



By: Tomorrow's Affairs Staff

Biden's budget - campaign platform and trading chip



US President Joe Biden unveiled his fiscal 2024 Budget Plan in Philadelphia last Thursday. His Budget Plan is to a greater extent his political platform, and less his expectation that the changes he seeks will actually become reality.

If he runs for another term, which he hinted at a month ago in his State of the Union Address, this budget draft could outline his strategy and his plans for the next four presidential years.

President Biden is counting on the support of the middle class, as well as those with low income, because his financial ideas are aimed at raising their position, at the expense of the wealthy.

In the new budget draft of USD 6.89 trillion, President Biden included a number of his earlier initiatives to increase social security, relief in health care, child care, and easier access to study at universities.

Cheaper and more accessible health care and education

Biden is in favour of extending the duration of health subsidies within the so-called Obamacare programme, which are due until 2025. Among them is the renewal of the child tax credit, which was valid in 2021. His plan is to increase this credit to USD 3,600 per child for those under age 6, and USD 3,000 for older children.

Biden wants to strengthen Medicare's hospital insurance trust fund, which covers more than 65 million senior citizens and people with disabilities. That fund can pay the projected benefits until 2028, and Biden's proposal is to extend its operation for 25 years, or even longer.

There is also a proposal to cap the price of insulin at USD 35 a month for everyone, which is one of the measures in the Inflation Reduction Act, passed last year.

Biden's budget also provides USD 15 billion to increase the number of states that provide

free school meals, which would cover an additional nine million children.

Higher taxation of the wealthy

The sources of financing for these and many other new payments, primarily in the social and health area, are associated with tax increases. The structure of the revenue side of Biden's budget plan has already been the subject of much criticism.

A new bottom rate of 25% aims to tax the wealthiest Americans (0.01% of the population), those whose wealth exceeds USD 100 million, including their assets.

Another objective is an increase in the corporate tax rate by 7%, from the current 21% to 28%, and the cancellation of some tax benefits that were introduced for certain categories in 2017, during the Trump administration.

Biden's plan would raise the top tax rate from 37 to 39.6 percent, affecting those earning more than USD 400,000 a year, and married couples earning more than USD 450,000 a year.

According to the administration, this policy would reduce the deficit by almost USD 3 billion in the next decade.

Bernie Sanders would be pleased

This budget draft has almost no chance of being passed in Congress, because it is opposed by the Republican majority in the House, and probably because of the objections of some Democrats in the Senate, where this party has a majority.

For some, the budget draft seems too "leftist", oriented towards large state payments in the social and health care spheres, and in environmental protection and education.

"The budget shows where Mr. Biden wants to take the country if he wins a second term. Bernie Sanders would be pleased", said The Wall Street Journal editorial.

The chances of this budget passing are minimal, if not nil, not only because of its higher government payments and tax increases.

The chances are almost non-existent due to its timing, because it arrived in the middle of the "war" between the administration and the Republican majority, where Republicans have been rejecting government's demands to raise the debt ceiling and continue borrowing that would enable smooth payment of the government's obligations.

The arm wrestling has become more intense with the introduction of Biden's budget plan.

House Speaker Kevin McCarthy called Biden's budget proposal "inadequate".

"It just seems like it's going to create the biggest government in history. I don't think that's what we need at this time", he said.

On the other hand, Biden himself and his administration are asking the Republican majority in the House to show their calculations - how to provide the required savings in government spending without harming the position of the middle class.

They have been persistently demanding the republican majority not to resist raising the debt ceiling, and to allow the government to continue unconditional borrowing, so that from summer, it would not be in a position to default regularly on its obligations for the first time in history.

Negotiating stake

Biden's budget proposal, as it stands now, will not become law.

President Biden himself is aware of this, because during his presentation he said: "I just

laid out the bulk of my budget. Republicans in Congress should do the same thing. Then we can sit down and see where we disagree".

But this is his vision and platform, showing in which direction the US should move in the next ten years. This is also his most clearly communicated policy with which he intends to enter the new presidential race.

In that policy, there is more state in the key social sectors, and at the same time, a much stricter tax policy, particularly towards the wealthy.

Until then, President Biden and his administration face months of difficult negotiations with the Republican congressional majority over government debt payments and new borrowing.

In that struggle, Biden's budget draft seems like a trade item, where the Democratic administration could make concessions in order to achieve its immediate goals, primarily raising the debt ceiling.