



The Daily Dish

The American Jobs Plan

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Eakinomics: [The American Jobs Plan](#)

Yesterday President Biden launched his quest for passage of the American Jobs Plan (AJP, not to be confused with the Obama-era American Jobs Act), his \$2.25 trillion proposal that many are referring to as his “infrastructure plan.” There is going to be a lot of commentary on AJP; Eakinomics just wants to get in on the ground floor! There is not yet legislative text that tells one exactly what the plan is, but from the fact sheet outline a few things become clear.

This is not an infrastructure bill; it is a spending bill. Yes, there is \$625 billion for traditional infrastructure such as roads, bridges, and ports. There is \$100 billion for broadband and \$180 billion for research and development. Those, plausibly, will contribute to future trend growth in the economy. But there is also \$400 billion for home care, \$300 billion for affordable housing, \$100 billion for job training, and on and on. It’s an abuse of the English language to call this an infrastructure bill.

This is not the last spending bill. The AJP is simply part one of the overall “Build Back Better” initiative. More (lots more) spending to come.

There is no way to see how the AJP fits into a fiscal strategy. The administration has been dead silent on its overall budget strategy. If the president were to serve for 8 years, what would be his budgetary goal when walking out the door: balance the budget, cut the budget deficit in half, stabilize the debt-to-GDP (gross domestic product) ratio, stabilize the interest cost of the debt as a fraction of GDP, or something else? We don’t know. (By the way, the administration will release its first budget today, and we still won’t know.) And, accordingly, we have no idea what the strategy is behind the regular trillion-dollar plans such as the AJP and its predecessor, the American Rescue Plan. It seems like it doesn’t add up because it doesn’t.

This is not a growth plan. Its title notwithstanding, this will not support jobs or growth. IF one were to raise the corporate tax rate to 28 percent, have a 21 percent global minimum tax, and a new minimum tax on book income AND one were to spend those monies exclusively on high-productivity infrastructure and R&D, then there is a chance that it would be a break-even proposition. I doubt it, but maybe. This plan definitely raises those taxes, waters down the growth-effects on the spending side, and tosses into the mix the [PRO Act](#) labor provisions - a nuclear economic bomb of a labor market law that would be an enormous supply-side, anti-growth move. Viewed from the growth prospective, this plan is a loser. If, however, the economy doesn't roar, you can count on the Bidenites saying the American Rescue Plan's \$1.9 trillion price tag was just too little stimulus.

This is not innovative, new thinking. In many ways, these are tired and discredited ideas being launched again. Consider the \$100 billion that AJP proposes for broadband. The plan "prioritizes support for broadband networks owned, operated by, or affiliated with local governments, non-profits, and co-operatives - providers with less pressure to turn profits and with a commitment to serving entire communities." In other words, the private-sector internet service providers that delivered the most resilient web in the pandemic need not apply! And on top of that, "Americans pay too much for the internet - much more than people in many other countries - and the President is committed to working with Congress to find a solution to reduce internet prices for all Americans, increase adoption in both rural and urban areas, hold providers accountable, and save taxpayer money." Usually the route to lower prices is more competition. This plan is teeing up price regulation instead, which will certainly make it harder to have a dynamic, innovative internet.

The AJP is not a lot of things that the administration claims it is. And nobody has yet seen the fine print.