
Joe Biden: A Big Supporter Of Keynesian Economics

With the 2020 presidential election being about a year away from now, political parties and their presidential candidates are trying to increase their popularity before the election comes around. Some of the major presidential candidates from the Democratic Party includes Michael Bennet, Joe Biden, Cory Booker, Bernie Sanders, and Andrew Yang. On the other hand, Donald Trump only has four competitors from the Republican Party: Roque De La Fuente, Mark Sanford, Bill Weld, and Joe Walsh. This essay will mainly focus on Joe Biden's proposals along with its comparison to his opponents'.

First thing first, Joe Biden, former vice president during the Obama administration, believes that increasing the educated workforce will be beneficial to the economy. He proposed to make two-year community colleges free for qualified students in a way to raise GDP. If the quality of the workforce increases, the GDP will eventually increase due to higher efficiency and higher pay for their skills. Biden also believes that increasing the tax rate would be beneficial for the people. He wants to raise taxes and use that money to invest in the American healthcare system. From Joe Biden's address to the World Economic Forum in Davos, Switzerland in 2017, he mentioned "implementing a progressive, equitable tax system where everyone pays their fair share", meaning that taxpayers will pay their taxes based on their income (Biden 2017). This is a very Keynesian point of view because Biden wants to raise taxes and use that money towards healthcare which is a public service; and in Keynesian economics, if taxes are used on public services, the aggregate expenditure would rise which will lead to more jobs and household benefits. By definition, if taxes are raised to raise government expenditure on goods and services by the same amount, the economy will expand. This also means the production possibility frontier (PPF) curve will shift outwards.

As mentioned before, Joe Biden wants to raise taxes, he wants a "pro-growth" tax code. In the October Democratic Debate of 2019, Biden said: "[he] would raise the capital gains tax to the highest rate, of 39.5 percent" (Biden 2019). Saying that millionaires would have to pay 39.5% of their income to taxes. This continues his Keynesian perspective, he wants to use the money to cover the tax loopholes so that things like Social Security and Medicare can be affordable. Previously, Joe Biden also used the current U.S.'s GDP growth rate to attack Trump due to the fear of a recession as benefits from a previous tax cut fades away and the tariffs imposed on imports from China hurting the American manufacturers and farmers.

In contrast to Joe Biden, Bill Weld from the Republican Party who was also the Libertarian vice-presidential candidate wants to cut taxes. In a recent Q&A at Dartmouth College, Weld talked about what he did when he was the governor of Massachusetts, "[he] cut spending, [he] cut

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taxes. [And] he was ranked the most fiscally conservative governor in the United States by The Wall Street Journal and the Cato Institute” (Weld 2019). He has a Classical view on this topic, which he believes that the increase of taxes will shift the supply of labor downward and the PPF curve will also shift in. Weld also thinks that “Nobody in Washington is looking out for the taxpayer. The Democrats want to increase social spending, the Republicans want to increase military spending, and they compromise by raising everything 20 percent, or they don’t compromise at all” (Weld 2019). From this, Weld showed that he is not completely supportive of the Republican Party, hence why he was also the Libertarian vice-presidential candidate.

In addition to raising taxes, Joe Biden also supports the idea of increasing the federal minimum wage to \$15. This is also a Keynesian idea. Raising the minimum wage will have minor effects on employment, but it will certainly raise consumption, aggregate expenditure, and demand for labor. Therefore, raising the minimum wage will be a rise in employment. Nonetheless, the Classical Model believes that it would be more beneficial for the government to reduce the federal minimum wage. This is because it allows the labor market to attain equilibrium and remove involuntary unemployment.

Based on Joe Biden’s proposals, it is crystal clear that he is a fan of Keynesian economics. First, he wants to increase taxes so that he can utilize the money to put into public services like education and healthcare. By putting tax money into public services, it would increase aggregate expenditure which will lead to more jobs and household benefits like Social Security and Medicare. Biden thinks that the high taxes imposed on people, mostly wealthy people and increasing federal minimum wage, will help the U.S. GDP grow faster, as well as shifting the PPF curve outwards.

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