



The Daily Dish

Biden's Supply-Side No-Growth Policies

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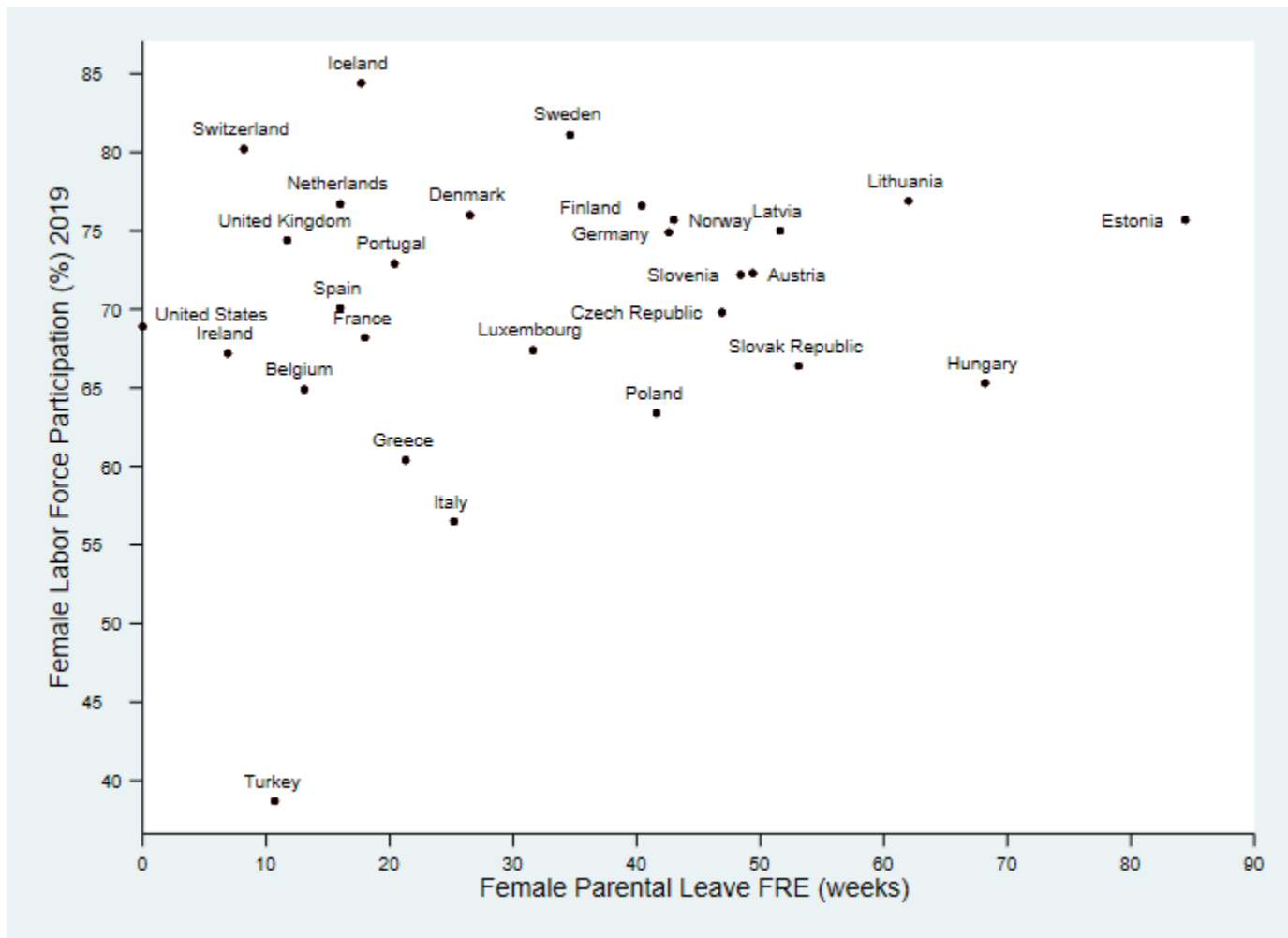
Eakinomics: Biden's Supply-Side No-Growth Policies

The president's economic policies hinge on two risky bets. The first, at the heart of his American Jobs Plan, is that the headwinds produced by raising corporate taxes can be more than offset by the productivity effects of the infrastructure spending. Gordon Gray and I took a [look](#) at this proposition and concluded that the answer *could* be yes but most likely was no.

The second bet is in the American Family Plan, where again the administration is raising taxes – the top individual rate, capital gains taxes, dividend taxes, and so forth – and spending the money on an array of social safety-net programs. Notably, the programs include a paid-leave program, a central component of the administration's intention of raising labor force participation, especially among females. Thus, the bet is that the increased participation, work, and income will offset the slower growth produced by the taxes.

Will it work? Enter Isabel Soto and the aptly titled [Paid Leave and Female Labor Force Participation in the United States and Europe](#). Soto takes a look at two types of comparisons: (1) between the United States (no mandated???????? paid leave) and European countries (mandated paid leave), and (2) before and after adoption of paid leave programs in U.S. states.

The picture below (stolen from Soto) summarizes the first comparisons. On the vertical axis is the female labor force participation rate, while on the horizontal axis is the length of the permitted paid leave. Labor force participation in European countries is sometimes higher and also sometimes lower than in the United States, and bears essentially no relation to the length of the paid leave allowed.



Turning to the states, 10 states have implemented (or are expecting to implement) paid leave programs. California (2004) and New Jersey (2009) are especially good test cases. Female participation was 57.6 percent when the program was adopted; it was 55.2 in 2019. New Jersey participation was at 60.8 percent in 2009, but it had declined to 59.1 in 2019.

In short, paid leave *might* increase female labor force participation, but it also might not. In addition, the paid leave is packaged in with child care subsidies that might promote work, but also health subsidies and child subsidies that are very rich and not contingent on work. In short, there is nothing about this that looks like a sure bet.

One hears the president's defenders emphasizing that he has a lot more than demand stimulus in his proposals. But the supply-side elements hardly look very potent.