THE HILL

Reaganomics versus Bidenomics

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All administrations search for a slogan to mobilize support and communicate with the public. For Donald Trump it was "Make America Great Again." For Joe Biden it is "an economic policy for the middle class" — or, in shorthand, "Bidenomics."

Rooted in the philosophical foundation of the Democratic Party with its pro-labor, pro-union, Big Government orientation, Bidenomics is the polar opposite of the Reaganomics that President Biden and his acolytes increasingly lambast.

While Reaganomics has been out of favor for some time now, since "trickle down" economics never panned out, the Reagan years are still hailed as one of the longest and strongest periods of growth in the history of the U.S. Inflation and interest rates were cut in half, and more than 20 million jobs were created. Nevertheless, there were many in the middle class who did not benefit from these policies.

For Bidenomics, the picture to date is a mixed one.

On the positive side of the ledger, during President Biden's first year in office, GDP rose by nearly 6 percent and 13 million jobs have been created during Biden's first term. He was able to usher through a Bipartisan Infrastructure Bill, a CHIPS and Science Act, Inflation Reduction Act and a $1.9 trillion American Rescue Plan. The CHIPS and Science Act has resulted in $200 billion in private investments for U.S. semiconductor production, along with 44,000 new jobs.

But the nation is experiencing the highest inflation in 40 years, with the cost of living increasing substantially and workers subjected to 26 months of wages not having kept up with inflation as real pay continues to fall. Meanwhile, the aforementioned big-ticket spending items have boosted the federal deficit from $984 billion to $1.5 trillion.

Be that as it may, the problem with Bidenomics is not what it has or has not accomplished but the fact it is conceptually flawed.

The president and his team claim that: (1) the middle class is the driving force behind the American economy's success; (2) it's time to grow the economy from the bottom up and the middle out; and (3) neoliberalism has hollowed out the U.S. industrial base and we need a worker-centric trade policy.

In the first instance, it is private enterprise that is the driver of economic success — the middle class (among other classes) is the beneficiary. In the second case, pro-growth government policies combined with well-managed firms will grow the economy — bottom up, middle out and top. As for the third accusation, neoliberalism provided a market-based path forward; it did not hollow out the industrial base. That was done by the failure of government to fund sweeping measures to boost competitiveness and invest in worker training.

As the Biden administration seeks to propel the economy forward, there is much it needs to do (and undo). Several actions could go far in contributing to growth:

1. ***Reevaluate regulatory policy.*** The federal government's penchant to regulate takes a large toll on small- and medium-size firms in particular, given the time and cost of compliance. Biden's team has issued 4,429 rules, a 45.8 percent jump in paperwork over former President Donald Trump's final year. Excessive federal regulation leads to higher prices, more unemployment and more poverty at the state level. The administration should thoroughly reevalue regulatory policy as it impacts SMEs.

2. ***Invest more in vocational-technical education.*** In a June 28 speech, the president asserted that "Bidenomics is about the future." If that is the case, the future will require a large, technically skilled workforce in addition to professional STEM graduates of higher education. Germany serves as a model, and apprenticeships and greater in-service training by companies and labor unions will be indispensable.

3. ***Reengage in trade***. Trade is not a core of international economic policy, according to Deputy National Security Adviser Mike Pyle. In addition to keeping in place most of the Trump administration's tariffs, the current administration maintains "Buy American" provisions, restrictions on foreign investment and tax credits only for electric vehicles built in North America. Unfortunately, there is no interest at present in pursuing Trade Promotion Authority (now expired) or additional free trade agreements or joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Meanwhile, our competitors from China, the European Union, South Korea and elsewhere are seizing opportunities to expand their exports and reinvigorate their economies through trade. The Indo-Pacific Strategy of the United States is a welcoming initiative; but only a broader and deeper reengagement in trade that will produce tangible results.

4. Pursue smart industrial policy. Industrial policy is a prime feature of activist government, with examples being the Chips and Science Act and the Bipartisan Infrastructure Bill. Contrary to popular belief, U.S. administrations have championed industrial policy since the time of Alexander Hamilton. FDR's New Deal, the Pentagon's DARPA projects and Obama's Manufacturing USA initiative are vivid examples. Smart industrial policies focus on technologies, such as industrial batteries, and industries rather than individual companies. The latter is prone to failure, with performance underruns and cost overruns as in the case of Solyndra during the Obama administration and Lordstown Motors at present. Well-conceived, well-executed, transparent and accountable industrial policies can garner bipartisan support and yield impressive results. While market solutions are the preferred path forward, “sometimes the most efficient outcome is at odds with the common good,” as asserted by Sen. Marco Rubio (R-Fla.).

Both Ronald Reagan and Joe Biden entered office during periods of economic distress: Reagan, a recession and double-digit inflation, and Biden during COVID-19. What is needed now is to reconstitute the most salient and effective features of Reaganomics and graft them onto a robust and pragmatic policy orientation and agenda of Bidenomics — one in which government plays a facilitative role and fills the voids where market solutions come up short.

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