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BIDENOMICS: BUILDING A BETTER ECONOMY AND CHALLENGES THAT REMAIN

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Introduction

This publication explores the U.S. response to the COVID-19 recession, the lessons learned, and the implications for the broader economy. The bright spots and challenges listed below are a partial list. But they highlight some of the ways the economy works for people and the outstanding challenges we face.

The COVID-19 pandemic led to one of the deepest economic downturns the world has faced. However, the United States emerged from the pandemic-induced recession in record time. This recovery stands in contrast to the [long, jobless, and unequal recovery](#) following the Great Recession. The unemployment rate remains near 50-year lows—[and lower than in many G-7 countries](#). This rapid recovery was a direct result of the commitments the Biden-Harris administration and Congress made to [grow the economy from the middle out and the bottom up](#). To achieve this goal, the administration focuses on supporting workers and families, bringing down prices, raising revenue from the rich and large corporations, and bolstering manufacturing, all while confronting the climate crisis. This novel approach to governing is known as “Bidenomics,” and it represents a fundamental restructuring of the government toward an economy that is more equitable and just.

However, this restructuring has not yet incorporated all of the policies the Administration and advocates prioritize. As a result, economic gains remain fragile, and millions of people are still struggling. These include understaffed, underpaid, and overworked essential workers like nurses, teachers, and care workers and families confronting higher prices for food and essential items. The most vulnerable - Black and brown people, people with disabilities, and others - make up a disproportionate share of people left behind. Federal programs like the Child Tax Credit (CTC), eviction moratoriums, unemployment insurance, childcare subsidies, Medicaid and SNAP expansions, student debt pauses, and more offered vital assistance to millions but have since ended. As these and other benefits have expired, many more will face increased economic uncertainty.

Policymakers must understand that the proactive policy choices we made to center people during the pandemic and in this recession response are the reason we saw wage growth, lower inflation, and low unemployment. We must continue making people-centered policy choices to tackle skyrocketing health, education, and housing costs and ensure that people have an effective and sustainable way to care for their children and loved ones.

Building a Strong and Resilient Economy with Bidenomics

The start of the Biden-Harris administration in 2021 included signature legislation like the [American Rescue Plan Act](#) (ARPA), Bipartisan Infrastructure Law (IIJA), [CHIPS and Science Act](#) (CHIPS), and [Inflation Reduction Act](#). Along with [numerous executive actions](#), this legislation helped mitigate the severity of the COVID-19 recession and its aftermath. As a result of Biden-Harris policies, the U.S. economy remains robust and resilient despite forecasts to the contrary by some economists and pundits. This economic resilience is why the Federal Reserve reversed its earlier forecast and no longer predicts there will be a recession, as confirmed by Fed Chair Powell in his June [Senate testimony](#) and at a [news conference](#) in late July.

The IIJA, Inflation Reduction Act, and CHIPS Act all fostered impressive levels of investment in the US economy. As a result of these bills, [manufacturing construction has doubled since 2021](#) and infrastructure investment has soared to [levels not seen since the 1970s](#). The Center for American Progress [tracks the numerous local and national projects](#) funded under Bidenomics. While [the positive economic effects of these investments are clear](#), partisan politics almost stopped the passage of these laws, as shown in Figure 1 below. Despite these divides in the votes, many members of both parties [embraced](#) the bills, particularly with the implementation of IIJA. As factories broke ground in their districts and [broadband access extended into rural areas](#), legislators touted the impacts of the legislation.

Fig 1

Legislation	Senate Vote	House Vote	Total Investment
ARPA	50-49	220-211	\$1.9 trillion
IIJA	69-30	228-206	\$1.2 trillion
CHIPS and Science Act	64-33	243-187	\$280 billion
Inflation Reduction Act	51-50	220-207	\$891 billion

The passage of these laws and over 100 executive actions is known as Bidenomics. Bidenomics centers on public investments, empowering workers, and encouraging competition to lower costs and support small businesses. These policies and programs have led to a number of “bright spots” that paint a picture of an economy invested in people.

Bright Spot: Economic Growth

The most recent data by the Congressional Budget Office (CBO) shows that economic growth in the U.S. has beat expectations. In 2020, the CBO projected that GDP growth would slow over the next few years, but [recent updates project growth will pick up to 1.5 percent in 2024 and 2.5 percent in 2025](#). The [November 2023 data](#) show that GDP grew by 2.1 percent in the 2nd quarter of the year and by **5.2 percent in the 3rd quarter**.

Bright Spot: Lowering Costs

People across the income spectrum were hit hard by rising prices during the COVID-19 recession. However, an analysis by the Economic Policy Institute shows that there is [little evidence](#) that the ARPA was the main driver of these inflationary spikes. Global shocks from the pandemic, supply chain snarls, and the war in the Ukraine caused worldwide inflation shocks. While the U.S. government has little control over these external pressures, President Biden authorized releasing and —now replenishing— oil from our [Strategic Petroleum Reserve](#) to bring down oil and gas prices domestically. The administration also issued [Executive Order 14017](#) to strengthen supply chains and make the country less vulnerable to global supply chain shocks.

As many of these global shocks have abated, [the rate of inflation has fallen considerably since the height of the pandemic](#). And **while the U.S. legislative and**

regulatory response was more extensive than in other nations, inflation in the U.S. is [among the lowest of wealthy countries](#), bringing some relief to families pinched by rising costs.

Direct actions by the Biden administration are cutting the cost of living and making things more affordable. The Inflation Reduction Act [lowered the price of insulin for seniors on Medicare to \\$35 a month](#). **Healthcare premiums have gone down by an average of \$800 a year. And the Department of Commerce lowered monthly internet bills to \$30 – \$75 monthly for more than 19 million households.**

Bright Spot: Making Corporations Pay Their Fair Share

The Groundwork Collaborative has extensively documented the ways in which [Corporate greed has played a role in rising costs](#) as companies took advantage of inflation during—and after the pandemic—to raise their prices to make more profits. To address this price-gouging, the Inflation Reduction Act included provisions to make [corporations pay their fair share](#) of taxes and to crack down on [junk fees](#) for concert tickets, credit cards, and other items. These fees boost profits for companies but [cost people over a hundred dollars a month](#).

An analysis by the Institute for Taxation and Economic Policy demonstrates that in 2020, 55 of the country's wealthiest corporations [paid zero in taxes](#). To address this in part, the Inflation Reduction Act imposed taxes of 15 percent on corporations that make more than a billion dollars to ensure they are paying their fair share. The law also allocated \$80 billion to crack down on tax cheats and [potentially raise \\$240 billion](#) in revenue. However, the deal Republicans in Congress pushed to end the debt ceiling standoff in the summer of 2023 claws back [\\$20 billion](#) of those funds, hampering the ability of the IRS to go after wealthy tax dodgers.

Bright Spot: Wages

As Elise Gould of the Economic Policy Institute explained, [real \(inflation-adjusted\) wages are now growing](#), particularly for the country's lowest-wage workers, reducing inequality. [Policies like those under Bidenomics](#) foster a tighter labor market and have contributed to the increase in the rate of wage growth, particularly among Gen Z workers (ages 16-24). **These younger workers have seen a faster wage increase than any other age group.** These wage gains have not undone all the inequality generated by four decades of neoliberal policies that significantly damaged the wages of working people, but it is an important step.

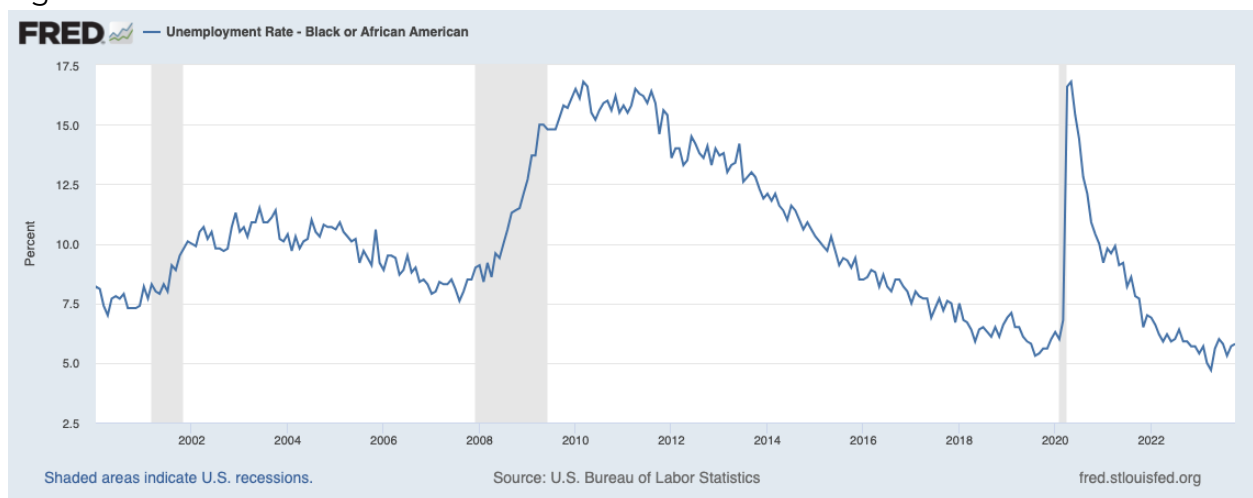
Bright Spot: Employment

As the economy has recovered, more people who want to work can. The overall unemployment rate has been [less than 4 percent](#) for almost two years. **The labor force participation rate is now above pre-covid projections as more people are finding jobs and not giving up.** Job gains are now [spreading throughout the economy](#)—including construction, leisure, and hospitality. In welcome news, during the summer of 2023, **the share of adults 25 to 54 working reached its highest level**

since April 2001. And, for [women aged 25 to 54](#), their participation continued at record-high rates.

Our fast jobs recovery also has enormous implications for racial equity. The Black unemployment rate was [above 10 percent for close to 7 years](#) in the weak recovery from the Great Recession. In stark contrast, the Black unemployment rate was above 10 percent for only eight months in the strong recovery from the COVID-19 recession (see Fig 2 below).

Fig 2



The Black unemployment rate, currently at [5.8 percent in October](#), is still too high. Structural racism in the labor market has kept more Black and Hispanic workers out of work than white workers. **But the strong jobs recovery has brought Black and Hispanic unemployment rates down far faster than in the past, in a huge policy victory for both groups.**

There is still work to do, though. We would all reap the gains if lawmakers implemented policies that make it easier for people with care responsibilities to work, like access to high-quality, affordable childcare and eldercare. Some legislators, however, have deprioritized or outright opposed such programs. The following section explores some of these challenges.

What People Need and Where Policy Can Go Further

Bidenomics was the key to economic security for millions of Americans as we emerged from a once-in-a-generation pandemic and the deepest recession we've seen in years. Despite the bright spots above and several other positive economic indicators, [public sentiment about the economy remains low](#), and many still live in precarious conditions. Data from the Census Bureau shows that [poverty almost doubled from 7.8 percent in 2021 to 12.4 percent in 2022](#), due entirely to policy choices as explained below.

Employment is at record highs, but millions are still hungry. Consumer sentiment improved in the summer of 2023, but people say they are nervous about [their finances](#). As noted by the National Low-Income Housing Coalition, buying a house remains daunting for many, and rising rental costs mean that [more than 20 million people spend more than half their income on rent](#).

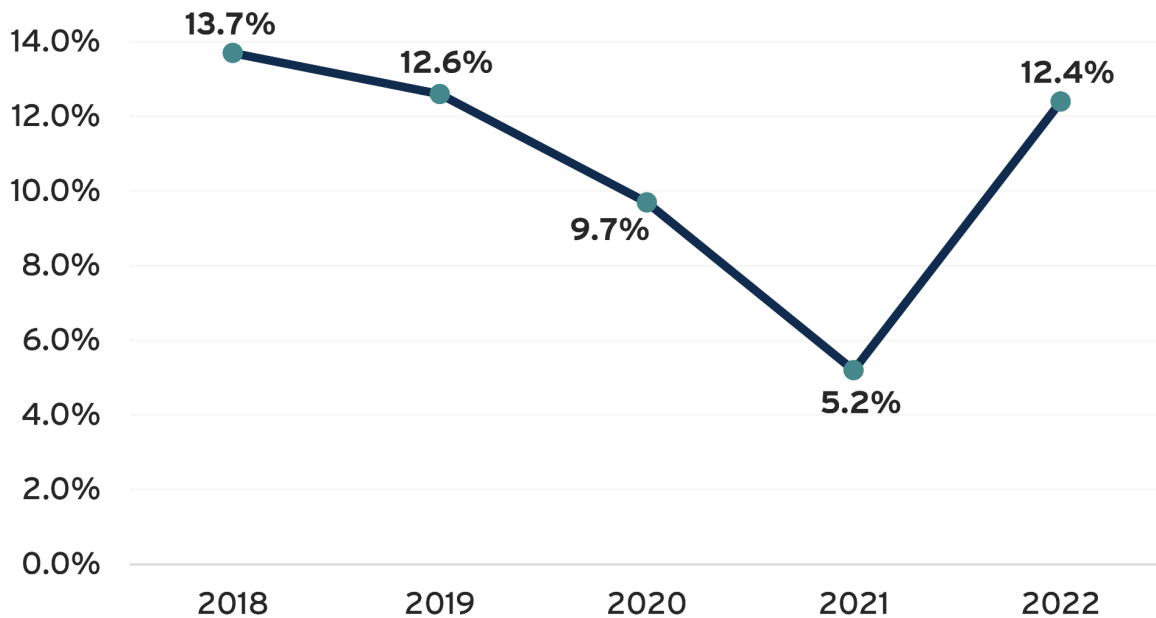
The expiration of the expanded CTC raised poverty rates. The end of the pandemic-era childcare subsidies means that millions might have to choose between childcare and work. The Federal Reserve's policy decisions on interest rates have the potential to cause a recession that would put people - particularly black and brown people, people with disabilities, and the formerly incarcerated - out of work.

Legislators must tackle problems like skyrocketing health, education, and housing costs to continue growing the economy for everyone. Below, we explore some of the challenges and choices facing policymakers in the coming months and years.

Challenge: Child Poverty

Lawmakers made a historic decision to expand the CTC in 2021, which cut child poverty almost in half, as shown in the Institute for Taxation and Economic Policy chart below. But despite requests from the Administration, Congress allowed the expansion to expire. Advocates warned that this would thrust millions of children back into poverty. As shown below, child poverty doubled once the expanded CTC expired.

FIGURE 1. Percent of Children in Poverty, 2018-2022



Note: Based on the Supplemental Poverty Measure.

Source: Institute on Taxation and Economic Policy, September 2023

Institute on Taxation and Economic Policy | [ITEP.org](https://www.itep.org)

If lawmakers restored the pandemic-era expansion of the CTC, they would provide cash support to [36 million families with children](#). Polling from the Economic Security Project and others shows this expansion enjoyed [broad public support](#). Congress will have an opportunity to expand both the CTC and EITC before the end of the calendar year, but the question remains: does the political will exist to do so?

Challenge: Childcare Cliffs

A provision of the ARPA provided the childcare sector with [\\$24 billion in relief funds](#). These funds allowed childcare programs to reduce or stabilize childcare tuition, provide additional training for childcare providers, and maintain staffing levels. However, the subsidy expired on September 30, 2023. **Now, up to 70,000 childcare programs around the nation could close. As a result, the Century Foundation found that [3.2 million children](#) could lose their childcare.**

The loss of these subsidies and access to childcare could have profound effects on working parents or parents looking for work and the broader economy. A National Women's Law Center (NWLC) analysis of the Census Bureau's Household PULSE survey [shows that](#) "...Nearly seven in ten (69.0 percent) women experienced an economic impact, such as being forced to take unpaid leave, cut their work hours,

leave their jobs, lose their job, or not look for a job..” The [Century Foundation also estimates](#) the end of these subsidies could cost families \$9 billion in lost earnings and 232,000 childcare jobs. The NWLC is also [tracking the impact of childcare cliffs in states and localities](#) in real-time.

Challenge: Education Debt Relief

For decades, college costs have skyrocketed, and as a result, so has student debt. **Policy changes initiated by the Administration totaled [\\$127 billion in education debt relief for almost 3.6 million borrowers](#).** That number includes 125,000 Americans who received \$9 billion in relief on October 4, 2023. The administration also started the [SAVE Program](#), which lowers loan payments for as many as 20 million people. The [Fresh Start](#) program helps the nearly 7.5 million borrowers who had previously defaulted on their loans to return to payment without penalty. These programs come on the heels of a [three-and-a-half-year pause](#) on student debt payments with no interest accrual. This pause began on March 13, 2020, as part of the Administration’s effort to provide emergency COVID-19 relief and ended in September 2023.

The Biden-Harris Administration offered two separate plans to wipe away student debt for tens of millions of borrowers. However, [the Supreme Court struck both down](#). **As a result, [over 40 million people will hold a combined student debt burden of over \\$1.5 trillion](#).**

The Biden-Harris policies above lessened the financial burden of education loan debt. Economists at the Federal Reserve estimate student debt [subtracts .05 percent of GDP annually](#) from the economy. More importantly, outstanding student loans increase debt burdens, make it harder to buy a home, and lower credit ratings. Until policymakers decide to provide further relief to borrowers, millions will continue to struggle with college affordability and student debt.

Challenge: Housing Insecurity

The [Corona Aid, Relief, and Economic Security Act](#) (CARES), the [Centers for Disease Control \(CDC\)](#), and the [Biden-Harris administration](#) instituted eviction moratoriums during and in the immediate aftermath of the pandemic. **These moratoriums provided housing security for the 3.6 million people who typically face evictions each year.** But now evictions are on an uptick again. Rental prices are not rising as fast as they were in 2021 and 2022, but they are still historically high and are among the [main drivers of inflation](#). To address the threat of housing insecurity, the White House released its [Blueprint for a Renter’s Bill of Rights](#) in January of 2023.

Additionally, high interest rates make it difficult for would-be homeowners to purchase homes. [Mortgage rates are susceptible to changes in interest rates](#), which is another reason for the Federal Reserve to take a cautious approach to future rate increases.

As with many of the challenges explored here, the historically marginalized groups are the most impacted by the solutions policymakers choose. For evictions, children [under the age of five](#) and [black women](#) are the largest groups of people kicked out of their homes.

Conclusion

The policy choices made by the Biden-Harris administration and Congress saw our nation through one of the most tumultuous periods we have experienced in decades. During the pandemic, Congress passed laws, and the executive branch issued executive actions that made a meaningful change in people's lives. Parents were able to keep a roof over their children's heads. Recent grads could start out without the weight of thousands of dollars in student debt. And more people who wanted to work could find jobs than ever before.

The expansion of the CTC and then the expiration of that expansion taught us a simple lesson. We can cut child poverty in half. But we can also choose not to and instead cost our economy [\\$1 trillion per year](#) in lost wages, health care, and more.

With sufficient political will, policymakers can build a country where we experience economic security and live in an environment where we can effectively and sustainably care for ourselves, our loved ones, and each other. That is the next step towards building a healthy economy that works for everyone.

The Center for American Progress, Economic Policy Institute, Economic Security Project, Groundwork Collaborative, and the Institute for Taxation and Economic Policy contributed to this piece.