

## **Biden's Rescue Package\***

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Even before taking office, Jo Biden, the new American president, has announced a rescue package of \$1.9 trillion, of which as much as \$1 trillion will be in the form simply of transfers to the working people. Since the estimated US GDP was \$20.8 trillion in 2020, the size of Biden's rescue package comes to almost 10 per cent of current US GDP. This is on top of the rescue package, again amounting to 10 per cent of GDP, that Trump had announced some time ago in the context of the pandemic. In fact Biden's package is meant to continue the direct assistance currently being offered to the working people in the US for a longer period, and to actually increase the scale of that assistance, even though the US economy has started recovering from the abysmal state to which it had shrunk as a result of the pandemic, with its official unemployment rate falling to 6.7 per cent in December from the high of around 15 per cent in April (something that would make conservatives argue that such assistance is no longer necessary).

The Biden package, though announced as a Covid-19 recovery package, is clearly more than that. It represents a jump in social expenditure whose scope goes much beyond the immediate context of the pandemic. In addition, it tops up the \$600 cash relief to tax payers voted by the US Congress last month by a further \$1400 to \$2000. It also visualises an increase until end-September in unemployment benefit, from \$300 to \$400 per week, for the 18 million Americans who are currently collecting unemployment benefit, and a rise in minimum wages to \$15 per hour. The nationwide moratorium on evictions which was supposed to expire at the end of January is now extended till end-September. Besides there are a whole lot of other expenditures contained in the package relating to vaccine distribution, help for small businesses, educational institutions, and so on.

Even more striking than the expenditures themselves is the manner in which Biden proposes to finance this package, which is essentially by taxing the rich rather than the ordinary people. Among other measures, capital gains are supposed to be taxed along with income and the highest income tax rate is supposed to increase to 40 per cent. In short, Biden's strategy is to tax the rich to finance increased transfers to the working people, which is what the Left has advocated all along. In fact Biden's package has been seen by most commentators as indicative of a shift to the Left on his part. This shift is not a sudden phenomenon; it has been there throughout his presidential campaign as many prominent American newspapers and magazines had noted. What Biden has done is simply to remain loyal to the campaign promises that he had made, instead of opportunistically abandoning them upon getting elected.

Biden however, unlike Bernie Sanders the presidential candidate whom he defeated to get the nomination of the Democratic Party, is no Leftist; indeed he has never claimed to be one. As vice-president to Barack Obama he has about the same ideological hue as Obama, and that is far from being Left. Then how can one explain his new stance? It is not just opportunistic posturing for winning the election, for then he would have quietly withdrawn towards a centrist position after being elected.

His changed stance is actually an indication of the situation he is placed in, a situation of capitalist crisis. Ignoring the crisis, pretending that it does not exist, will be totally counter-productive. Ignoring the crisis was the attitude of Hillary Clinton during the last presidential election in the US which was so counter-productive that it led to her defeat and brought Trump to power. Trump's victory was not because the electorate had suddenly become all Right-wing; it arose from the fact that the economy was in a crisis bringing acute misery to the working people, which the liberal bourgeois establishment, far from addressing, was not even taking cognisance of. Biden is not repeating that mistake. The crisis, he recognises, is real and serious; it is quite independent of and predates the pandemic that has of course greatly accentuated it.

Something clearly has to be done about it; and it is obvious to most people that simply following pro-corporate policies to boost the so-called "animal spirits" of the capitalists, will not work. Since the crisis is caused by a deficiency of aggregate demand, overcoming it requires the infusion of demand into the economy and the obvious way of doing so, especially given the context of the pandemic, is through transfers to the working people, i.e., through the pursuit of a Left-wing agenda of redistribution. It is this which has forced Biden to move Leftward despite his own centrist ideological predilections.

Corporate America is not going to like Biden's package; and finance will show its displeasure soon enough. True, the US, as the leading capitalist country of the world, whose currency is still considered "as good as gold", has a degree of freedom vis-à-vis finance that other countries, even other major capitalist countries, lack. But this special position will not last long if the current direction of policy continues, at which point Biden will be faced with a choice: either he has to stay the course and, for that reason consolidate his Leftward move further; or surrender to the dictates of capital, especially of globalised finance.

But contrast Biden's strategy with that of Modi in India, who has pursued a totally callous policy vis-à-vis the people. Even such minimal measures of succour as do not demand serious abridgement of the prerogatives of the propertied classes, have been eschewed. In the context of the pandemic at least, which everybody recognises as an exceptional situation, the government could have taken steps towards aiding the working people without arousing the usual opposition of globalised finance. But the callousness of the Modi government has been such that it has even avoided these; and it is still busy pushing the agenda of the corporate-financial oligarchy at the cost of the people, which is as ineffective in overcoming the country's economic crisis as it is deleterious for the people, of whom the largest component, consisting of the kisans, is protesting outside the gates of Delhi in this bitter cold.

The Modi government not only announced a total lockdown at four hours' notice, but, unlike even Trump, did not impose a moratorium on evictions, which made millions of migrant workers not only employment-less, and incomeless, but also homeless at the stroke of a pen, forcing them to trudge hundreds of miles to their villages to get a roof over their heads. And, again unlike what even Trump did, no worthwhile fiscal assistance was offered to the working people. Political parties, civil society groups and members of the intelligentsia kept demanding that Rs 7000 per month should be made available to every household for a few months; but this fell on deaf ears.

When it finally came out with a “rescue package” in two instalments, that turned out to be largely window-dressing: a mish-mash of schemes already present in the budget, passed before the pandemic had struck; of promises of provision of credit; and so on. Of the Rs 20 lakh crores announced as the total rescue package, the fiscal assistance part that should alone count as succour, came to no more than Rs 1.9 lakh crores (some have estimated it to be even less, Rs1.65 lakh crores), which is around one per cent of the GDP.

Even this, it turns out, however, has not been actually spent. Between April and November 2020, the total central government expenditure increased by only 4.7 per cent over the corresponding period in 2019. The rate of inflation over the same period on a year-on-year basis was over 6 per cent, which means that during the height of the pandemic when central government expenditure should have been going up substantially, it actually fell in real terms.

Not content with the perverse step of reducing its own expenditure, the centre at the same time starved the state governments of funds that were their legitimate due as GST compensation. As a result India could well be one of the few countries of the world where total government expenditure contracted in real terms during the pandemic. The mindlessness of this policy is matched only by its utter callousness. It makes Jo Biden stand out as a shining contrast to Narendra Modi.

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