The Complete Treatise on the Presidency of Joe Biden: An Economic Analysis

Soumadeep Ghosh

Kolkata, India

Abstract

The presidency of Joseph R. Biden Jr. (January 20, 2021 - January 20, 2025) occurred during a period of extraordinary economic turbulence and transformation. This treatise provides a comprehensive analysis of the major economic policies, outcomes, and contextual factors that defined the Biden administration's approach to economic governance during one of the most challenging periods in modern American economic history.

The treatise ends with "The End"

Contents

1 Economic Context and Inherited Conditions

1.1 The COVID-19 Economic Crisis Legacy

Biden assumed the presidency amid the most severe economic disruption since the Great Depression. The COVID-19 pandemic had triggered widespread business closures, unemployment reaching 14.7% in April 2020, and unprecedented government intervention in the economy. While unemployment had declined to 6.3% by January 2021, significant economic scarring remained evident across multiple sectors.

1.2 Pre-Existing Economic Trends

The Biden administration inherited several pre-existing economic dynamics:

- Growing income inequality that had been expanding for decades
- Infrastructure systems requiring substantial modernization and investment
- An aging population creating fiscal pressures on entitlement programs
- Climate change adaptation costs becoming increasingly apparent
- Supply chain vulnerabilities exposed by the pandemic
- Rising geopolitical tensions affecting trade relationships

1.3 Fiscal Position

The federal deficit stood at approximately $3.1 trillion in fiscal year 2020, representing 14.7% of GDP—the highest peacetime deficit ratio since World War II. Total federal debt had reached roughly $28 trillion, or about 127% of GDP.

2 Major Legislative Economic Initiatives

2.1 American Rescue Plan Act (March 2021)

The $1.9 trillion American Rescue Plan represented the administration's primary response to ongoing pandemic-related economic disruption. Key provisions included:

2.1.1 Direct Payments

$1,400 per eligible individual, extending previous stimulus efforts

2.1.2 Enhanced Unemployment Benefits

Extended unemployment insurance with $300 weekly federal supplements

2.1.3 Child Tax Credit Expansion

Temporarily increased credits to $3,000–$3,600 per child with advance monthly payments

2.1.4 State and Local Aid

$350 billion to prevent public sector layoffs and service reductions

2.1.5 Healthcare Subsidies

Enhanced ACA premium tax credits and COBRA subsidies

Economic Rationale: The legislation aimed to provide demand stimulus during continued economic disruption while preventing deflationary spirals and supporting consumption.

Criticisms: Some economists argued the package was excessive given improving economic indicators, potentially contributing to inflationary pressures.

2.2 Infrastructure Investment and Jobs Act (November 2021)

This $1.2 trillion package ($550 billion in new spending) represented the largest federal infrastructure investment since the Interstate Highway System. Major allocations included:

- $110 billion for roads and bridges
- $66 billion for passenger and freight rail
- $65 billion for broadband expansion
- $55 billion for water infrastructure
- $39 billion for public transit
- $21 billion for environmental remediation

Economic Framework: Emphasized productivity-enhancing investments with long-term growth potential, addressing the "infrastructure gap" estimated by the American Society of Civil Engineers.

2.3 CHIPS and Science Act (August 2022)

The $280 billion legislation focused on domestic semiconductor manufacturing and research competitiveness, including:

- $52 billion in semiconductor manufacturing incentives
- $81 billion for NSF, DOE, and NIST research programs
- Tax credits for domestic chip production

Strategic Economic Logic: Addressed supply chain vulnerabilities and technological competition, particularly with China, while supporting high-value manufacturing employment.

2.4 Inflation Reduction Act (August 2022)

Despite its name, this $740 billion package primarily addressed climate change, healthcare costs, and tax policy:

2.4.1 Climate Investments

$370 billion in clean energy incentives and programs

2.4.2 Healthcare Provisions

Medicare prescription drug negotiation authority and insulin price caps

2.4.3 Tax Changes

15% minimum corporate tax rate and enhanced IRS enforcement funding

2.4.4 Deficit Reduction

Projected to reduce deficits by approximately $90 billion over ten years

3 Monetary Policy Coordination and Federal Reserve Relations

3.1 Federal Reserve Independence and Policy Alignment

The Biden administration generally maintained traditional respect for Federal Reserve independence, though economic policies created complex coordination challenges. Jerome Powell's reappointment as Fed Chair in 2021 provided policy continuity.

3.2 Inflation Response Coordination

As inflation emerged as a primary concern in 2021–2022, the administration faced the challenge of fiscal policy potentially working at cross-purposes with monetary tightening. The relationship between expansionary fiscal policy and the Fed's eventual interest rate increases created ongoing analytical debate.

3.3 Supply Chain Task Force and Monetary Policy

The administration's focus on supply-side interventions complemented the Fed's demand-side tools, representing a more coordinated approach to inflation management than typically seen in American economic policy.

4 Inflation Dynamics and Policy Response

4.1 The Great Inflation Debate

Inflation emerged as the defining economic challenge of the Biden presidency, reaching levels not seen since the early 1980s.

Timeline of Inflation:

- Early 2021: Inflation begins accelerating, initially dismissed as "transitory"
- Mid-2021: Supply chain disruptions become apparent
- Late 2021: Energy and food price pressures intensify
- 2022: Inflation peaks at approximately 9.1% (CPI) in June
- 2023–2024: Gradual disinflation process

4.2 Contributing Factors Analysis

4.2.1 Demand-Side Factors

- Fiscal stimulus potentially exceeding output gaps
- Pent-up consumer demand from pandemic restrictions
- Labor market tightening and wage pressures

4.2.2 Supply-Side Factors

- Global supply chain disruptions
- Energy market volatility, particularly following Russia-Ukraine conflict
- Housing market dynamics and shelter cost inflation
- Corporate pricing power and profit margin expansion

4.2.3 Policy Response Evolution

The administration's rhetoric and policy emphasis shifted from stimulus to inflation fighting, including:

- Strategic Petroleum Reserve releases
- Supply chain resilience initiatives
- Competition policy enforcement
- International coordination on energy markets

5 Labor Market Performance and Policy

5.1 Employment Recovery

The Biden administration presided over significant employment gains, with unemployment declining from 6.3% to approximately 3.5–4.0% range through much of the presidency.

Job Creation: The economy added millions of jobs, though this recovery began during the previous administration and continued existing trends.

Labor Force Participation: Recovery in participation rates proved more challenging, with demographic changes and pandemic-related shifts affecting long-term participation.

5.2 Wage Dynamics

Real wage growth became complex during the inflation period, with nominal wage increases often offset by price increases. Different income cohorts experienced varying outcomes.

5.3 Union Relations and Labor Policy

The administration adopted explicitly pro-union rhetoric and policies, including:

- Support for collective bargaining rights
- Federal contractor labor standards
- NLRB appointments favorable to union organization

6 Trade and International Economic Policy

6.1 Trade Policy Continuity and Change

The Biden administration maintained many Trump-era trade restrictions, particularly regarding China, while emphasizing multilateral approaches and alliance rebuilding.

Key Trade Policies:

- Maintenance of most China tariffs
- Indo-Pacific Economic Framework development
- USMCA implementation and refinement
- Supply chain "friend-shoring" initiatives

6.2 Geopolitical Economics

The Russia-Ukraine conflict created significant economic policy challenges, including:

- Energy market disruptions and policy responses
- Sanctions coordination with allies
- Defense spending increases
- Global food security concerns

6.3 Climate and Trade Integration

The administration pioneered integration of climate objectives with trade policy through the Inflation Reduction Act's domestic content requirements and international climate commitments.

7 Fiscal Policy and Deficit Dynamics

7.1 Deficit Trajectory

Despite large spending initiatives, deficits declined significantly from pandemic peaks:

- FY 2021: $2.8 trillion deficit (12.4% of GDP)
- FY 2022: $1.4 trillion deficit (5.5% of GDP)
- FY 2023: $1.7 trillion deficit (6.3% of GDP)
- FY 2024: Approximately $1.8 trillion deficit (6.4% of GDP)

7.2 Revenue Performance

Tax revenues exceeded expectations through much of the presidency, driven by:

- Strong employment and wage growth
- Capital gains from asset price appreciation
- Corporate profit growth
- Enhanced IRS enforcement efforts

7.3 Long-term Fiscal Sustainability

The administration's policies created mixed implications for long-term fiscal health:

- Productivity-enhancing infrastructure investments
- Climate investments with uncertain fiscal returns
- Healthcare cost containment efforts
- Demographic pressures on entitlement spending

8 Regulatory and Competition Policy

8.1 Antitrust Renaissance

The administration pursued aggressive competition policy across multiple sectors:

- Big Tech investigations and litigation
- Healthcare consolidation scrutiny
- Transportation sector concentration concerns
- Financial services competition policy

8.2 Regulatory Approach

The administration reversed many deregulatory initiatives from the previous administration while implementing new regulations in:

- Environmental protection and climate policy
- Financial services oversight
- Labor standards and workplace safety
- Consumer protection

8.3 Economic Impact Assessment

The cumulative regulatory impact created compliance costs while potentially addressing market failures and externalities, with ongoing debate about net economic effects.

9 Financial Markets and Banking Policy

9.1 Market Performance

Financial markets experienced significant volatility during the Biden presidency:

- Initial strong performance in 2021
- Market turbulence associated with inflation concerns
- Banking sector stress in early 2023 with regional bank failures
- Recovery and adaptation to higher interest rate environment

9.2 Banking Policy and Regulation

The administration addressed banking sector challenges through:

- Enhanced supervision of regional banks
- Stress testing and capital requirement adjustments
- Climate risk assessment integration
- Cryptocurrency regulation development

9.3 Credit Markets and Access

Credit conditions tightened significantly as interest rates rose, affecting:

- Housing market accessibility
- Small business financing
- Consumer credit costs
- Corporate investment decisions

10 Climate Economics and Energy Policy

10.1 Clean Energy Investment Framework

The Inflation Reduction Act represented the largest federal climate investment in American history, utilizing tax incentives rather than direct spending to drive private investment.

Economic Mechanisms:

- Production tax credits for renewable energy
- Investment tax credits for clean technology
- Electric vehicle purchase incentives
- Domestic manufacturing content requirements

10.2 Traditional Energy Sector Relations

Despite climate focus, the administration maintained complex relationships with traditional energy sectors:

- Initial restrictions on federal drilling permits
- Strategic Petroleum Reserve releases during price spikes
- Ongoing natural gas production and export expansion
- Balancing environmental goals with energy security

10.3 Energy Independence and Security

The administration's energy policies created tensions between:

- Climate objectives requiring reduced fossil fuel use
- Energy security concerns highlighted by geopolitical conflicts
- Economic impacts on traditional energy-dependent communities
- International competitiveness in energy-intensive industries

11 Assessment and Future Implications

11.1 Policy Effectiveness Evaluation

Assessing the effectiveness of Biden administration economic policies requires consideration of:

- Counterfactual scenarios without policy interventions
- Long-term versus short-term impact measurement
- Direct policy effects versus broader economic trend influences
- Intended versus unintended policy consequences

11.2 Institutional Legacy and Precedents

The Biden presidency established several potentially lasting institutional changes:

- Expanded use of industrial policy tools
- Integration of climate objectives across economic policy
- Enhanced competition policy enforcement
- International economic cooperation framework evolution

11.3 Economic Policy Paradigm Implications

The administration's approach may signal broader shifts in American economic policy thinking:

- Reduced faith in pure market solutions
- Increased emphasis on strategic economic planning
- Greater integration of social and environmental objectives in economic policy
- Evolution toward stakeholder rather than shareholder capitalism

12 Conclusion

The economic presidency of Joe Biden occurred during a period of extraordinary challenge and change, requiring responses to immediate crises while attempting to address longer-term structural economic challenges. The administration's approach combined traditional Keynesian demand management with supply-side investments, industrial policy tools, and regulatory interventions, representing a significant departure from previous decades' economic policy frameworks.

The ultimate assessment of this presidency's economic legacy will depend on longer-term outcomes that extend beyond the immediate term of office. The effectiveness of infrastructure investments, climate policy integration, supply chain resilience building, and institutional changes will become apparent only over time. Similarly, the inflation experience and its management will be evaluated based on longer-term price stability and economic growth outcomes.

From an analytical perspective, the Biden presidency provides a valuable case study in crisis economic management, policy coordination challenges, and the evolution of American economic policy paradigms in response to changing global circumstances. The administration's willingness to utilize government tools for economic intervention, combined with attention to distributional consequences and international cooperation, may indicate lasting changes in American economic policy approaches.

The economic performance during this period ultimately reflected the interaction of policy choices, external circumstances, institutional constraints, and historical trends. While individual policy successes and failures can be identified, the overall economic trajectory resulted from this complex interaction rather than any single policy approach or decision.

Future economic policymakers will likely study this period for lessons about crisis management, policy coordination, international economic diplomacy, and the balance between market mechanisms and government intervention in addressing complex economic challenges. The Biden presidency's economic legacy will continue to influence American economic policy debates for years to come.

The End