

# **Economic Outlook and Biden Economic Agenda**

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# Legacy of the Pandemic

Economy Contracted 3.5 Percent in 2020

22 Million Americans Lost Jobs

8.5 Remain Unemployed

Many Workers on the Sidelines

K Shaped Recovery

Mismatch of Skills – Structural Unemployment

Biden's Goals – Stronger, More Equitable  
Growth

Fertility Drops to Record Low

# **Lessons of History**

## *Stronger Growth is Possible*

**Reagan – Clinton: 1981 - 2000**

GDP Growth: **3.4%**

**Bush – Obama: 2001 - 2017**

GDP Growth: **1.9%** (**Obama Recovery 2.2%**)

**Trump: 2017 – 2019 (Q4, Up to Pandemic)**

GDP Growth: **2.5%**

**Potential Growth: 3+ Percent?**

# Productivity Growth

## Annual Labor Productivity Growth

1989-2009: 2.4%  
2009-2019: 1.2

## Similar Slowdown in Labor Force Growth

1989-2009: 1.1%  
2009-2018: 0.6

## Remedies

Investment: Taxes and Regulation

R&D: R&D and Federal Support

Labor Force: Immigration

Fertility

College v. Apprenticeships

Retirement Age

Patience: Changing Nature of U.S. Economy,

Openness: Robotic Artificial Intelligence, Big Data

# Biden's Agenda

\$1.9 Trillion *American Recovery Act*  
(March Stimulus Package)

\$2.25 Trillion *American Jobs Plan*  
(Infrastructure Package)

\$1.8 Trillion *American Families Plan*

## *Undergirding Objectives*

Redress Income Inequality

Social Justice – Racial and Gender Inequality

Climate Change

Unions – Nostalgia for Good Old Days of  
Manufacturing

# **American Jobs Plan (Build Back Better)**

Transportation and Infrastructure

Manufacturing and Small Business –  
Industrial Policies that Include  
Microprocessors, Electric Vehicles

High Speed Internet

Federal R&D Support

Electrical Grid and Water Infrastructure

Jobs Training and Unionization

Retrofit Commercial and Federal Buildings

Education and Child Care

# **American Families Plan**

Universal Pre- K and Affordable Child Care

Two Free Years of Community College

Paid Family Leave

Unemployment Insurance Reform

Child Tax Credit and Child and Dependent  
Care Tax Credit – Unhinge from Work

Child Nutrition

Affordable Care Act Enhancements

Earned Income Tax Credit

# Taxes and Trade

- Raise Corporate Income Tax to 28 Percent
- Raise Income Taxes for those Earning More than \$400K
- Closing Loopholes in Corporate and Personal Income Taxes
- Raise Capital Gains Tax
- More Aggressive Government Regulation – NLRB, FTC, Justice Department, Consumer Financial Protection Bureau
- Middle Class Trade Policy
- No New Trade Agreements



# Washington Consensus (Carter – Clinton)

Trust in Markets – Deregulation

Conservative Fiscal and Monetary Policies

(Balance Budgets and Focus on Inflation)

Free Trade – WTO and Free Trade Agreements

Global Financial Crisis, Second Generation

Feminist and Civil Rights Movements (Lean In, Time's Up, Black Lives Matters) and Structural Bias

Modern Monetary Theory

China: Trump's America First >>>

Biden's Middle Class Trade Policy

# China Challenge

## China's Strategy

Industrial Policies

Trade Policies

Undervalued Currency

Trade Surpluses – Overseas Investment and  
Soft Power

China Holds Over \$1 Trillion of US Gov't Debt

Saps Demand and Deindustrialization in the  
United States and Europe

Heavy Reliance in US and EU on Government  
Deficits and Printing Money to Sustain  
Employment



# Interest Rates

Percent End of Year

	Federal Funds	10-Year Treasury	30-Year Conventional
2017	1.375	2.40	3.95
2018	2.375	2.69	4.64
2019	1.625	1.92	3.72
2020	0.125	0.93	2.68
2021	0.125	1.94	3.30
2022	0.125	2.20	3.55

# Industry Data

	Housing Starts	Light Vehicles	Brent Crude
2018	1.25M	17.2M	\$71/B
2019	1.29	17.0	64
2020	1.40	14.4	42
2021	1.63	17.2	66
2022	1.69	17.2	70

# Longer Term Risks with Biden Agenda

Poor Investment Choices

Energy Grid, EVs, Buildings and the Like

Inadequate Industrial Policies – Loss of R&D Edge

Poorly Skilled Labor Force

Fertility, Immigration and Population Growth

Deficits

2020 - \$3.1 Trillion

2021 - \$3 Trillion Plus

2022 and Beyond - \$1.5 – 2 Trillion

Federal Reserve Is Monetizing the Debt

Inflation, Loss of Reserve Currency Status

Wrong Side of a Divided World

Showdown in Pacific - Taiwan

# Summary Outlook

Global Growth - 2021 6.%; 2022 4.5%

US Growth - 2021 6.5%; 2022 5.8%

Inflation Above/Near 3% Until at Least Mid-2022

Consumers Confident – Tourism/Travel Recovers

Business Investing in IT – Robotics, AI

Workforce Training

Infrastructure: Roads, Airports, Mass Transit,

Climate Change Abatement, Electric Cars, Power  
Grid (Wind, Solar, Batteries)

Federal Reserve Will Likely Hold Fed Funds Rate  
Steady Until 2022 but Taper Bond Purchases

# Issues and Risks

\$1.6 Trillion Student Debt

China and Trade

Brexit/European Banks

Middle East

US Corporate Debt (Junk Bonds)

Gridlock in Congress

Big City Land Use/Zone  
Regulations

Local Anti AI Regulations