You may find this hard to believe, but 60 songs that explain the 90s, America's favorite poorly named music podcast is back with 30 more songs than 120 songs total. I'm your host Rob Harvilla, here to bring you more shrewd musical analysis, poignant nostalgic reveries, crude personal anecdotes, and rad special guests, all with even less restraint than usual. Join us once more on 60 songs that explain the 90s every Wednesday on Spotify.
Before today's episode, a quick note. I will be in Chicago this Thursday, July 13th, for the Atlantic's Progress Summit. This is our annual festival of breakthroughs in science and technology. This year, we've got Airbnb CEO Brian Chesky on how Silicon Valley gets innovation wrong, got panels on the future of AI, large language models, protein folding, the future of cancer, longevity research, smartphones and anxiety, the future of agriculture. It's going to be an awesome event. And if you're in the Chicago area, we will be at Revelmotorow, Revelmotorow on July 13th. We'd love to see you there.
Today's episode is about an amazing disconnect in the U.S. economy.
By many measures, this is one of the best times in recent American history to find a job.
And by many measures, Americans are stuck in a state of extreme glumness about the country. And I am curious about how these two things can be true at the same time. So first, a little economic roundup. And it's been a while since we did an economic update on this show. So give me a bit of time to really paint a picture here.
Much the last 15 to 20 years has been a period of weak demand and labor market slack. You had the Great Recession 2007, 2008, which gave way to a very weak recovery. You had housing in a depression
for years, unemployment was elevated for years, wage growth was meager, inflation was weak, demand was atrophied. And the economy of the late 2000s through the mid to late 2010s was really just bad. It was bad. It was a bad economy. And then just as we seem to be turning a corner around 2018, 2019, we got slammed by a pandemic. And there was this forced economic shutdown and a
post pandemic period or a late pandemic period, whatever we're calling 2021 and 2022, that was just a mess. The only word for it is just a mess. The pandemic had pinched the economy. It had shut off the flow of normal commerce. And then when we opened up, everything just went haywire,
right? We had supply chain issues, we had shortages of foods and furniture and baby formula, and prices were surging and inflation was sticky and travel was a mess. The economy just wasn't working. It's like, you know, when you pinch a garden hose for a long time and you release the garden hose and the water just starts spraying all over the place and flopping its neck around like a snake on cocaine, that was the economy. It was just a mess of freaky, chaotic whiplashes.
So it's been a mess of a few years and it's been a mess of a century.
But if we try to see reality clearly, if we try to see the economy of right now clearly, I think the following five things you can say are true. Number one, the employment rate of 3.6% is essentially at a 60 year low. Number two, the share of women between 25 and 54 who are working is at an all time high. This is called the prime age working rate. The unemployment rate for black Americans recently hit an all time low. Number three, since 2020 inflation adjusted wages have grown so much for low income workers that it's wiped out a quarter of the last 40 years increase in inequality. Number four, the US has the fastest growth rate of any G7 country, that's the seven

really the richest countries in the world. And number five, the US has the lowest annual inflation of any G7 country. So historically low unemployment, historically high employment rates for women, non-white Americans, falling inequality, we are kicking rich world butt in growth and inflation.
But how do Americans feel about the economy? They hate it. According to the consumer sentiment survey from the University of Michigan, consumers were gloomier last month than in 90% of all months
surveyed in the last 50 years. This is a bottom 10% economy according to consumers. Republican appraisals of the economy are the lowest on record. And overall, Pew Research says they cannot find a single period in polling history when consumers were so upset about the way things are going. Today's guest is Jordan Weissman, Washington editor of semaphore. And we talk about the relationship between economic data and consumer sentiment. We talk about why Americans seem to hate this economy. And whether the economic summary I just gave you strategically and unfairly
lives out a big piece of the puzzle. Spoiler alert, it does. And finally, we talk about Biden and what Bidenomics is and whether it can fix what ails us. I'm Derek Thompson. This is plain English.
Jordan Weissman, welcome back to the podcast. Thanks for having me back, man.
So according to Pew Research, the United States is currently mired in the longest period of, quote, severe pessimism in the history of Poland. Most Americans think the US is either in a recession or on the cusp of a recession. And most Americans have thought that for the last year or two. And it is important to point out that we have not been in a technical recession.
And finally, you have this piece that consumer sentiment is measured by Michigan is downright depressed. I would say legubrious. I know you're a fan of big words. We're going to go with legubrious.
You have two minutes to make the administration's case, that this economy is more impressive than most people think. Jordan, where do you start? I don't think it even takes two minutes.
First point is just the unemployment rate, which is 3.6%. That's about where it was in 2019, November 2019, when Donald Trump was celebrating the health of the economy. And it's close to a 50-year low. And if I were the Biden administration coming up with their ad strategy, I would probably just do one ad after another, just saying, did you know the unemployment rate is 3.6%? This is the best time to get a job in 50 years. If you look at the employment rate for working-age Americans, people between the ages of 25 and 55, it's higher now than at any time since April of 2001, the end of the dot-com bubble. I mean, more Americans than their prime working years have a job than in a full generation. And then you can kind of zoom out and look at international comparisons. Depending on exactly how you measure it, you could say that the US is having the best recovery of any major economy in the world. In fact, I'm saying how would the White House make this case? They have made this specific point. If you look at the G7, the group of seven nations, the big developed economies, the US has had the strongest GDP growth since the end of 2019. Essentially, it's grown the most since the beginning of the pandemic.
And at the same time, it currently has the lowest rate of inflation. If you measure it on an apples to apples basis, which can be a little bit tricky, but they use this thing called the Harmonized Index of Consumer Prices. So we've got the strongest growth, the lowest inflation at the moment, and an unemployment rate that is as good as it's been in almost history.

I'm sure there's some people there thinking, I don't want this podcast to be a bought and paid for advertisement for and by the Biden administration. So if you did have that thought, I set Jordan up to make the defense case for the Biden administration and we're going to get to the prosecution in just a second. But I want to hold on one of the points that you made, which is inflation. I do think that it is easy, especially given the way that the media represents inflation for the public to hold on to an impression of inflation that is a little bit old or a little bit trailing, I guess you would say, an economic jargon. One year ago, or at least 13 months ago, the 12-month inflation rate was like 9, 8.5%, very, very high. Today, it's approximately 4%. So inflation has come down a lot in the last 12 months in a way that I don't think media representations have exactly put their finger on. Jordan, help us understand, why has inflation come down so much in the last year? Well, part of it is what economists just call base effects. And so this is the nerdy part. If we're talking about the 12-month inflation, inflation was going really, really fast a year ago. It was spiking. Prices had already gone up a bunch. And so if you're measuring against that point of comparison when prices had already gone up a ton, inflation has slowed down a little bit as a result of that. It's hard to keep up that pace. And so it's just partly the fact that it's your frame of reference is doing a little bit of the work there. At the same time, we've benefited from the fact that energy prices aren't spiking the way they were. Like the US is, gas prices aren't quite as out of control as they were at the beginning of the Ukraine war, for instance. That energy has dealt a huge blow in Europe, which we haven't gotten quite the same front of that. Then you don't have the spiraling cost of manufactured goods of all of used cars and new cars and furniture that you're trying to buy, all the stuff that got caught up in the supply and chain crisis that was followed the immediate aftermath of COVID. Those kinds of issues have been resolved a bit. So a lot of those kinds of things that were causing that huge, huge, epic 40-year high inflation, that's all faded a bit. At the same time, before I was putting on my Biden spokesman hat there, it would be premature to say that inflation is back to normal. If you look at the month-to-month rate, if you look at core inflation, which takes out food and energy prices, economists really like to look at because it's the less volatile stuff, less affected by commodities, that's still at a high simmer. It's almost boiling. It's still bubbling along there, a little bit over 4% annual rate, which is higher than the Federal Reserve would like. It depends on exactly which measure you look at. But core inflation is also not quite back to normal. And so it's premature to declare victory, but certainly inflation has been coming down. A lot of the factors that people thought would be temporary have turned out to be temporary. I want to hold on inflation for just one more question. You're absolutely right that we've seen energy prices decline significantly. I'm looking at average gas prices in America in the summer of 2022. Average gas prices just barely breached $5. That's when everyone was freaking out. And really, it had surged up to $5 at an extraordinary pace. And since that has really crashed in the second half of the year and has been pretty much steady around the mid-3s, about $3.50 for the last few quarters, which is relatively normal. That's one reason why inflation, at least in energy, has come down. But one of the things that seems to be holding up overall inflation is shelter. Can you say anything about what we should expect for shelter inflation going forward? So this is actually one of the issues that's giving economists a sense of optimism about where inflation is heading. For the past year, the cost of housing has been a huge, huge driver of the CPI. On month-to-month basis,

housing has been one of the major factors fueling inflation. But the thing about the inflation numbers with housing is that they tend to trail what's happening with market rents. So whatever is going on with the actual rental market, that doesn't usually show up in the inflation numbers for about one year. So if you look at companies like Zillow or companies like Zillow, Track and Real Time, what's happening on the rental market, and you can see rents have slowed down. And so we're starting to expect to see that to show up in the inflation number sometime soon. And that makes economists think that, okay, you're going to see this continued slowing of the consumer price index, and things are going to continue getting closer back to normal.
I think it's a really important point. I mean, I know you and I and a couple other people that I know in the econ reporting space not only track how the Federal Reserve and the Bureau of Labor Statistics looks at shelter inflation, but we also track what Zillow and apartment lists are saying about inflation. And in a way, what Zillow and apartment lists are measuring this month, it's like an elephant working its way through the snake. It's not going to make it all the way to the end for sometimes a full year. And so you can see ahead of the curve what's going to happen with shelter inflation. And for six, nine months, I know people like you and me have been saying over and over, I think inflation is going to come down quite a bit because we're already seeing in newly listed rents and newly listed home prices from Zillow that the peak has already occurred. And so we might continue to see those prices fall. That's really important. The fact that shelter costs are going to continue to come down, because if you're going to make the strongest possible case against this economy, if you're going to move against the Biden administration and now put you, Jordan, in the prosecutor's chair and say, make the strongest case of this economy has been a nightmare for workers, I really think that case just comes down to two words. And those two words are real wages. That is, take home pay adjusted for inflation has been declining for the last two years until maybe the last few months. So just talk a little bit about the real wages part of this picture. So I thought you were going to say the two words were egg prices
because that's... Egg prices are back down, but I mean, I joke, but the cost of living has gone up faster than pay for most Americans during the Biden administration. That's the fundamental problem. As good as the unemployment rate is, most people in 2021 already had a job, or at the beginning of 2021 already had a job. Most workers were employed at that point. And the majority of Americans probably haven't benefited that much from the hot labor market because the cost of living has gone up so much. And it hasn't been the same for everyone. One of the things about the Biden economy that the president supports like to point to is that low wage workers have seen their pay go up pretty quickly, even measured after inflation. It depends exactly what time frame you use. And if you look at it from the end of 2019 or the beginning of 2021, but the point being the hot labor market has really benefited people at the bottom of the economic ladder. But people in the middle class, in the upper middle class, professionals, their living expenses have probably gone up a bit faster or a lot faster than their paychecks. And that's not just like a public relations problem, it's a real economic problem. It does cause hardship for some people. Their families really do have to worry about what they pay at the grocery store or the cost of filling up their cars or what it costs to get a handyman to come and fix their boiler or whatever their day-to-day living costs are. The basic cost of living is a really important economic issue. And I think on the internet, it really tends to get played down. It's sort of a fake thing

that people don't experience inflation, that they don't notice that their paycheck isn't necessarily stretching quite as far. I don't know. I've just never really understood that perspective. People notice what they pay at the checkout line. You made two points there that I want to emphasize. One is inflation is a majority phenomenon. Most people notice inflation. And unemployment is a minority phenomenon. So when the unemployment rate goes from, let's say, 9% to 3%, that is historic. I mean, that's going from an extremely high unemployment rate to an extremely low unemployment rate. But by definition, you are only talking about 7 percentage points of the workforce. When inflation goes up, the price of eggs are going up for everyone. The price of shelter is going up for everyone. The price of gas is going up for everyone. So it makes sense that real wages, inflation-adjusted wages, the cost of living should drive economic sentiment slightly more than employment. That said, the other thing that you said, which is really important, actually, jump in right there if you want to elaborate on that.
Yeah, I agree with that to a large extent. The one thing I would add as a qualifier is that unemployment does affect the national mood. You remember what it was like hitting the job market around 2008? It was terrifying. It was absolutely terrifying, and everyone was constantly afraid of getting canned. And that's not just because we worked in journalism. That was sort of the mood for everybody. There was a constant fear that you had to just hold on to your job for dear life. And right now, people are experiencing sort of the opposite of that. There was a whole great resignation era where people were quitting their jobs and going and finding something better. And now, if you look at surveys of worker satisfaction, they're reaching all-time highs. It's like people are content with their jobs, in part probably because they have some bargaining power because the job market is so tight. So unemployment does affect the national mood, and what Biden has done in creating this extremely hot labor market has probably made people's daily lives a little bit better, even if they weren't necessarily job hunting. It's probably done it in subtle ways. However, with all of that said, people think there is inflation when there is no inflation. People imagine inflation all the time. That's the kind of constant thing econ writers complain about that any change in the price of gas. People think that's inflation. But when the cost of living really is rising at a rapid pace, yeah, that is a jarring and frustrating experience for the majority, as you said. Yeah, the other point that you made that I wanted to hit, and I do appreciate that elaboration, is that the great resignation was both overhyped and terribly named. You and I have been all over this. This is not or was not a movement of worker exhaustion. It was a movement of worker power. People, especially low income service workers, were quitting their jobs because they were driving to work and seeing that another restaurant or another service industry was going to pay them 15 or 20 or $25 an hour, which was $5 more an hour than they were making, and they were quitting and switching jobs. It was a job switching phenomenon. And now we have evidence, documented economic evidence, that this period, the great job switch was really wonderful for reducing economic inequality. This new paper that just came out, Jordan, just tell us a little bit about it.
Yeah, this study's been getting a lot of attention. It's from two of probably the best known labor economists in the country, David Outer from MIT and Jhajit Dubey from University of Massachusetts Amherst, looks at what this just super hot labor market did to wage inequality. What the great resignation did for workers, essentially, at the bottom of the economic ladder. What they find is that people at sort of the 10th percentile of the wage distribution

saw their pay go up pretty fast, and people at the 50th or 90th did not see their pay go up after you adjust for inflation or saw it go up very slowly. And so that crunched down a lot of the inequality that had developed between people at the very bottom of the ladder and at the very top over the past several decades. I think the number they come up with is that the great resignation era, let's just call it that, as terrible as that name is, that era reduced the inequalities that had expanded since 1980 by about a quarter between the 10th percentile and the 90th percentile. And the simple way of putting that is that the working poor caught up a whole bunch with the upper middle class, essentially. That's what happened. And on its face, if you worry about inequality, that's a great development. It shows you how this strong job market really disproportionately benefited people who ordinarily kind of get the shaft in this economy, to put it for decades and decades. That doesn't necessarily change the fact, though, that for the majority of Americans, this period has not necessarily been marked by rising living standards, instead has been marked at frustration over things like the price of eggs or milk, or how much it costs to buy a new car, because suddenly, their old one crapped out and they are stuck at a lot where they can't find the color, the color they want, the model they want, or anything under a crazy $30,000 price tag. I would summarize everything that we've discussed so far this way. I'd say it's a great economy for finding a job, especially for the lowest paid workers. And it's a so-so economy for the cost of living for the broad middle class.

The piece I want to throw in here is the political piece. And this isn't really a question so much, is I've just been watching this phenomenon and I find it fascinating, and I want to just describe what I'm seeing and then just throw it at you. So if you look at what Republicans versus Democrats say about the economy over the last six years, actually really over the last 10 years, going back to Obama and then Trump and then Biden, it is a fascinating picture. In 2016, the last year of the Obama administration, 18% of Republicans said the economy was good. Basically, no Republican

thought the economy was good. Two years later, 80% said it was a good or excellent economy. Now, it is not useful to pretend that the economy got five times better between 2016 and 2018. You're just not going to square that with any economic evidence. What happened is that Republicans felt five times better about the president. And by the way, the Democrats had the opposite situation. Economic appraisals among Democrats got worse when Trump became president, even though I

think you and I, not exactly Trump fans, could admit the labor market got much, much better between 2016 and 2019. The reason I find this so interesting is that it's like,

if I were not on book leave right now, I might make this a column and maybe I will make it a column when I come back from book leave, or maybe you can steal it. It's like an interesting inversion of what you could call Carville's law. James Carville advised who to president Clinton very famously said, it's the economy's stupid. And the idea was people look at the economy and then they decide who to vote for. The economy is good. Therefore, I like the incumbent. The economy sucks.

Therefore, vote the bums out. But today, I don't want to suggest it's flipped entirely,

but it's clearly flipped a little bit because a lot of voters seem to say,

I hate the president. Therefore, the economy is bad. I like the president. Therefore, the economy is good. And it means that we started this whole podcast thinking about how do we square consumer

sentiment surveys with economic data. But one thing that's happening is that to a certain extent, consumer sentiment surveys aren't surveys of consumer sentiment purely anymore. They're surveys of political sentiment. And that's really interesting to me. The fact that something important has changed in the way that voters describe the economy to pollsters and that politics has become the lens through which we even analyze the national economy. Have you noticed this? Do
you find this interesting? I do, but I want to push back a tiny bit. Maybe pushback is the wrong way to put it. But again, I'm going to... No, no, no. Push back. That's great.
Qualify it. Again, that's all I'm doing this episode. I'm just qualifying things for you.
Everything you just said is true. To a large extent, Biden's horrible, horrible ratings on the economy reflect the fact that Republicans give him absolutely no credit. Just none. Republicans do not approve of Biden's handling the economy whatsoever. One of the things that's been kind of frightening for Biden is that Democrats also haven't given him very high marks for his handling of the economy. They've been getting better, those approval ratings among his base, but there's a clear sense of frustration even among his natural voters and his natural supporters. That's one of the signs that deep and record-long streak of pessimism that Pew's talking about has really kind of affected a wide swath of Americans. It's not a pure America. It's not a purely partisan issue. I think another thing that really struck Democratic strategists and also a lot of writers is the degree to which some of the pessimism just seems completely just divorced from the reality on the ground and just really factual. Not in a subjective like, oh, this is as good or as bad kind of ways, but there were some polling around March that showed that most independent voters said that they thought the economy had lost more jobs in the past year than they had gained. They thought that actually the U.S. economy was shedding jobs. That's just a really bad sign. When you're having these massive job gains month after month and just no one seems to be aware of it, something has gone wrong in the communications department. I think some of the national mood is a result of what you're talking about that partisan voters tend to talk about the economy and refract the economy through their own ideological
lens. Some of it is this real frustration about inflation and that has kind of spread widely to Democrats as well as independents. Then some of it is just lack of comprehension about what's been going on, just a lack of awareness that to some extent probably reflects a failure by Democrats to kind of communicate what they've done well. I think that kind of explains why we're suddenly seeing the administration lean into this idea of bidenomics all of a sudden. I'm sure your listeners have now heard that word a million and a half times in the news over the past few weeks because they're just talking about bidenomics day and night now and trying to pump up their successes. I want to put bidenomics in the refrigerator for a second because we're going to get to it in just a minute, but I want to say this first. I love the pushback, the qualifications exactly right. Moreover, there's some numbers that I think make the point even clearer. I'm looking right now at evaluations of the economy broken down by party. This is from Pew Research Center and April 7th, 2023 survey. This is exactly what you're talking about. Between 2021 and 2023, Democrats' approval of the economy, the share of Democrats who say that the economic conditions in
the US are excellent or good, declined from 36% to 28%. A clear decline, 36% to 28%.

Republicans appraise the economy, has declined from 81% in 2020 to 10% today. It's the lowest rating in the history of the survey. This is what makes this topic, I think, really interesting and really rich, but also really complicated to see fully because it is simultaneously true that people who are down on the economy are absolutely responding to real on-the-ground conditions. The Jordan Weissman price of eggs index is a real thing. The price of food and energy and shelter has gone up and sometimes way down and then sometimes surging back up again. Inflation is elevated. It's eating into paychecks and the cost of living is up. That sucks, but also at the same time, for a combination of reasons, I think the fact that a lot of voters are very, very political and also the fact that the media has just been downright depressed about this economy for many years. People are seeing things in the economy that do not exist. For example, the decline of jobs during a period where jobs have consistently grown by 200, 300, 400,000 positions a day. I'm just looking at a couple headlines that I remembered from seeing in the last two years. Bloomberg, October 2022, quote, forecast for U.S. recession within year hits 100% among economists. June 15th, 2023, Deutsche Bank puts chance of U.S. recession near 100%. This has been going up. The street, October last year, key indicator puts chance of recession at 100%. The U.S. is not in a recession. We are currently not close to recession. It doesn't mean we won't have one end of this year, next year, but there has been, I think, really interestingly, a steady drumbeat of certainty about a recession, which belies the complexity of the economic reality on the ground. That certainty that things are going to fall off a cliff, I think, redowns to a kind of public skepticism or public anxiety that economic conditions are a little bit worse than they are. I think that gets us a little bit closer to the big picture, but yeah, jump right in there. Also, I'm going to put on my media critic hat here because I think what you're talking about is extremely important. I used to write it off a little bit headlines were confusing people until I saw that survey data about people thinking that the economy was actually losing jobs. That was the moment I was like, oh, people are really, something's gone wrong here in the way not just like the Biden administration is communicating, but like the media is communicating just basic facts about what's happening in the economy. I think part of the issue is that we have a business press in the United States and an economics press to some extent that communicates with a fairly savvy audience of professionals that often that's who they're writing those stories for. When Bloomberg says chance of recession is 100%, what Bloomberg is saying there is not that the economy is miserable in that moment. What it is saying is that the underpinnings of the economy are looking a little bit fragile because the Federal Reserve is hiking interest rates really fast and trying to hit the brakes to cool down inflation and that within X number of months, there will probably be at least a mild downturn and that it might not even be a significant downturn, but there's going to be some sort of contraction. That's what Bloomberg is saying that all of the economists who do forecasting for a living of who they track have come to this conclusion. When that headline makes the rounds or gets refracted through cable news or whatnot, I think the message that reaches a lot of people is just the economy's bad. That we're in trouble. Things are going wrong. I think that this is part of the problem. How could it not? 100% of economists say a recession is inevitable. There is literally no way to interpret that as good news about the economy. Exactly. The conversation that happens in the business press and among investors and on CNBC, that trickles down to people who just take it as, oh, things are bad. I don't really know how to solve that problem necessarily in an economy

like we've had where a lot of professional forecasters have been expecting a recession for not-crazy reasons. It's not bad to report that. In fact, you have to report that if you're a beat reporter, but it's just a quirk of the system that has not necessarily served us very well. I do think it's something that journalists in particular need to think about how to try and counteract. Maybe it is just focusing a little bit more on when there is good news, make sure to report it. That could maybe try to overcome our negativity bias, but then you have to balance it with the fact it's like, okay, well, you don't want to just be relentless boosters of whatever is there for the administration, except for the moments when you literally give me that assignment at the beginning of a podcast, in which case, I'm happy to do it. You want to be able to report fairly and accurately, but it's a nice edge balancing act that I'm not sure we've necessarily pulled off that well over the past two years. I think that's a big issue.
It's a good point. It's a really good point. I want to get to Bidenomics in just a second, but just to hold on the media analysis for one more round. I can't count how many headlines I have written about the economy or podcasted on about the economy that were essentially
the economy is weird. The reason I really purposely chose the adjective weird is that weird doesn't plot easily along the good-bad spectrum, because I'm trying to pull the rope sideways and say things are happening in the economy that don't clearly cash out as it's all good or it's all bad. It's just kind of a mess. Unemployment is low. That's good. Inflation is elevated. That's bad. Inflations come down by more than half in the last 12 months. That's good. Inequality is coming down too. That's good. It's still high. That's bad. There's a lot of things going on here, and when it becomes condensed in a headline version, and headlines are all condensation, so it's somewhat inevitable, but when it's condensed in a headline too, probability of recession 100%, there is just no way for even the savviest economic reader to consume that information and not assume that really smart people are absolutely depressed about the state of the economy and are sure we're all running toward a cliff. I just think that my advice, not that anyone needs to listen, is we're allowed to describe the economy in adjectives that don't cash out as purely awesome or terrible, as purely things for the best ever or we're immediately having a recession. There are other adjectives, I think, that are sometimes more accurate, that describe messiness rather than awesomeness. I just think we need to get better at describing messiness rather than awesomeness or badness.
I'm just imagining a front page in your time's headline about consumer spending numbers are awkward this month. I wonder what kind of reception that experiment would get. We should see if we can convince some of our friends over there to give it a try, but I hear you.
All right. That's enough for media analysis. Let's move to bidenomics. This is a term that's absolutely everywhere in the news now. It's in the news everywhere because it's in the mouth of every administration surrogate, including the president himself. Bidenomics, Jordan, what is this? Define it for us. What is the administration want us to think bidenomics is? Then maybe in a second we'll talk about what actually is happening on the ground with legislation that is changing the economy in a relatively new way.
If you listen to Joe Biden or his press people or you talk to them, they'll say that bidenomics is all about growing the economy by growing the middle class. That's the tagline, growing it from

the middle out. They tend to emphasize things like creating new factory jobs and driving the unemployment rate very low. It becomes a grab bag after a while. They throw their war on junk fees because that's a middle class issue. It's all the good things they are doing for the middle class is bidenomics. That's the 10,000-foot view. Instead of what they say was trickle down economics
under Republican presidents where you tried to cut taxes for the rich and hope that would benefit by making the economy somehow at some point or another benefit people lower down on the economic
ladder, you start with the middle class. That's their pinch. That's not exactly how economics writers or economists have been talking about bidenomics. It was the writers. It was the journalists who coined the phrase back in the day. Journalists always call whatever the economic policy of any president is becomes ex-president onomics. You get obama-nomics, trump-nomics, glint-nomics, and now you have bidenomics. But what's been interesting is that bidenomics actually does seem to be something kind of different. It's not a total break with the past. It's not a hard fact, but it is definitely a major development away from, you're going to hate that I'm using this word, but it's another big step away from the old neoliberal kind of consensus. Let's say old free market consensus. It's sort of that reached its real peak under Bill Clinton and George W. Bush. It's another step, a major step away from that. I think there are two, maybe three major components people need to keep in mind for what really has made bidenomics kind of unique and interesting. The first thing, the most obvious thing is just spending mad on stimulus in order to create a really tight job market.
That was step one. The American Rescue Plan just threw a ton of money into the economy, and that is a big part of what's fueled this really high employment rate, and all the stuff we are just talking about with wages and the other side of it being, to some extent, inflation. It is this relentless focus on full employment and doing whatever was necessary to get the economy back to full employment. The reason that their focus on full employment was so important was that at the beginning of the administration, their attitude was it was much, much worse to do too little than it would be to maybe risk doing too much. That was a little different than the attitude at the beginning of the great recession, where a lot of people were worried about spending too much on stimulus. The Biden administration and Democrats at this time said, screw it, we're just going all out.
We're not going to worry about any of the morning some economists are making about inflation.
You can talk about the good and bad of the results like we just have for the past hour.
You could throw an entire podcast or actually 10 in the middle here to talk about the journey that inflation has taken as a result of the American Rescue Plan. But before I just off-ramp back to you, I think it's important to say that we had significantly elevated inflation that was almost certainly, at least partially, because of this big fat stimulus package that Biden just gave thousands of dollars to hundreds of millions of American households. They spent it. It created inflation that was probably higher than we would have had otherwise. But now it is also important to point out that inflation has come down by more than 50% in the last 12 months and that we have, by some measures, the lowest inflation rate of any country in the G7. So it's a complicated report card for the American Rescue Plan. But yeah, back to you. I should also say that like economists are still figuring out what the hell happened with inflation in the 70s and don't

necessarily have a consensus answer. We're going to be figuring out all the factors that fed this inflation for a long time, right? And there are lots of different variables that went into it between the American Rescue Plan and supply chain issues and the pace at which people could return
to work and the war in Ukraine. There's just a lot of junk. There's a lot of junk to talk about there. So the other part of Bidenomics that's really, in some ways, maybe even more different and revolutionary or at least really interesting to people is this focus on what the nerds call industrial policy. But what I think everyone else talks about as a really, really relentless focus on subsidizing high-tech manufacturing and high-tech industries, right? It's throwing money at the semiconductor industry. It's throwing money at green industries to help the economy decarbonize, but also just to make sure that things like batteries and the next wave of green tech are all developed and built here in the United States. There was a time when the idea of subsidizing specific industries like that was sort of, they were a dirty word in Washington. You weren't supposed to do that. Industrial policy was considered like this kind of antiquarian idea that had sort of gone out of fashion. And now, so much about what the Biden administration has accomplished is about basically saying, yes, we are going to make these bets on these industries for the future of the economy. And I think when the administration points to its accomplishments here, they once again just go to a graph, right? And you can see spending on factories on factory construction has just spiked in the past year. It's like the rate at which companies are spending on factory construction has doubled over its like two decade average, right? It's gone up to like 186 billion at an annual rate versus like 84 billionish typically. I mean, it's just hockey stick. And some of that increase was happening a little bit before some of these major pieces of legislation like the Inflation Reduction Act and the CHIPS Act were passed. But it seems like those bills have fueled a lot, if not the vast majority of it.
And so this is another key part of Biden's office is can you really cultivate these high tech industries here in the US with the help of the hand of government and government funding? And it's a little bit, in some ways, it's a little bit like what China has tried to do in the past several decades, right? We're kind of borrowing things from other parts of the world that were other countries took more active hands in managing their mix of industries.
But it's a big experiment here to see how successful we can be. And so far, it's early.
We're not going to know for a while whether or not these attempts to really bring back high tech semiconductor manufacturing to the United States are going to work for some time. And likewise, it's going to be a while before we can figure out if we're really going to be the winners in the next round of the green transition. But it's interesting and it could end up setting, if it works, then it's going to signal I think a profound shift in the way we think about managing economies.
I think there's a fantastic answer. And honestly, I had like three follow up questions, but you hit all of my follow up questions. The only thing I'll say by means of supplementing your answer with a bit of imagery is that I really think of the Bidenomics as existing on four pillars. You named all the pillars, but just to name them specifically. Number one, the American Rescue Plan, which was the stimulus package that probably accelerated growth and probably also accelerated inflation. Number two, we had an infrastructure act, hundreds of billions of dollars for roads, bridges, broadband, power, rail, transit, airports, water. Number three, you mentioned this, the Chips and

Science Act, which is really the Chips Act, 300 billion dollars for chips or semiconductor manufacturing. And then fourth, the Inflation Reduction Act, which speaking of incredibly misleading names is not at all an act directly about reducing inflation, although it's nice that its passage has coincided with the reduction of inflation. This is a spend a lot of money and throw the kitchen sink at decarbonization act. This is an effort to subsidize both on the production
side of green energy and on the consumer side of green energy, encourage people to, for example, build solar farms and also encourage people to, for example, buy electric cars. When and how are we going to know if this is working? Like you mentioned, there are things that we are clearly building more of like chip factories right now. Chip factory construction has absolutely bloomed in the last 18 months. At the same time, there's things that we should be building that we're not yet interconnection and transmission lines, probably most famously.
How long is it going to take for the report card and bidenomics to be written?
I think it's going to take a while, right? Like, you know, with the green energy spending, for instance, right? It's actually useful that we kind of know what our goal for decarbonizing the economy
is. Like we know what path we want to follow in order to sort of hit our Paris targets are and what numbers we think we can hit given the amount of money the administration is now spending.
So even 10 years, we get our, if we reduce our emissions by like 40-something percent below 2005 levels to use roughly the marker people are hoping for at the moment. Yeah, then that will be a sign of success, right? And you can look, or did we come above that line on the graph to become, even, did we go below that line on the graph? You know, we can get a sense of that with, I think the chips and with the chips act, with semiconductors, you know, it's going to be a little bit harder. But I think, again, you can kind of look on a 10-year horizon and, you know, do we have these new factories, right? Are we building substantially more, you know, semiconductors here in the United States than we were before? You know, I'll leave it to the industry experts to really pick a number. Like, you know, how many factories do we want to see? How many, how many, you know, what share of the market do, should the U.S. have? I can't give a, you know, that's a little bit above my pay grade. But I do think that, you know, we should have results within a decade. If we don't, then there will have been a problem. Yeah. I mean, to bring it back to the very start, the big missing piece in the U.S. economy right now is consistently and strongly growing real wages, that is inflation-adjusted wages. And if you look back 70 years, 80 years,
what were the best decades for real wage growth for the middle class? It was the decades when we built a lot of shit in the U.S. When manufacturing was strong, and by the way, also unionized, which is way off in terms of the unionization rates of the 2020s compared to the 20 of the 1940s. But it's when manufacturing was strong, it's when construction was strong, it's when this economy was not so reliant exclusively on sort of professional services for having decade to decade real wage growth, but when you had a lot of jobs that didn't require advanced degrees, where you could really make a good living and find a house that you could buy or an apartment you could buy. And by the way, we're seeing an uptick in housing construction as well. So I do think that there's something resonant here between the paradox that I proposed at the top

of the show and the future by dynamics, because why don't we have real wage growth? What's one path toward real wage growth? It would be the revitalization of the making stuff economy, the revitalization of manufacturing and construction, I think, would go a long way toward helping to raise real wages for the broad middle class. Last thoughts, Jordan.
I mean, one thing that's interesting to think about is those mid-century years that people idealize is sort of the peak for the middle class, rightly or wrongly, where you tended to have pretty strong labor markets and pretty strong wage growth. During those periods, inflation was more of a regular concern. It was like a central focus for consumers and for economists managing and breakouts inflation would happen and people would get worried about it.
And we kind of forgot about that over a 20, 30-year period called great, but economists called it great moderation, which was a period of, during the 90s, it was great because you had declining inflation and you had growing wages. That was awesome. Everyone loved the 90s. But then in the 2000s and 2010s, you had this long period of low inflation but also low wage growth.
And so people kind of forgot about inflation as a concern. And so one thing I am wondering about is whether or not we can sort of get back to a point where, or if it's possible to get back to a point where people say, okay, worrying about inflation a little bit more is worth having a really strong labor market all the time, right? Like, okay, the trade-off is going to be that if Bidenomics becomes sort of the standard for the Democratic Party, where you're really constantly focusing on just full employment all the time and doing whatever you can to maintain full employment, if we're going to get to a point where that becomes the trade-off, where it's just like, okay, we're going to accept that inflation is going to be a little bit higher now and then it might break out into, we might see more flare-ups every once in a while, but that that will be worth maybe risking doing too much to make sure that everyone who wants a job can always have a job. I don't know if we're going to get to that point, or even if that's necessarily the ideal, but it is, I don't know, something, now that we're having this conversation, I'm suddenly wondering, could this shift, could Bidenomics be the beginning of a shift not just in the way the Democratic Party tries to manage the economy, but also in the way the public thinks about the economy, or is the political blowback to inflation over the last few years so bad that actually politicians are going to be scared of ever trying to repeat this experiment?
I don't know, but it's interesting to think about. I think it's really interesting to think about, one way I would think about framing that is, how over are the 2010s? There's been a lot of pieces written recently about how the legacy of the 2010s, this low-flation environment where unemployment
was elevated for the whole decade, how much have we left that mindset in the rearview mirror, and are we willing now to risk slightly higher inflation in order to keep unemployment in the threes? Yeah, I think that's probably, that's an active question I'd say going forward for economic writers and policymakers. Jordan Weisman, semaphore, thank you very much, sir.
Thanks for having me on, man.
Plain English was hosted and reported by me, Derek Thompson, and produced by Devon Manzi.
We'll see you back here every Tuesday for a brand new episode. Have a great week.
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