through different bodies / think tanks, in 2008 participated in the election campaigns, first of Hillary Clinton and then of Obama, who incorporated him, with various positions related to economic policy, in his staff. Once that stage was over he went on to work as the Global Head of Sustainable Investment at BlackRock, the world’s largest investment management fund, before returning to government with Biden. It is, therefore, a perfect example of the “revolving door” system characteristic of U.S. elites. Deese highlights the two elements that differentiate the current era from that of Obama, and which are the two principles that seem to be behind Biden’s proposals: awareness of growing economic inequality and climate change. But there is a third element, probably the most current and important, that explains the urgency of the actions proposed by Biden: the emergence of China as an economic power and trade and technological competitor of the United States.

The priority is to regain, on the part of the US, a productive capacity and an internal industrial force that will allow it to compete with China and maintain world leadership (economic, geopolitical, technological, military). And to achieve this it is not possible by relying solely on the private sector, but the state must again assume a strategic role in economic matters, because it is the only possibility to deal with a planned economy where the strategic sectors are in public hands, as is the case of China. As it has historically done (in 1929 with the USSR, now with China), the US must appropriate some elements of the development model that has proven to be more advanced and better prepared to deal with a systemic global crisis, incorporating them into the same system, without, in any case, questioning capitalist relations of production, and at the same time making a more prudent governance of its internal contradictions which too often prove explosive. Finally, also very important, the US must build an effective narrative, presenting itself as the champions of “progressivism,” which hides, as far as possible, its hegemonic ends. And the worst part is that some supposedly progressive forces from other countries, particularly in Europe, buy this story.

In fact, it seems that Washington is considering a kind of *“new cold war”* in international relations, with a “selective multilateralism” in which NATO countries would play a key role in supporting hegemony of the USA. “The vulnerability of our economy is in our supply chains,” says Deese, something that has become empirically clear with the pandemic, and so it is a matter of re-internalizing the production chains that had been outsourced. And Deese insists: “… American consumers will not only be able to buy electric vehicles, but these will be produced in the US, and we will have as much of the innovation ecosystem as possible in the US …, (but) to do that requires a strategic initial investment. The foundations need to be laid to unlock private capital. ” As *Contropiano.org* has pointed out, “Becoming a hub in this and other strategic sectors with state economic action (not with simple fiscal stimuli) that serve as a basis for private sector development is the formula for the false” ecological transition “of USA “.

The environmental aspects have been among the most criticized of Biden’s proposals. Evidently, Bernie Sanders and Alexandra Ocasio-Cortez (AOC), promoters of the *New Green Deal* (where $ 16 trillion is talked about), and some Democratic congressmen/women, consider the program’s environmental proposals to be totally inadequate. And this is agreed by many economists, environmentalists and experts, for example, James K. Galbraith himself, a supporter of the global Biden package of measures. But some of the harshest criticism can be found in *Counterpunch*, in an article by Howie Hawkins *(“Biden’s Climate Plan: It’s Too Late For Gradualism,” April 28, 2021*) and another by Adam Tooze in *New Statesman “America’s race to net zero. Does Joe Biden’s climate plan go far enough ?”, April, 21, 2021*) who consider Biden’s plan to be very insufficient (e.g., what is expected to be devoted to R&D in renewabale energy -35 trillion dollars in eight years – is less than what US citizens spend annually on pet food) and too long (8 years) to be able to decarbonise the economy with the speed and radicalism it takes to transform all productive sectors and meet the demands of the current climate emergency. Brian Deese and the Biden team think that initial public sector investment will act as a multiplier for private investment because they believe that “market-based change towards clean energy presents huge opportunities for the development of new markets and new industries”. But Adam Tooze thinks that “If it’s the *Green New Deal* recast in the image of BlackRock (where Deese worked until now), it falls far short of the bold vision of the original,” to end by saying that “the political struggle for a consensual and broad push for decarbonisation in The United States has yet to be won”. Back at *Counterpunch*, Steve Cox *(“Biden’s Climate Proposals: Tiptoeing Across the Starting Line, May, 2, 2021*) makes a radical critique of Biden’s environmental plans:“ There are at least three things wrong with Biden’s climate vision: a 50% reduction in emissions by 2030 is too little; the goal of “zero net emissions” in 2050 is nothing more than a euphemism for continuing to burn fossil fuels; and no strategy or mechanism has been articulated to achieve at least these overly modest goals. In other words, there is no plan in Biden's plan". He concluded: "The global ecological emergency demands that Washington also abandon the naive belief that markets can eliminate the scourge of fossil fuels. This hole in our climate policies must be plugged immediately."

In the interview with Deese there are two other important aspects: on the one hand, the full awareness of the failure of the model of health and care welfare which has been a real hecatomb for both workers and people who had to be assisted, especially in the case of older people, on the other, the need to change industrial relations to give a solid basis for a new "social pact" with the working class and the popular classes, especially those who have lately listened to Republican proposals.

If we consider Biden's economic proposals globally, they obviously represent a change with respect to the Trump era and even with respect to what the actions of Bill Clinton or Barack Obama. But the question is whether this movement can be the beginning of an overcoming of neoliberalism and the birth of a new Keynesian and Social Democratic path or whether it is a simple "correction of the excesses of neoliberal liberalization and an attempt to return to a capitalism a little bit less predatory "as Bruno Amable, a professor at the *Université de Genève*, pointed out in the newspaper *Libération*. There are proponents of both positions, but one of the keys, as French Marxist Michel Husson has pointed out, is whether "Biden really wants or can face the power of large multinational corporations and the financial system." The key point is that of the social relations of the economy, of the relations of relative force between the social classes. Or as Susan Watkins *("Paradigm Shifts"*) said in the latest issue of the *New Left Review*: "The Bidenomics could be seen as a step toward reshaping the centrally monetized, debt-driven capitalist regime, in a more compensatory way, a new third way, driven both by the populist clash and, above all, by the competitive friction with a rising China. Then the project would approach the stage that Biden explained to Wall Street donors in 2019, when it was presented as the antidote to the Sanders political revolution, making marginal changes that would improve the lives of working-class Americans, but without imposing more taxes on the rich. " The problem is that while the third way in the 1990s was fully compatible with radical neoliberal policies, capitalism must now operate in a more difficult and competitive environment, which has to deal with large amounts of debt (private and public), and with the risk of an ever-present financial instability.

As English Marxist economist Michael Roberts has repeatedly pointed out in his blog, advanced capitalist economies, and in particular the United States, are suffering the worst economic recession since the 1930s: a decline in GDP by 4/5% in 2020, loss of 25 million jobs and millions of workers receive emergency benefits, unemployment benefits or have lost all hope. In 2020, at the same time, there was the largest injection of credit into the monetary system in history from the purchase of public debt and of private corporations as well as loans to banks and companies by the Federal Reserve (central bank of the US), which is very similar to what the European Central Bank has done in the EU with its PEPP program (emergency purchasing program to deal with the pandemic). The problem is, as has been shown empirically, that all this money injected has not served to increase consumption and productive investment, but to finance the growth of the price of financial assets on the stock market, because banks and large companies have used this large increase in credit to speculate in the stock and debt markets instead of increasing productive investment and creating new jobs. In short, this expansionary monetary policy has made those who were already very rich richer, and at the same time has managed to keep some companies alive, many of them turned into “zombies” (if the credit were cut or if it is an increase of interest rates they will be unable to repay what they owe). And given that it is estimated that in the US “zombies” make up 20% of all companies and in Europe 40%, there is a high risk that this could lead to a credit crunch and a financial collapse in the future. Capitalist investment is not engaged in productive capital and is concentrated in “fictitious capital”.

That is, low growth, low productive business investment, high unemployment and low wages, and at the base of everything, a very low return on productive assets. As has been seen, the basis of Biden’s plan is to make a significant initial public investment that spurs private investment (the Keynesian multiplier). The problem is that in advanced capitalist economies public investment accounts for 3% of GDP, while private business investment accounts for between 15 and 20% of GDP. And the latter depends on the expected return on private investment, which is at its lowest level in the United States and most advanced capitalist countries since 1945.

According to Roberts, the public investment that would be needed for the US economy to grow to a level that would increase real wages, achieve full employment and devote sufficient resources and innovation to truly fight climate change would require levels of public investment of “war economy,” as when in World War II federal government investment increased to 23% of GDP, the government nationalized strategic sectors and controlled and directed private capitalist sector investment (and that is the one that ended the crisis of the 1930s rather than the New Deal). But it seems clear that this is not what Biden wants, which would be closer to what a *Financial Times editorial* said, significantly titled *“Bidenomics Can Preserve Support for Capitalism”* when it stated “From Keynes, the best argument for state intervention has not been to abolish the market, but to preserve public support for it” and continued “if Bidenomics is implemented it will make life more complicated for businesses and people on high incomes, but it could also avoid a wider adjustment in the future”. That is, to reform capitalism to preserve it. The big question is to what extent this is possible.