

FINANCIAL TIMES – 18 GENNAIO 2025

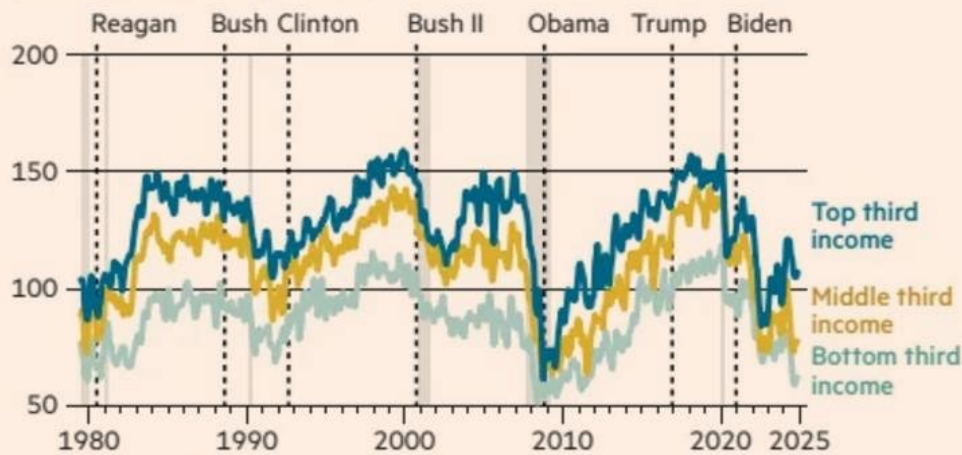
‘Bidenomics’ boosted growth but left working Americans feeling worse off

di Tej Parikh e Keith Fray

Outgoing president overcame economic upheaval but his policies failed to resonate with voters. Joe Biden has won plaudits internationally for presiding over an economy that has achieved stellar growth. But, as he prepares to step down on Monday, many Americans feel they are worse off than when the president took office

Most US voters feel they are worse off financially

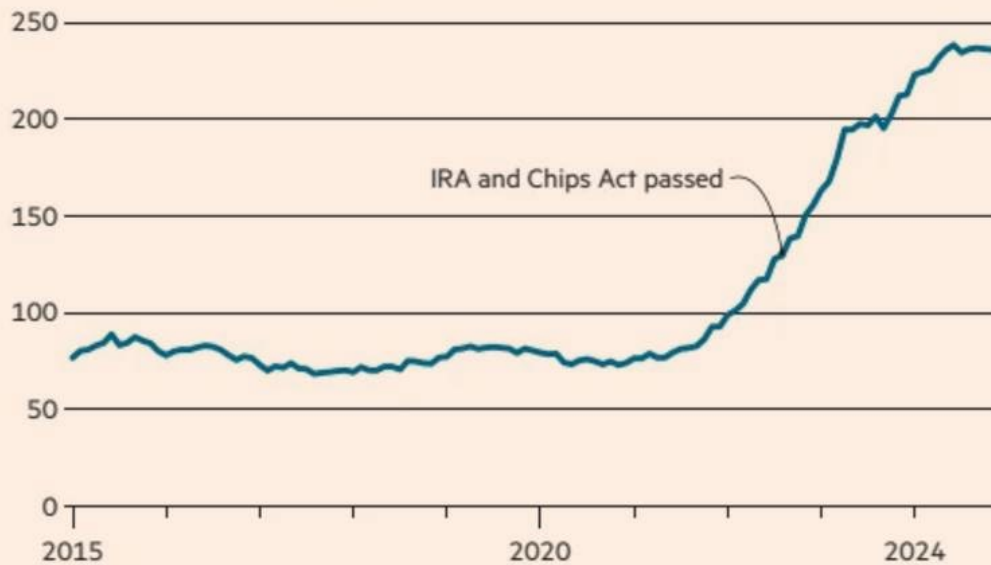
University of Michigan consumer sentiment indicator, by sections of income distribution: current financial situation vs one year ago ('better' minus 'worse' plus 100)



Source: University of Michigan • Recessions shaded

Biden's measures have prompted a surge in investment

US construction spending on new manufacturing facilities (\$bn)



Source: US Census Bureau

Biden's four-year term spanned a period of global economic upheaval, from the coronavirus pandemic and the worst inflation shock in a generation to rising tensions with China. Yet data compiled by analysts at BCG shows that Donald Trump will take office with one of the strongest economic backdrops of any president since Jimmy Carter.

"Biden inherited a Covid-battered economy and he is bequeathing an exceptionally strong one," said Mark Zandi, chief economist at Moody's Analytics.

The US unemployment rate is near historical lows, and inflation is falling, albeit slowly. The S&P 500 has also risen more than 50 per cent since Biden's term began.

US economic policy has moved further from free-market orthodoxy towards a bigger role for the state. “Bidenomics”, in the president’s own words, was about “growing the economy from the middle out and the bottom up.”

But many American voters — including those towards the bottom of the income scale — believe the US’s economic resilience failed to benefit them.

His policies, including the \$369bn Inflation Reduction Act, did not cut through to the general public, failing what political analysts refer to as the “Reagan test”. In the final debate of the 1980 presidential race, Republican nominee Ronald Reagan asked the public: “Are you better off now than you were four years ago?” A survey from the University of Michigan shows Americans of all income bands feel the answer under Biden is a resounding “no”.

In the run-up to the election, Americans consistently thought Trump would be better at handling the economy than the president, according to the Financial Times-Michigan Ross polls.

Inflation, which surged to a multidecade high during Biden’s term, ranked as voters’ top concern. While many economists blamed the surge in prices on global factors such as supply chain snags, others say his \$1.9tn American Rescue Plan in 2021 — which provided direct stimulus payments to households — played a critical role in raising the cost of everyday essentials such as eggs, bread and rent.

Though the budget deficit as a share of GDP has fallen, it remains uncomfortably high, at an estimated 6.4 per cent. The federal debt is also on an upward trajectory, the scale of which the independent Congressional Budget Office has called “unprecedented”.

Loose monetary policy when Biden became president also contributed to the post-pandemic rise in prices. That left the Federal Reserve playing catch-up, using bumper interest rate rises of up to 75 basis points to quell price pressures.



While inflation is now closer to the 2 per cent goal, the rate increases damped the economic mood by leaving borrowing costs at their highest for more than two decades.

Consumer prices remain more than 20 per cent higher than in January 2021.

“What did the Democrats in was inflation,” said Stephen Moore, a former senior economic adviser to Trump.

Other economists point out that the administration made some advances for working families, such as temporarily expanding the child tax credit and providing more support for healthcare insurance. Low-wage workers also experienced the fastest real wage growth of any income group under Biden,

according to the Economic Policy Institute. More Americans are also in work than when he started his term.

But much of the Covid-era support was temporary and poorly targeted, say analysts. The child poverty rate rebounded after initially falling by half, while plans permanently to enlarge social welfare programmes failed.

“The administration couldn’t overcome legislative opposition to labour law reform or to raising the federal minimum wage,” said Josh Bivens, chief economist at EPI, adding that the administration’s gamble that its progressive policies would become too popular to remove backfired.

Despite a sturdy jobs market and stimulus cheques, many of the poorest Americans still feel worse off than when Biden entered the White House.

Low-income households spend more of their income on essentials, which jumped the most in price, according to research by Oxford Economics.

“The irony of Biden’s presidency was that lower- and middle-income households suffered the most,” said Moore.

With savings built up during the pandemic now largely spent, the share of loan balances in serious debt delinquency — defined as late payments of 90 days or more — on credit cards and auto loans are near their highest since the aftermath of the 2008 financial crisis.

Despite the Biden administration’s focus on “middle-class Americans”, it has been corporate America that has really boomed, particularly as enthusiasm over artificial intelligence pushed equity prices higher.

Economists believe that over time Biden’s industrial strategy — pursued not only through the IRA but also the Chips Act and protectionist policies placed on Chinese competitors — will leave a bigger mark on the American economy.

“The balance will shift in favour of Biden as the memory of the inflation shock fades,” said Ian Shepherdson, editor-in-chief at Pantheon Macroeconomics. “The transformations wrought by his investment programmes continue to deliver broad benefits across the whole economy.”

The White House estimates that private companies have committed \$1tn in investment as part of Biden’s packages — just under half in electronics and chips. New factories and battery plants have sprouted. Taiwan Semiconductor Manufacturing Co recently started producing advanced four-nanometre chips for US customers in Arizona.

“There is now emerging bipartisan consensus on the government’s role in re-industrialisation,” said Daniel Correa, chief executive of the Federation of American Scientists. “Whether we call it industrial strategy or not.”

Many believe Biden leaves behind a strong, but highly indebted economy.

“Just as Trump inherited a strong economy in 2017, the same is happening in 2025,” said Maurice Obstfeld, senior fellow at the Peterson Institute thinktank. “[But] Biden’s legacy is mixed. His achievements came with collateral damage such as raising inflation, the deficit and protectionist barriers.

“His policies either had long lag times, were temporary, or simply did not cut through to voters . . . For now, the winners are in a position to try to write history,” Obstfeld added.