

Biden sets eyes on compromise with Republicans to pass American Jobs Plan in line with aims

TAKASUKE TANAKA
ECONOMIC RESEARCH OFFICE

MUFG Bank, Ltd.
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The Biden administration announced its American Jobs Plan – a large-scale infrastructure investment plan – and called for cooperation from Congress in passing the bill. The American Jobs Plan covers USD 2.3 trillion of investment over the next eight years. The area where most money will be spent is transportation infrastructure, which will amount to USD 621 billion: about 25% of the total planned amount.

Naturally, developed countries like the US are already more urbanised than newly emerging countries, such as China (Chart 1). An examination of countries' investment in transport infrastructure as a percentage of nominal GDP reveals the US, Japan and Germany remain close to 1% whereas China has been increasing year after year (Chart 1). That being said, if USD 450 billion of the USD 621 billion (excluding automobile electrification) is invested equally over the next eight years, the impact is expected to be around 1.5 times the current amount invested each year.

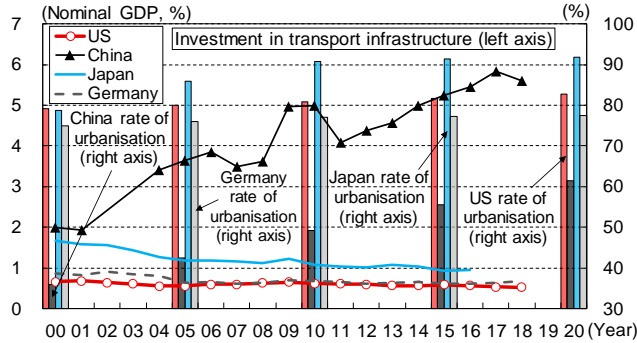
Nevertheless, the opposition Republican Party has shown its disapproval of the scale and content of the American Jobs Plan and it is uncertain whether the bill will be passed according to the plan proposed by the Biden administration. In addition, spending related to transport infrastructure carried out by administrations in recent years has been focused on operating and maintaining existing structures rather than new investment, and much of the spending has been by state and local governments (Chart 2). Therefore, in order to carry out investment that promotes growth* as imagined by the Biden administration, it will not only be essential that the bill is passed and budget is secured, but also that discussion and planning involves states and local governments.

There are some advocating the use of reconciliation** again to make progress with the American Jobs Plan. In this case, it will likely end in a straightforward victory that overrides opposition from the Republican Party. However, President Biden held a meeting with bipartisan group of members of Congress on 19th April and expressed a willingness to compromise with Republicans. It seems the true value of Mr Biden's political skills as a president, vice president and senator accumulated over the last half a century is being evaluated.

* According to the introduction in the Fact Sheet for the American Jobs Plan published by The White House, "the American Jobs Plan is an investment in America that will create millions of good jobs, rebuild our country's infrastructure, and position the United State to out-compete China".

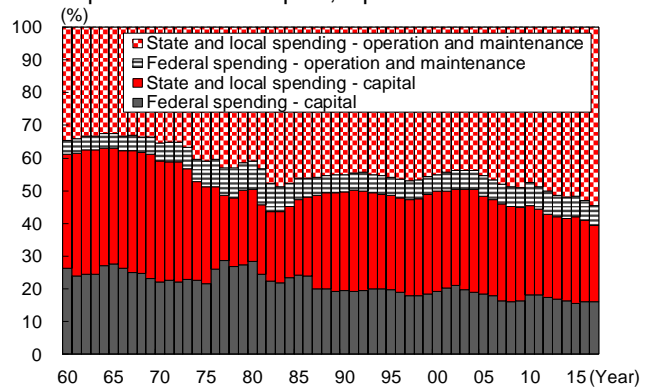
** In the Senate, 60 votes are needed to bypass the filibuster. However, if reconciliation is used as part of budget resolution, a bill can pass with a simple majority. The Democrats used reconciliation to pass the large-scale economic package in March.

Chart 1: Major Countries' Investment in Transport Infrastructure and Rate of Urbanisation



Note: 1. "Investment in transport infrastructure" is the total of investment in rail, road, waterways and air using figure published by OECD in EUR divided by nominal GDP published by IMF based on ERO calculations using BIS annual average USD rate; 2. "Rate of urbanisation" data based on figures published by UN and the rise in Japan between 2000 and 2005 is due to the impact of municipal mergers
Source: OECD, UN, BIS, IMF, MUFG Bank Economic Research Office

Chart 2: US Spending Related to Investment in Transport & Water - Capital, Operation & Maintenance



Note: Expenditure on highways, mass transit and rail, aviation, water transportation, water resources and water
Source: Congressional Budget Office, MUFG Bank Economic Research Office

Translation by Elizabeth Foster

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Takasuke Tanaka <takasuke_tanaka@mufg.jp>

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