

Biden needs to get his economics right

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I guess the Biden infrastructure plan requires a comment, albeit not a long one because who knows if it will happen?

First, the plan seems so small. \$2 trillion over ten years is much less than is required to make America great again. It will address weaknesses in just ten major bridges, for example. The last time I was in the States it looked like every bridge I saw was falling down.

Second, it seems remarkably ungreen.

Third, Biden will not see it through. Will a successor?

I'd say the Democrats have a lot more to do.

But let's turn to the tax package instead.

First, might I make the obvious point that tax is not going to pay for this spend, whatever happens? The Fed is. It always does. That's the way government works.

Second, no one has said that any of this package will be paid for by the direct tax paid that it will generate. Why not?

Third, nor has anyone said anything about the substantial multiplier effects of such spending which likely mean that this package will more than pay for itself. Again, why not?

Fourth, instead they talk about corporate tax paying for it. It won't. There is no such link.

Raise corporate tax if you think it appropriate for the management of the US macro economy by all means.

Do it to create greater equality, definitely.

Do it to support the credibility of international tax systems, for certain.

Introduce a minimum tax rate to beat tax abuse, for sure.

Use country-by-country reporting to keep me happy, because I promise you will. Do so to beat tax havens, as I always intended when designing that system of reporting, and I am even happier.

But don't say it's to pay for infrastructure, because it isn't. That's not how tax works.

My summary is get the economics right when announcing such things. It would really help.