

Why Doesn't the Biden-Harris Administration Get Credit for a Strong Economy?

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By Steven K. Vogel, UC Berkeley Professor

The Joe Biden administration has weathered the challenges of the post-pandemic economy better than its counterparts in other G7 countries, with higher GDP growth, lower inflation, and more rapidly falling inflation. The economy under Biden has also outperformed the economy under the Trump administration by many indicators, including employment, manufacturing investment, increase in the federal debt, health insurance, and child poverty.

Yet many Americans give it no credit. A new poll for *Newsweek* reports that 46 percent of Americans believe the economy is in a worse state than in January 2021, when Trump left the White House, compared to 33 percent who said it has improved. A May poll for the *Guardian* found that 56% of those surveyed believed the economy was in recession even though it was not; 49% believed the S&P 500 stock market index was down for the year although it was up by 12%; and 49% believed that unemployment was at a 50-year high even though it was under 4%, near a 50-year low.

Americans trusted Trump over Biden on the economy by a 10% margin as of July, according to ABC News/Washington Post/Ipsos polls. And Trump has a similar lead of 9% over Harris in the August polls.

This is a critical challenge for the Kamala Harris campaign, even given her favorable momentum at the moment. The Democratic Party made a valiant effort to defend the Biden-Harris economic record at the party convention, but that may not be sufficient to dislodge deeply ingrained perceptions.

Now let me be clear. I am not arguing that political leaders deserve all the credit for a strong economy, or all the blame for a weak one. But the huge gap between Biden's effective economic management and the popular perception of that management is puzzling – to say the least.

Heather Long and Aden Barton compared the Trump economy and the Biden economy along 17 dimensions for the *Washington Post* (July 18). They gave the Trump economy the edge for inflation relative to wages, home buying, consumer sentiment, annual income, and the stock market. They gave the Biden economy the advantage for total jobs added, economic growth, jobs by county, African-American workers, US manufacturing, job creation by industry, home prices, entrepreneurship, health insurance, child poverty, and the federal debt. And they gave no clear advantage to either for inequality. So if we go by a crude points system, that adds up to a clear victory for Biden, 11 to 5.

Economic growth has been strong under both presidents. The economy grew 2.5 to 3% (GDP growth adjusted for inflation) a year under Trump prior to the pandemic, then nearly 6 percent in 2021, 1.9 percent in 2022, and 2.5 percent in 2023 under Biden. The United States gained 6.7 million jobs under Trump before the pandemic; lost 2.7 million jobs under Trump after the pandemic; and then added 15.7 million jobs under Biden.

But Biden's post-pandemic boom was coupled with high inflation: 19.4% in the first three years of the administration compared to 15.4% under four years of Trump. And American people felt better about the Trump economy. The University of Michigan Consumer Sentiment Index reported scores from 72 to 101 under Trump before the pandemic, then 50 to 88 under Biden.

The US jobs report this July was weaker than expected, pushing up unemployment from 4.1% to 4.3%, and triggering a drop in the stock market in the United States, Japan, and other major economies. The markets recovered, however, and now the Federal Reserve is expected to lower interest rates in mid-September to keep the economy rolling.

I would argue that the Long and Barton scorecard actually understates the Biden-vs-Trump economic performance gap. Biden is hardly to blame for the post-pandemic inflation that was pervasive among industrial nations and, as noted above, the US managed this challenge better than most of its trading partners. Moreover, the Biden administration has pivoted toward policies that should bolster growth and economic equality over the long term, while the Trump administration focused on short-term stimulus via tax cuts that favored the wealthy and powerful. Despite the extreme polarization of politics in the United States, the Biden administration managed to pass major legislation to invest in infrastructure, boost manufacturing capacity, and propel the green transition.

Furthermore, the Biden administration has engaged in enlightened "marketcraft" in a way that distinguishes it from the Obama administration as well as the Trump administration. By this I mean reforms to market rules – such as antitrust policy or labor regulation – that aim to enhance competition, boost innovation, and rebalance power in the economy and politics. In that sense, I would argue that the Biden administration has broken with the neoliberal paradigm that has dominated US economy policy since the 1980s in a much more productive way than the Trump administration, which has focused more exclusively on trade protection.

Harris and her allies are stressing that the administration has sought to lower prices by combating monopolies and negotiating lower drug prices, and that she will deliver more of this if she wins the election.

So if the Biden-Harris administration's record is so favorable, then why does it get so little credit? For one thing, people really do not like inflation, and they blame the administration for it. The inflation rate has declined, but aggregate prices have not. The popular perception that prices are still too high overwhelms other considerations, like growth in jobs and wages. And the Harris campaign may have trouble dislodging that perception in time for the election.

The puzzle only deepens if we look over the long term. A *New York Times* analysis from 2021 found that since 1933 the economy under Democratic presidents has grown 4.6%, compared to 2.4% under Republican presidents. Yet Americans have tended to put more faith in Republicans to manage the economy. Perhaps business leaders and other elites who tend to favor the policies of Republican presidents, such as tax cuts and regulatory relief, have exercised disproportionate influence on popular perceptions of the economy.

In Trump's case, many Americans believe that he is a good manager of the economy because he has been a successful business person – despite evidence that suggests that he is neither.

With the switch from Biden to Harris, the Democratic presidential candidate's vulnerability to critique on economic management has attenuated, but not disappeared. And Harris has managed to change the contours of the contest so much that she may just get a chance to experiment with her own brand of Bidenomics.