

How will Joe Biden influence the global economy?



The actions of the US government continue to have a major impact on business globally. Business strategists therefore need a clear indicator of what economic policy Joe Biden intends to pursue, the quality of the people he will appoint to implement it, and his chances of success in negotiations with the US Congress. This report summarizes the situation as he enters office, provides details of his first major initiatives, lists the primary qualifications of his major appointees, analyses his odds in Congress with excerpts from a December intel session with former Speaker John Boehner and former high-ranking Democrat Joe Crowley, and summarizes Biden's main economic priorities as he enters office.

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The scene as Joe Biden takes office

Joe Biden will take the oath of office on January 20th after the most contentious transition period in the modern history of the United States. His election was challenged and confirmed at the state level (where executive power lies in elections), in the courts, and, after a riot disrupted their meeting and ended with five dead, by the US Congress. No presidential election outcome has been tested more, and neither the states, the courts, nor Congress found sufficient evidence to support the claims of fraud.

The outgoing Senate leader, Mitch McConnell, illustrated the situation in his speech during the electoral college certification process. “This is the most important vote I have ever cast,” the senator told his colleagues. “We cannot simply declare ourselves a national board of elections. The voters, the courts, and the states have all spoken...If we overrule them, it would damage our republic forever.”

McConnell reminded the senators that by historical standards “this election actually was not unusually close... 1976, 2000, and 2004 were all closer than this one. The electoral college margin is almost identical to what it was in 2016. If this election were overturned by mere allegations from the losing side, our democracy would enter a death spiral.”

After his warning, six of his Senate colleagues voted to overturn the election results in Arizona, and seven voted to overturn the results in Pennsylvania. In the House of Representatives, 121 members voted to overturn the results in Arizona, and 138 voted to overturn the results in Pennsylvania. Both states’ results were certified.

President Biden will enter office pledging to unify the country. The country needs it. Only 12% (survey by The Economist) to 24% (survey by Politico) of Americans feel the country is heading in the right direction. Perhaps 2 out of 3 Americans believe other Americans tried to “steal” the election either during the election or by refusing to accept the results.

He will return to Washington to a House of Representatives whose Democratic leadership lost 10 seats in the election and maintains 222-212 margin (with one seat in New York still being resolved). The Senate is split down the middle, with 50 senators from both parties. As he takes office, his predecessor will be tried by the Senate on House impeachment charges for inciting the riot at the US Capitol. Police are investigating the potential involvement in the riots of other Congresspeople. The state of Georgia is considering criminal charges for election interference against President Trump.

Outside of the beltway, the country is staggering from the coronavirus. The number of deaths has now surpassed 400,000, and the Centers of Disease Control warned that the more infectious new strain of the virus will send infection rates soaring through spring. Total nonfarm payroll employment declined by 140,000 in December and the unemployment rate is now 6.7%.

The state of the union, in other words, is unsettled, and seething. One could argue that no US president has faced such a daunting challenge since Franklin Delano Roosevelt. Biden arrives with two advantages. He is the most experienced Washington politician to hold the office since—arguably—George Bush (senior) or Lyndon Johnson, and even Republicans like him. He also served as vice-president as the Obama administration helped the nation recover from the 2008 mortgage crisis. His chief argument during the campaign is that he possessed the experience and the contacts and the legislative skills to get things done.

The next few months will determine whether that is enough.

Joe Biden's first act

The transition administration announced how it intends to suppress the Covid19 virus and recover from its economic impact. The first part of the economic recovery package, entitled the American Rescue Act (ARA), was announced last week, and is connected with a new vaccination policy. The ARA will be followed by the Build Back Better Recovery Plan will be announced in February at the first joint session of Congress.

Key Points of the American Rescue Plan (listed as presented by Biden team)

1) Vaccination.

- Invest USD 20 billion in co-ordination with state and local government to establish more vaccine centers, including mobile vaccine centers for rural areas.
- Ensure all American citizens receive vaccine free-of-charge.
- Expand Federal Medicaid Assistance to 100% for administering vaccines.

2) Covid Health and Public Safety Response.

- Invest USD 50 billion to expand testing capacity and ensure all citizens required to be tested receive test for free. This includes buying more tests, increasing lab capacity, and implementing regular testing in high-risk settings such as schools and prisons.
- Fund an increase of 100,000 public health workers to increase contact tracing and accelerate vaccination. This workforce will remain after the virus to reduce hospitalization for lower income citizens.
- Funds expansion for Community Health Centers in underserved communities, strike teams to assist suppressing outbreaks in long-term care facilities,
- Increases funding for sequencing, surveillance, and outbreak analysis to identify new strains of the virus.
- Invest USD 30 billion into Disaster Relief Fund 1) to purchase supplies and protective gear and to reimburse states 100% for emergency measures such as deploying the National Guard.
- Invest USD 10 billion to expand domestic manufacturing of pandemic equipment.
- Invest in development, treatment, and manufacturing of COVID treatments.
- Create a COVID19 Safety Standard for the workforce and provide grant money to help adopt the standards.
- Provide USD 11 billion to the international health COVID response.
- Provide USD 130 billion to re-opening primary and secondary schools, USD 35 billion to re-opening or improving covid safety standards at tertiary schools, and USD 5 billion to assist schools in the hardest hit areas.

Economic support of individuals

- Extend paid leave to 106 million workers until September 30, 2021 Provide 14 weeks paid leave for parents of children whose school or care center was closed. Provide paid leave protection for federal workers. Provide maximum paid leave protection of USD 1400 weekly.
- Provide families with USD 1400 in addition to the USD 600 from December, including adult dependents.
- Extend emergency unemployment programs through September 2021, including self-employed workers who normally do not qualify for unemployment benefits.
- Fully fund states' short-time benefits program which works similarly to kurzarbeit by allowing companies to reduce work hours and compensates workers for the difference in pay.
- Extend the eviction and foreclosure moratoriums until September 30, 2021. Extend applications for forbearing mortgage payments on federally guaranteed mortgages until September 30, 2021.
- Provide USD 25 billion in rental assistance to individuals and an additional USD 5 billion in assistance for water and energy payments.
- Provide USD 5 billion in housing assistance for people experiencing or at-risk of homelessness.
- Extend the 15% increase in the Supplemental Nutritional Assistance Program and add USD 3 billion in special nutritional assistance.
- Partner with restaurants to provide food to families in need.
- Provide US territories with USD 1 billion in nutritional assistance.
- Raise Minimum Wage to USD 15 an hour.
- Request employers to provide essential workers with back pay for hazardous work.
- Provide USD 25 billion in funds to stabilize childcare centers.
- Expand childcare assistance by USD 15 billion.
- Increase tax credits for childcare up to USD 4000 for one child and USD 8000 for two or more children.
- Make the Child Tax Credit refundable for the whole year. Increase the credit to USD 3600 for children under 6 and USD 3000 for children from 6-17.
- Expand the Earned Income Tax Credit for childless adults to approximately USD 1500 and raise the income ceiling for the credit to USD 21,000.
- Provide USD 1 billion to the program for needy families.
- Subsidize continuation health coverage (COBRA) through the end of September 2021.
- Expand and increase the value of the Premium Tax Credit to ensure that no citizen pays more than 8.5% of their income for coverage.
- Appropriate USD 4 billion for behavioral health services.
- Provide an additional USD 20 billion for veteran's health care.
- Provide USD 800 million for survivors of gender-based violence.

Economic support of communities and business

- Provide USD 15 billion for grants up to USD 1 million for small businesses.
- Invest USD 35 billion in state, local, tribal, and non-profit small business financing programs for additional small business lending.
- Provide \$350 billion in emergency funding for state, local, and territorial governments to ensure that they are in a position to keep front line public workers employed and paid. Allocate \$3 billion of this funding to the Economic Development Administration (EDA)
- Provide USD 20 billion to public transit agencies.
- Invest USD 20 billion in Covid relief to Indian Country.
- Invest USD 9 billion into the Technology Modernization Fund in part to launch IT and cybersecurity shared services at the Cyber Security and Information Security Agency (CISA).
- Provide USD 200 million to hire experts for the US Digital Service.
- Provide USD 300 million for Technology Transformation Services at the General Service Administration to fund secure IT projects.
- Provide an additional USD 690 million to improve cybersecurity in federal civilian networks and to support cloud computer service projects.



Joe Biden's team

This summary includes only selected senior members of the President Biden's nominated team. Other members include:

Tom Vilsack
Secretary of
Agriculture

Marcia Fudge
Secretary of Housing
and Urban
Development

Denis McDonough
Secretary of Veterans
Affairs

Dr. Miguel Cardona
Secretary of
Education

Merrick Garland
Attorney General

Economy

Secretary of the Treasury

Janet Yellen

- Former Chair and Vice-Chair of the Federal Reserve
- Former Chair of the Council of Economic Advisors
- Professor of Economics at the University of California, Berkeley

Secretary of Commerce

Gina Raimondo

- Governor of Rhode Island (two terms). Initiatives to introduce computer science curriculum, free community college programs for every high school graduate.
- Founder, Point Judith Capital, venture capital firm.
- State Treasurer of Rhode Island.

Secretary of Labor

Marty Walsh

- Mayor of Boston (two terms). Initiatives to introduce USD 15 minimum wage, free community college programs for low income families, increased affordable housing, housing for the homeless.
- Legislator, Massachusetts State Legislature. Co-Chair of Labor Caucus, Co-Chair for Special Commission on Public Construction Reform.
- President of Laborer's Union Local 223.

Director of the Office of Management and Budget

Neera Tanden

- President and CEO of the Center for American Progress.
- Former Senior Advisor for Health Reform at the US Department of Health and Human Services.
- Former Director of Domestic Policy for Obama-Biden Campaign.

Small Business Administrator

Isabel Guzman

- Director of California's Office of Small Business Advocacy.
- Senior Advisor and Deputy Chief of Staff of US Small Business Administration.
- Director of Strategic Initiatives at ProAmerica Bank.

Chair of the Council of Economic Advisors

Cecilia Rouse

- Former member of the Council of Economic Advisors
- Dean of the Princeton School of Public Policy and International Affairs
- Senior Advisor and Deputy Chief of Staff of US Small Business Administration.

Domestic

Secretary of Transportation

Pete Buttigieg

- Mayor of South Bend, Indiana (8 years).
- Candidate for President 2020.

US Trade Representative

Katherine Tai

- Chief Lawyer on Trade for House Ways and Means Committee
- Chief Counsel for China Trade Enforcement, US Trade Representative.

Health

Secretary of Health and Human Services

Xavier Becerra

- California Attorney General
- Former Member of the US House of Representatives, California

National Security

Secretary of State

Anthony Blinken

- Former Deputy Secretary of State.
- Assistant to the President and Principal Deputy National Security Advisor to President Obama.
- Former National Security Advisor to Vice President Biden.
- Former Democratic Staff Director for the Senate Foreign Relations Committee.

Secretary of Defense

Lloyd Austin

- Retired 4 Star General.
- Former Commander of US Central Command.
- Served in Iraq and Syria.

Secretary of Homeland Security

Alejandro Mayorkas

- Former Deputy Secretary of Homeland Security
- Former Director of US Citizen and Immigration Services.
- Former Director of Domestic Policy for Obama-Biden Campaign.

Director of National Intelligence

Avril Haines

- Former Principal Deputy National Security Advisor to President Barack Obama and Legal Advisor to the National Security Council
- Former Deputy Director of the CIA.

Director of CIA

William Burns

- Former Deputy Secretary of State
- Former Under Secretary of State for Political Affairs
- Former U.S. Ambassador to Russia

Science

OSTP Director and Presidential Science Advisor

Eric S. Lander

- President and founding director of the Broad Institute of MIT and Harvard
- One of the leaders of the Human Genome Project

Joe Biden's team

Climate

Secretary of the Interior

Deb Haaland

- Congresswoman from New Mexico (two terms).
- Vice Chair of the House Committee on Natural Resources
- Deputy Whip for the House Progressive Caucus
- Former Chairwoman of the Laguna Development Corporation Board of Directors (business included the second largest gaming operation in New Mexico).

Secretary of Energy

Jennifer Granholm

- Former Governor of Michigan (two terms)
- As governor, worked with Obama administration on auto industry rescue after 2008 crisis.
- Former Michigan attorney general.
- Founder of American Jobs Project to promote technology advancement and clean energy policies.
- Professor at University of California's School of Public Policy.

Environmental Protection Agency

Michael Regan

- Secretary of the North Carolina Department of Environmental Quality
- Former Associate Vice President of the Environmental Defense Fund

Chief Of Staff

Ron Klain

- Former Chief of Staff to Vice-President Biden
- Former Chief Counsel of the Senate Judiciary Committee
- Former Executive Vice President and General Counsel of Revolution LLC
- Former National Practice Group Chair at O'Melveny & Myers

How will Joe Biden fare in Congress?

The Biden Administration has big plans to revive and modernize the US economy, and thereby provide a strong boost to global business. Most of those big plans require spending money, and spending money requires Congressional approval. The elections have made getting that approval easier and tougher. In the Senate, Democrat victories in Georgia will push the Republicans out of the majority, and give Vice-President Kamala Harris the deciding vote in the evenly split body. In the House, Republican victories have narrowed the Democrats advantage, which will make it tougher for the administration to get the votes they need for their policies. Since what Joe Biden wants will require Congress agreeing to give it to him, how his policies will be received there may be the most critical factor in the ability of the administration to help global business recover from the pandemic. For that reason, AmChams throughout Europe invited former Republican Speaker of the House John Boehner and former Chair of the House Democratic Caucus, both now Senior Advisors at Squire Patton Boggs, to discuss how Congress would handle President Biden's priorities.

Let's begin with perception many people have of Congress. Is it as deadlocked and "broken" as the newspaper headlines say?

John Boehner: "The divide we see in America is not much different from the divide we see in many countries in Europe. Driven by 24 hour cable news, and by social media, a bunch of information is being dumped in people's laps that is either pushing or pulling them into one of two camps. That leaves fewer people in the middle. The constant need for new news allows the loudest voices in both parties to hold their leadership hostage."

"People on both sides of the aisles have relationship. When I was in Congress, I spoke with Joe Crowley every day. We could disagree without being disagreeable. Even with the partisan divide, those relationships make it possible for the two parties to work with each other. I think we are going to see some examples of that in the upcoming year."

Speaker Pelosi has lost some strength (in numbers) in the House. Can she still push the administration priorities through as effectively as she did for the first two years of the Obama administration?

Joe Crowley: "Anyone who underestimates Speaker Pelosi does so at their own peril. She is proven legislator. When you look at the outcome of this election, you can see that the public dismissed Donald Trump, but it did not dismiss Republicanism. The Democrats were expected to gain between 8 to 15 seats, and the opposite occurred. Republicans also strengthened their positions in state legislatures. That, by the way, goes against the notion that the election were rigged. The narrowness the majority in the House will require bi-partisanship if the new administration wants to get anything

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John Boehner (below)
and Joe Crowley
(below right)



done, and it could help define which issues become a priority. Infrastructure, for instance, is an area of interest for both parties, and I can imagine an infrastructure package could be something that could pass fairly easily and early in the administration.”

Can you explain why so many Republicans in the House and Senate stayed silent during the controversy over the election?

John Boehner: “Most congresspeople do not want upset the President’s supporters, and they just wanted to lie low and let the situation take care of itself.”

How will the Biden administration handle the pandemic differently?

John Boehner: “Biden’s efforts will be more co-ordinated and the message more consistent, but most of the work will still be done at the state level with governors.”

Joe Crowley: “I think the Biden administration is looking at (covid recovery) as a type of WPA project (part of Franklin Roosevelt’s anti-depression policies). He wants to put money into infrastructure, because for every dollar you put into infrastructure, the economic multiplier effect you get is very large. They also see a way to massage climate change policy into the (more widely popular) infrastructure spending so that they can make progress on that as well.”

One of Biden’s priorities is climate change. His strategy seems to be including climate change initiatives within programs popular with Republicans, such as infrastructure and modernizing manufacturing. Will that be enough to attract Republican support?

John Boehner: “I am not optimistic anything major can get done. We have a major partisan divide on climate change, and I do not see how it can be bridged so easily. We may get some minor changes, but nothing big.”

Joe Crowley: “The question is not whether they will re-engage in the Paris Agreement. They have made it clear they will. The question is what they will be able to deliver on those commitments. That goes back to what we said about the narrow margins in both the House and the Senate, the high level of partisanship, and the value of personal relationships. Speaker Pelosi won back the house by winning districts that want their representative to deliver results and do not clearly favor the Democratic position on climate change. She knows those districts, and control of the House, can be lost in two years. Climate change, however, is something that has affected her district and is important to her, and I think she will try to get something accomplished there.

Policing was a major issue leading up to the election, and the Biden administration has made racial equity one of its four priorities. How do you think Congress will handle the issue?

John Boehner: “Congress will not play a big role in the issues around police reform. This is mainly in the hands of states, cities and local government. What I do think the administration might do is talk more about these issues as way to generate a larger discussion in America. Not everything needs to be legislated, the president has the biggest soapbox in the world, and I think he will try to use it to lead a conversation.”

Joe Crowley: “I agree that Congress will not play a big role in policing issues. President Biden will try to lower the temperature, and unify the sides, which is the opposite of what his predecessor did. The Republicans did a very effective political job of using “defund the police” during the elections, and the Democrats will need to find a way to communicate their position more effectively over the next two years. That means that big stuff may not be on the table at the very beginning. However, I expect that Congress will address voting rights issues, which is very important for the Black Caucus.”

Can you explain the role of caucuses in building consensus?

Joe Crowley: "Caucuses are ad hoc entities, and are not given a budget. Caucuses can be formed around nations, issues and even ethnicities. Many of the caucuses exist within one of the parties, but some attract members of both parties. The Black Caucus has grown in power."

Let's move on to the relationship with Europe. Will the administration change the US approach to the EU, and will Congress support that change?

Joe Boehner: "What we will see from the new administration is a different tone, but the issues between the EU and US will remain pretty much the same. We should not be fooled that an election will change much. The issues will still be the issues. How the EU handled data privacy was not received well by either party over here. Nevertheless, negotiating a free trade deal would be beneficial for both sides, and we should not let disagreements prevent progress, especially as China continues to grow at a rapid pace."

Joe Crowley: "Both parties recognize how important Europe is. I agree what will be different is the tone, and perhaps the clarity of the message. Who our friends and foes were become very muddled over the last four years, and I think this administration will speak with more consistency. This administration will re-engage with Europe not only on the Paris Agreement, but on defense, on Iran, and many other issues on which we have common interests. On the other hand, as John Boehner said, the issues we have will remain issues. Funding Nato is not going to go away."

Given how much it could help achieve the priorities on both sides of the Atlantic, one might expect more enthusiasm to spur investment by setting common standards. Instead the digital economy seems to be becoming a flashpoint...

Joe Boehner: "Europe is diverging on digital issues. I expect the new administration to have this high on the to-do list. Consumers in Europe and in the United States will not benefit from a number of differing regulations on data and different rate of taxing the digital economy, and government on both sides of the Atlantic should have a real interest in finding common ground."

Joe Crowley: "We have a natural alliance when it comes to the threat from China. We can see what ambitions China has, and how much of what it wants to do threatens both the EU and the US equally."

John Boehner: "China is going to be the next superpower on the planet, and it needs to realize that if it wants to be a major player on the world stage, it has to abide by the world's rules, which, by the way, it has already committed to do. The US and the EU need to find a way to work with China when it benefits everyone, and a way to counteract China when what it does benefits only itself. We need to walk both the cooperative path and the resistant path. And we have to try to resolve whatever issues we have between each other in such a way that it does not diminish our ability to work together on China."

China is one issue that has loomed large over the last four years. Immigration is another. Do you think there is any chance the parties can finally find enough consensus to reform the system?

John Boehner: "Well, I thought we had a bi-partisan agreement in 2012, 2013, 2014, and 2015, but we never quite got there. This is not so hard to figure out. America allows a million people to come and stay every year. That is more than the rest of the world combined. Our immigration system is broken, and needs to be overhauled from top to bottom to reflect the realities of the 21st century. This is another area in which the new administration could construct a bi-partisan deal."

Joe Crowley: "I am not going to hold my breath waiting for an immigration deal. There are still a number of issues on visas and in other areas that make agreement hard. The country still needs to grow, and to attract the best and brightest."

It sounds as though Joe Biden's experience in the Senate may not bear as many riches as some people say it will...

John Boehner: "Congress is going to be very divided, but I think it can find common ground, and the President will do fine. Starting in late January, the world will start to hear a tone coming out of the America that will be starkly different than the tone it has been hearing."

Joe Crowley: "I do not think we should believe that all will be well in the world because Joe Biden has spent decades in the Senate, but it cannot hurt. John Boehner often said that when a deal needed to be done with the Obama administration, you would pick up the phone and talk to Joe Biden. Joe Biden knows how the soup gets made. He also knows almost all of the people in Congress who will make that soup. I think this can really help the administration get things done. Kamala Harris also is a bit of a secret weapon for the administration. She is a little more in tune with the younger members of Congress, and she fits into the more progressive wing of the party. She can temper expectations, and help push things forward."

Well, first things first. Do you expect President Biden to get all his nominees approved by the Senate?

Joe Crowley: "All of them? Who knows?" Crowley said. "I think most of them will. There is a public expectation that the President will get to pick the people he wants to work with. The Republicans will likely respect that. We may see some sharp debate on a few, but I expect we will see most of them go through without much problem."

Polls have had a hard time predicting results with precision in such a volatile environment. We would like to institute instead the Crowley-Boehner Index to substitute expert judgement for telephone polling. Would each of you tell us how many Republican and Democratic members of the House there will be after the 2022 election, and the same for the Senate. Finally, what will the President's popularity rating be?

Joe Crowley: "Democrats have a couple of things going against them in 2022. Republicans did remarkably well in state legislatures in 2020 elections, and now have a 22-15 advantage when it comes to redistricting. This will help them win seats in the House. Historically, the President's party tends to lose seats in the House in mid-term election. Speaker Pelosi knows the road to the majority runs through moderate districts, and I think that will temper what she will be willing to do. In the Senate, the Democrats have better odds, because two out of every three seat up for election is held by a Republican. Joe Biden is a likeable person, and I think that this will mean he will not have the negative numbers his predecessor had. I would guess he would have a 55-57% approval rating."

John Boehner: "Joe Biden's approval rating will be in the low fifties based on his personality, I think there is a good chance the Republicans will take the House back, and could narrowly control the Senate."

We would like to thank John Boehner and Joe Crowley for spending the time with us, as well as Radek Janecek (Prague) and Keri Lee (Washington) of Squire Patton Boggs for helping to arrange the discussion.