Biden’s promise: Building back better and greener

Of the $4tn of extra spending proposed by President Biden, $2.2tn looks set to go on green and sustainability-related infrastructure investment. This won't on its own be enough to deliver on the President's climate change targets, but it marks a clear shift in government policy that can be built upon with regulatory changes and incentives

US President Biden hosted a global summit on the environment in April

In search of a more equitable, sustainable and greener America.

Between them, Presidents Trump and Biden have overseen $5tn of fiscal stimulus. A remarkable amount of money that has undoubtedly helped to mitigate the effects of the pandemic on America’s economy. With the vaccine rollout making good progress, more and more businesses are reopening their doors and jobs are returning in their droves.

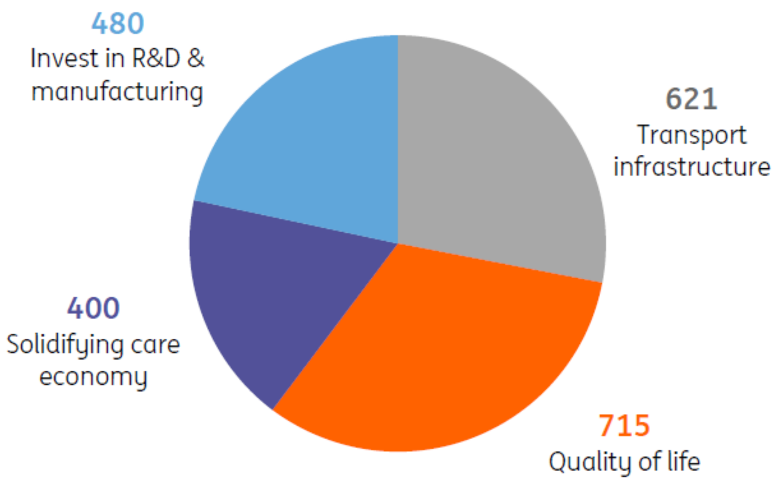
Given these developments, Joe Biden is now able to push on with his key election promise of “Building Back Better” as he seeks to fulfil his vision of a more equitable, sustainable and greener America.

Having already rejoined the Paris Climate Accord, the President recently hosted a virtual World Leader Climate Summit where he committed the US to even stricter emission targets. This requires huge change in the way the US fuels its economy and makes up the largest aspect of Biden's new infrastructure investment plan, titled the America Jobs Plan.

Biden seeks a lot of bang for each buck

Put in the context of the $5tn already spent, this $2.2tn package spread over the next eight years may feel a little underwhelming, especially given the targets he has set. The President is undoubtedly seeking a lot of return on each dollar spent with promises on carbon neutrality, high-speed broadband for all and major healthcare changes. We outline the package in detail here.

The $2.2tn American Jobs Plan



Source: www.whitehouse.gov / ING

Certainly not all the money is going on what might be termed “traditional” physical infrastructure spending projects. For example, of the $621bn allocated to transport infrastructure, $174bn is put towards electric vehicles and a network of 500,000 charging points. Much of the money will be allocated towards “point of sales rebates and tax incentives to buy American-made electric vehicles”.

Likewise, the $400bn for solidifying the care economy is effectively current spending. It is “expanding access to quality, affordable care [by] creating new jobs and offering caregiving workers a long-overdue raise, stronger benefits and opportunity to organize or join a union and collectively bargain”.

As such, the definition of “investment” is broad with much of we would term “investment in opportunity”, including money set aside for training. This can in itself boost economic performance if it helps to both raise productivity and labour force participation.

Not everyone likes it...

The plan does have its fair share of detractors with opponents disliking the mix of spending while the business community is not overly enamoured given the corporate tax hikes that are coming to fund it. Amendments could yet come as the President tries to get enough support in Congress.

There are also valid questions about how effective the plan will be in transitioning America away from fossil fuels. There is the obvious argument that implementing bolder European levels of gasoline taxes could accelerate the adoption of electric vehicles, but that has not been included.

A stepping stone to a greener future?

That said, this is just the start of the US shift towards a more sustainability-orientated economy with forthcoming regulatory changes likely to give an extra nudge to reluctant adopters both at home and abroad.

Proposals to link trade deals to climate and environmental commitments with penalties for non-compliance were included in Biden's election manifesto although his climate envoy, John Kerry, recently suggested this is a last resort option. Nonetheless, keeping this potential threat up his sleeve could be a huge motivator for other countries to come on board given the US imported $2.33tn of goods in 2020. Inducements, such as “Green debt relief” for developing countries that make and meet climate commitments could broaden and accelerate the adoption of more climate friendly production policies around the globe.

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