



U.S. Congress Passes Infrastructure Act

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On 15 November, U.S. President Joe Biden signed into law a bipartisan bill that provides for \$1.2 trillion in infrastructure investments. The success of this legislation and subsequent initiatives related to social spending to a large extent will determine whether the Democratic Party retains control of Congress after the 2022 “mid-term” elections. In implementing the bill, one of the administration’s goals will be to make the U.S. more economically competitive with China. Strengthening efforts to reduce emissions will enable the U.S. to play a more important role as a leader in the fight against climate change.

Rebuilding the American economy after the COVID-19 pandemic was a [key element of Biden’s election campaign and a priority during his first months at the White House](#). The latest stimulus package prepared by the administration, adopted thanks to its Democratic majority in Congress, has indeed strengthened the pace of economic growth, but also contributed to rising inflation. The price increases and problems in supply chains coincide with a decline in support for the president. In a Gallup poll, only 42% declared satisfaction with his work, a decrease of 15 percentage points (p.p.) against January this year. The decline in Biden’s support will have an impact on the Democratic Party in polls and the party’s chances of retaining the majority in Congress. Work on the infrastructure bill once again highlighted the intra-party divisions between the progressive faction and party leaders and the broader group of centrists.

Infrastructure Bill. [The “Build Back Better” economic recovery plan is Biden’s most important domestic policy project so far](#). Presented as packages of legislation, it consisted of three elements: the American Rescue Plan (ARP), cost \$1.9 trillion and was adopted by Congress in March; the American Jobs Plan (AJP) was to cost \$2.3 trillion for infrastructure and investments; and the American Families Plan (AFP) was tabbed at \$1.8 trillion.

Before any vote, the Republicans immediately announced that they would not support such high spending, and therefore opposed all three projects. Democrats managed to vote through the ARP on party line. The high costs and concerns

about the deepening of the national debt—currently almost \$29 trillion, which is 126% of GDP—have also been criticised by some Democratic centrists. As a result, the administration was forced to limit the scope of the projects and seek a bipartisan compromise in Congress. In July, a new bill was drafted that focused on investment in infrastructure and did not include the labour market component important primarily for the progressives.

The Infrastructure Investment and Jobs Act increases federal spending on goals related to building new and upgrading existing infrastructure in the U.S. in fiscal years 2022-2026. The amount passed by Congress of \$1.2 trillion is \$1.1 trillion lower than Biden stated in the AJP proposal, but still significantly higher (by \$550 billion) than the planned investments to maintain American infrastructure. The bill covers investments in bridges and roads (\$110 billion), energy networks (\$73 billion), railway projects (\$66 billion), broadband internet (\$65 billion), water infrastructure (\$55 billion), environmental and cybersecurity solutions (\$47 billion), harbours and airports (\$42 billion), environmental remediation (\$21 billion), and electromobility (\$15 billion). The bill does not include funds previously announced in the AJP for innovation (\$566 billion), an increase in earnings for health and social care workers (\$400 billion), the construction of social housing, nursing homes, schools, or hospitals (\$387 billion), or clean energy tax credits (\$363 billion).

The Senate passed the final version of the bill 69-30 (100 total) in August, with 19 Republicans joining all 50 Democrats. The

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House of Representatives adopted it on 5 November by a 228-206 vote, with only 13 Republicans supporting the bill, and the president signed it on 15 November.

Social Reforms. The social reforms bill, now referred to as the Build Back Better Act (BBBA), was created by combining the main postulates of the AFP and some mechanisms removed from the AJP. It is estimated to cost \$1.75 trillion and includes funding for clean energy and climate protection (\$555 billion), childcare (\$400 billion), tax credits (\$200 billion), home care and social housing (\$150 billion each), and the expansion of medical care (\$130 billion). The costs generated by the BBBA are to be covered (though not in full, the deficit is projected to deepen by \$367 billion over 10 years) by the tax increases contained in the act, mainly affecting corporations and people with the highest income. Progressives sought to vote on the BBBA first, to ensure their valued proposals to strengthen welfare and social policies came into force before they endorsed the truncated infrastructure bill (which is why the final version of the bill was first passed by the Senate and only later by the House of Representatives). Biden and Speaker of the House Nancy Pelosi negotiated an agreement with centrist Democrats to support the BBBA after the administration presented the cost of its implementation. This made it possible to convince the majority of progressives (six of them nevertheless chose to vote "against") to support the infrastructure bill. On 19 November, the House adopted the BBBA by a 220-213 vote (all Republicans voted "nay") and will have to be voted in the Senate before it can be signed by the president.

Build Back Better Plan and Disputes Among the Democrats. The protracted negotiations and final transformation of the projects into an adopted infrastructure bill and pending BBBA show the lack of widespread support in the Democratic Party for the more progressive policies that Biden was trying to implement. According to the centrists, this direction may threaten Democrats' chances to defend their majority in both chambers of Congress during the elections in November 2022. On the other hand, progressives believe that the president is willing to negotiate away their proposals (for example, by reducing paid maternity leave from 12 to four weeks and abandoning the idea of free two-year college in the legislation), and that attempts to meet their demands are motivated only by the will to gain their support for other administration initiatives. In their opinion, it is precisely the limited scope of the new laws and the lack of will to introduce more pro-social, but at the same time more costly, reforms that will doom the Democrats in the mid-term elections.

Challenges in Implementing the Plan. Despite the labour market situation improving, public support for the administration is being influenced by rising prices, particularly fuel, and the highest inflation in consumer goods in 10 years at

8.6% year on year. The supply chain issues and the costs of the planned infrastructure projects will tend to boost inflation. This may affect the support for Democrats and affect the course of campaigns ahead of the 2022 Congressional elections, especially since the infrastructure investments will take several years to complete (or even start) and will not directly influence voter sentiment in the upcoming election. The president and Democratic Party want to finalise the work on the BBBA quickly because the effects of that legislation should be noticeable in a shorter period. Challenges to the timeline include the need to gain congressional approval for routine federal financing by 3 December, and then by 13 December raising the debt limit ("ceiling", the current threshold is \$28.5 trillion) and adopting the BBBA before Congress adjourns through the end of the year for the Christmas holidays. Republican politicians and some of the more conservative Democrats may obstruct the legislative process of the BBBA and raising the debt limit, pointing to the long-term negative effects of the spending programmes on the U.S. ability to sustain its debt. Democrats in the Senate need the votes of all party members to pass the BBBA, but some centrists have suggested that the bill requires amendments – if they would be included, the bill will require another vote in the House.

Unlike China, the U.S. has not incurred significant expenditure in recent decades to modernise its infrastructure, which is increasingly faltering, hindering economic competition with China and making American goods and services less competitive due in part to higher transport costs. Investments in this area can be treated by the federal government as an element of the processes of building economic and political alliances with U.S. partners in order to contain the growth of China's military and economic strength. The BBBA also includes a [provision introducing the 15% minimum corporate tax that was approved at the G20 summit in October](#), and which is [part of Biden's international Build Back Better World programme](#). By implementing the changes contained in the Infrastructure Act, among others, in the field of environmental protection and electromobility, the U.S. will gain an additional argument in persuading foreign partners to increase efforts to reduce greenhouse gas emissions, and can take political leadership among the countries engaged in the process. Therefore, it is in the EU's interest to advance economic cooperation with the U.S. as a partner in implementing needed infrastructure projects because the U.S. will have to use imported materials and skilled labour to complete the investments. The modernisation of the American infrastructure will be an opportunity to [deepen cooperation on joint cybersecurity, initiated by the Trade and Technology Council](#).