



Bidenomics

For Prelims: [European Union \(EU\)](#), [Gross Domestic Product \(GDP\)](#), [Paris Agreement on Climate Change](#), [Trade Deficit](#), [Reaganomics](#), [Trickle-Down Theory](#), [Reserve Bank of India](#), [Russia-Ukraine War](#)

For Mains: Issues and concerns with respect to Bidenomics on India and the World regarding reviving GDP growth and employment.

Source: [IE](#)

Why in News?

The **Year 2024** will be highly significant for the global economy due to elections in **major influential economies: India, Russia, the UK, the EU, and the US**; where in the US, the **Bidenomics** is supposedly going to be a major electoral plank.

What is Bidenomics?

▪ About:

- Bidenomics is a term that is used to refer to any and every policy choice made by the Biden administration in the US.
- According to the White House, Biden's economic vision is centered around **three key pillars**:
 - **Making smart public investments** in America
 - **Empowering and educating workers** to grow the middle class
 - **Promoting competition to lower costs and help entrepreneurs** and small businesses thrive

▪ Features:

- Bidenomics involves policies that improve USA's [physical and digital infrastructure](#), **reduce its trade dependence on rivals** such as China,
- **Raise the living standards and opportunities available** for the middle 40% and the bottom 50% of the US population and, in doing all these things, **boost job creation within its borders**.

▪ Implementation:

- To achieve these goals, the Biden administration has tweaked **both the [tax regime](#) as well as its spending choices**. It has also taken several steps to contain the **concentration of economic powers in the hands of the few and tried to empower labour unions** to safeguard labor rights.
- On the one hand, it aimed to **raise revenue via more and higher taxation**, while on the other, it decided to make massive spending towards **investments in clean energy and in reducing healthcare costs**.

What is the Rationale Behind Bidenomics?

▪ History:

- It is a reaction to the dominant way in which the US economy was structured, especially **since 1981 when Republican President Ronald Reagan took office.**
- **Under Reagan/ Reaganomics,** the idea was to provide tax cuts to the businesses in a bid to incentivise economic activity even as the role of the government in the economy was reduced.
- **Relationship with Trickle Down Theory:**
 - The hope was that the resultant benefits of lower taxes and faster economic growth will trickle down to the broader economy which was fulfilled to some extent.
 - But broadly speaking, this **[top-down approach](#)** made the rich richer without necessarily bringing about as much widespread prosperity as its proponents had promised. **The sharp rise in [inequality](#) between rich and poor is a damning indictment of this approach.**
- **Present Context:**
 - The US recognized that some of **[Post-Covid challenges](#)** were rooted in a **failed trickle-down theory that supported slashing taxes for the wealthy and big corporations, shrinking public investment in critical priorities** like infrastructure and education, and failing to safeguard market competition.
 - This led to the **proposition of a new Economic Model called Bidenomics** to alter the trickle down theory based Reaganomics.

Why Does Bidenomics Matter?

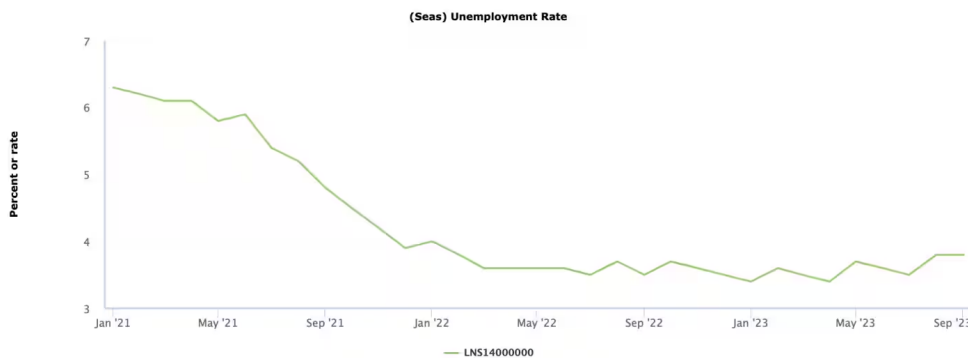
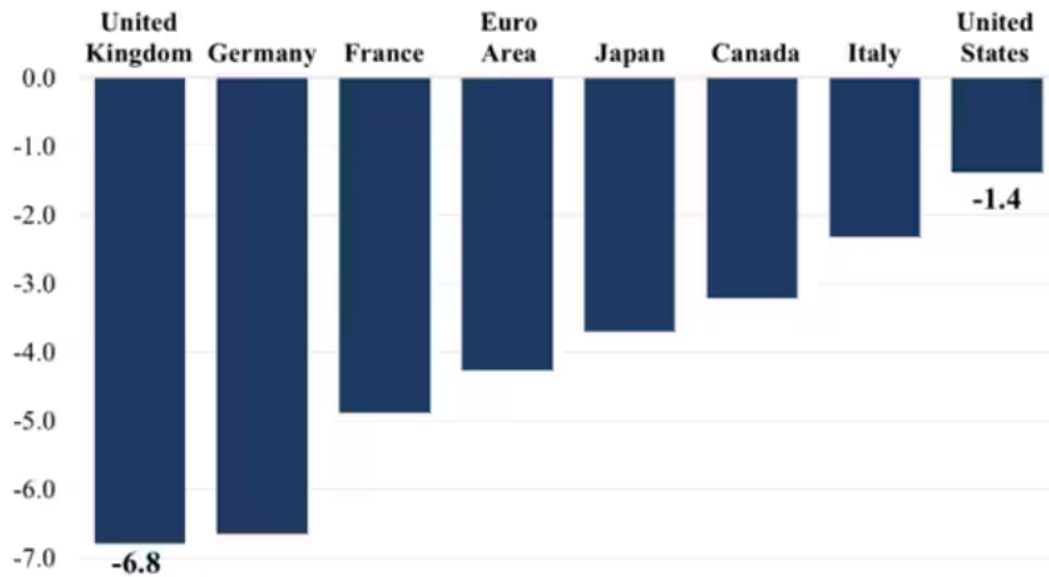
- **Potential Impact of Biden's Loss on Policy Shock:**
 - **Trump's Radical Policy Shifts:** Trump's policies represented a significant departure from established US positions and global consensus, such as **exiting the [Paris agreement on climate change](#) and emphasizing trade deficits** as harmful, especially with countries like China.
 - **Biden's Radical Economic Shift with Bidenomics:** Biden introduced Bidenomics, a policy shift attempting to reverse economic strategies dating back decades. **A Trump victory could bring about policy reversals** once again.
- **Concerns Surrounding Bidenomics:**
 - **Effectiveness of Bidenomics:** There is debate about whether Bidenomics is delivering the desired results. The **polarization of the US electorate adds complexity** to assessing how voters perceive the impact of Bidenomics.
 - **Global Influence:** Bidenomics is not only influential within the US **but is also viewed as a model for change globally,** with examples like the UK's Labour Party considering a more interventionist approach.
- **Bidenomics: A Double-Edged Sword:**
 - **Potential for a Global Subsidy Race:** Critics worry that Bidenomics, **with its focus on [domestic producer subsidies](#), could trigger a global race of subsidies** among countries, leading to increased inefficiency and inequality.

Did Bidenomics Work?

- **Macro-Indicators:**
 - As things stand, if one looks at the macro indicators — **GDP, [unemployment](#) and [inflation](#)** — the Biden administration seems to have done quite well.
 - In other words, its recovery has been so fast that **it has almost caught up with where it would have been had it not been for the Covid pandemic.**
- **Economic Recovery:**
 - The US economic recovery has been so robust that even a **sharp and sudden increase in the interest rate by its central bank has not caused a [recession](#).**
 - The US economy continues to create millions of jobs at such a fast pace **that there are two vacancies for every unemployed person in the economy.**

Real GDP Shortfall Relative to Pre-Pandemic Trends

Percent change, 2023 Q1 vs. Trend



UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Which among the following steps is most likely to be taken at the time of an economic recession? (2021)

- (a) Cut in tax rates accompanied by increase in interest rate.
- (b) Increase in expenditure on public projects.
- (c) Increase in tax rates accompanied by reduction of interest rate.
- (d) Reduction of expenditure on public projects.

Ans: (b)

Q. With reference to Indian economy, demand-pull inflation can be caused/increased by which of the following? (2021)

1. Expansionary policies
2. Fiscal stimulus
3. Inflation-indexing of wages
4. Higher purchasing power
5. Rising interest rates

Select the correct answer using the code given below:

- (a) 1, 2 and 4 only
- (b) 3, 4 and 5 only
- (c) 1, 2, 3 and 5 only
- (d) 1, 2, 3, 4 and 5

Ans: (a)

PDF Refernece URL: <https://www.drishtias.com/printpdf/bidenomics>

