

## Cozen Currents: Is Joe Biden Going the Way of Jimmy Carter?



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### The Cozen Lens

- With inflation up, the stock market down, and general lack of trust in the institutions of power, the Biden presidency can look similar to that of President Jimmy Carter's. But the future of Joe Biden and the Democrats is by no means a *fait accompli*.
- If President Biden enacts sweeping loan forgiveness through executive action as he is reportedly considering, it will mark a major reversal for him and launch a political experiment that his administration hopes will boost approval and turnout from young voters and progressives in the midterm elections but risks alienating many in other camps and worsening his top political concern, inflation.
- One of the more contentious debates within the Biden administration is what to do about the tariffs on consumer goods from China, but the deciding factor in these discussions could be President Biden's focus on inflation.

### Is Joe Biden Going the Way of Jimmy Carter? Yes and No.

**The Biden-Carter Relation:** Joe Biden was a US senator four years before Jimmy Carter was inaugurated as the 39th president in 1977. Forty-five years later, President Biden is facing a similar situation as his predecessor.

- Biden and Carter were both elected as modest moderates, panaceas for perceived institutional decline and corruption. For Carter, he was running as a modest outsider against a Washington still reeling from Watergate, the Vietnam War, and inflation. Biden ran as a modest institutionalist who would return the country to normalcy after four years of the anti-institutionalist Donald Trump.
- The honeymoon periods after Biden and Carter's elections were short lived. Biden has about a 41 percent approval rating, the same as Carter at the same time in his presidency. Since WWII, six presidents were in the low 40s of approval at this point in their first term – Presidents Biden, Trump, Reagan, Carter, Ford, and Truman. All these presidents except for Trump were dealing with elevated inflation.
- Biden and Carter dealt with a Federal Reserve playing catch up. Fed Chair G. William Miller was slow to raise rates in his short 1.5-year tenure during the Carter years as inflation increased into double digits. Fed officials today are acknowledging they were slow to act in the face of demand imbalances over the last year. Playing catch up to tame inflation often has led to a recession – or hard landing – as was the case when Fed Chair Paul Volcker took over in 1979 and began to aggressively raise rates.
- Biden is seen as managing a divided and struggling nation rather than leading a promising one. Low voter and consumer sentiment today match the sentiment during Carter's presidency. American optimism about personal finances is on the decline. Distrust of institutions of power is high. In his infamous "Crisis of Confidence" speech in 1979, President Carter quoted an unnamed southern governor who said, "Mr. President, you are not leading this nation – you're just managing the government."

**Biden's Leg Up on Carter:** Despite the similarities, there are skills and benefits Biden has that Carter did not in attempting to navigate a trying situation as president.

- Being an institutionalist bolsters Biden's underlying support. When the going got tough for Carter, he ended up firing about half his Cabinet in a shakeup. It backfired. He didn't have decades of relationships within the Democratic Party to keep him afloat. Biden thrives on his

personal connections and is not out to make enemies within the party. He's not seeking to scapegoat his personnel. Even with declining approvals, he still has 80+ percent support among Democrats, giving him a high floor.

- There's not a clear alternative in the Democratic Party. Senator Ted Kennedy challenged Carter from the left in a primary in 1980. He ended up winning 12 states and 38 percent of the vote. Biden has made pains to ameliorate the progressive left. Aside from some activists, there are no serious challengers to Biden's claim at the top of the ticket if he should seek it again.
- Inflation isn't on the upward trend. When Carter gave his "Crisis of Confidence" speech in 1979, inflation was near 10 percent, after rising for the preceding 1.5 years. It would rise even further into 1980, his reelection year. While there's uncertainty around where inflation is heading today, few expect it to continue to increase, with a possibility that peak inflation was reached last month.
- The Powell Fed is taking action quicker than the Miller Fed. While behind the curve, Fed Board Chair Jay Powell and the rest of the Fed governors are resolved to increase rates and lower the balance sheet. A "soft landing" is far from guaranteed but the path is coming much earlier in Biden's term compared to when Volcker took over a little over a year before Carter's reelection.

**Biden's Secret Weapon:** If Republicans nominated President Gerald Ford again in 1980 or if President Richard Nixon was the de facto leader of the GOP, Carter's fate might have been different instead of running against Ronald Reagan. Biden and Democrats may get such a fate.

- If you're explaining, you're losing. This is what Biden and Democrats are doing right now in explaining how inflation is a product of the pandemic and Russia's invasion of Ukraine. While it's not wrong, per se, it's not what voters want to hear.
- If you're losing, you change the conversation, or "wag the dog" in Washington parlance. Democrats see "ultra-MAGA" as a political winner, focusing on the Make America Great Again agenda and ethos as potentially overshadowing the current economic and societal malaise.
- It's hard to run against ultra-MAGA when the MAGA man himself isn't on the ballot and front-page news every day. But Trump may be the effective foil of 2024. In the meantime, Republicans risk nominating controversial candidates in Senate and gubernatorial elections that can turn the focus on their candidates rather than the challenging macro environment.

### **Will Student Loan Forgiveness Help or Hurt? Yes.**

**Student Loan Politics on the Left.** President Biden is reportedly considering loan forgiveness at \$10,000 per borrower with an income limit of \$125,000, which would be unprecedented and come as student loan forgiveness has become a rallying cry for progressives and young voters that Biden and the Democratic Party need.

- Across-the-board forgiveness of student loan debt has crystallized as a progressive priority during the Biden administration. The current spotlight on the issue is a result of the efforts of Senators Elizabeth Warren (D-MA), who was the first then-presidential primary candidate to propose widespread forgiveness in 2019, and Bernie Sanders (I-VT), who then went further and as a fellow Democratic presidential primary candidate proposed the elimination of all student loan debt. Politicians and policy aides in Warren and Sanders' camps are now pushing these ideas and see an opening since the Trump administration enacted the student loan payment pause and the early Covid-19 aid legislation provided further opportunities for relief.
- Progressives beyond Warren and Sanders have taken up the mantle and have been talking about student loan debt's exacerbation of the racial wealth gap and high loans holding back low-income people and minorities who pursued higher education and took out loans in hopes of a better economic future – only to see it backfire – that have proved to resonate with younger liberal voters. Congressional Progressive Caucus (CPC) Chair Rep. Jamaal Bowman (D-NY), a former teacher and principal, has explained that he and his wife together have more than \$100,000 in student loan debt, which he says they took out as a result of being "preyed upon" and fellow CPC member Rep. Ayanna Pressley (D-MA) has said student loan debt is an issue of "economic justice," "racial justice," and is "intergenerational." Pressley pointedly has said, "Coming out of the reckoning on racial injustice, which I hope we're still very much in, the only receipts that matter are budgets and policies. This is an opportunity to actualize racial

justice with the stroke of a pen.” Biden embraced the issue of racial justice on the campaign trail and named it as one of his four top priorities upon taking office alongside the economy, the pandemic, and climate change.

- There is evidence that loan relief programs and some form of larger forgiveness are popular beyond progressives, with recent polling showing that 53 percent of voters support the current suspension of payments through August 31 and a December 2021 poll found that more than 60 percent of voters support some type of forgiveness. At-risk election year Democrats in the Senate such as Raphael Warnock (D-GA) and Catherine Cortez-Masto (D-NV) have embraced some type of student loan relief and Senate Majority Leader Chuck Schumer (D-NY) *tweeted* in recent weeks that it is “now clear President Biden knows that he has the existing legal authority to act on student debt” and should cancel the debt “today.” Schumer has expressed this *before*, but is now doubling down on his view without the threat of a progressive primary challenger pushing him further to the left. As borrowers have adjusted to having extra cash on hand during the over two-year forbearance period, the politics of restarting payments and momentum for enacting some type of forgiveness have grown to be higher stakes decisions.
- Biden said on the campaign trail that he supports \$10,000 in relief per borrower, but the relief should come from Congress, and that he has trouble with the notion that students who attend expensive elite colleges would receive forgiveness. He has never endorsed the \$50,000 per borrower figure that some progressives want, and he has already taken some incremental actions to reform targeted student loan programs for thousands in the Income Driven Repayment and Public Service Loan Forgiveness programs that could give him some cover for not taking broader action that is in conflict with his own philosophy.
- But the decision in question is up to Biden and his poor standing with young voters and earlier desire to take FDR-style action could account for Biden’s reported imminent reversal on his willingness to pursue forgiveness even through executive action. Among 18- to 29-year-old voters, the *Harvard Youth Poll* last month reported that 85 percent “favor some form of government action on student loan debt.” Another recent *poll* found that Biden’s disapproval ratings are highest with younger adults, with a high 58 percent of 18-to-34-year old Americans not in favor of Biden’s performance. And many Americans report that carrying student loan debt has adversely impacted them, with a January *poll* finding that 81 percent of people with student loans say that “student loan payments have forced them to delay key life milestones, such as saving for retirement or buying a home.” With Biden’s approval rating worsening in a new poll last week – marking it at 39 percent – it may be time for him to use the, as one Democratic aide *described* it, “break glass in case of emergency” option in wide-scale student loan forgiveness.

**Politics on the Right.** Any move on student debt loan forgiveness will also hand political ammunition to Republicans, who are already launching their counter-messaging strategy.

- Republicans are likely to argue that debt forgiveness will only exacerbate inflation. This argument is a serious one for Democrats and the perception that student loan relief has made inflation worse could backfire and reap more political havoc than gain. Biden’s approval rating on the economy fell in the same new poll this month with 47 percent of respondents now disapproving of Biden’s handling of the economy and just 29 percent approving, which shows a worsening trend from the same poll in April that had his disapproval at 44 percent and approval at 33 percent. 51 percent of respondents in that poll said that their wages have not kept pace with inflation. The public’s perception of Biden will have implications for the outcomes of the midterm elections, when the public typically uses their vote as a referendum on the sitting president.
- Biden and the Democratic Party have faced criticisms from Republicans and some economists that the nearly \$2 trillion American Rescue Plan passed soon after Democrats took control of Washington and its direct payments led to the current inflation numbers, and further relieving Americans of debt is an inflationary move. It is also one that would come at a high cost to the federal government, with the Federal Reserve Bank of New York projecting that \$10,000 in relief per borrower would cost an aggregate of \$321 billion. Already, the Department of Education has estimated that loan forbearance due to Covid-related relief measures resulted in \$98.4 billion in lost revenue in FY2020 and FY2021. These points are salient for conservatives and for some moderate and/or deficit hawk Democrats, including Senator Joe Manchin (D-WV).

- This narrative shows that the politics of debt forgiveness even on the left are not cut and dry. Vice President Kamala Harris has reportedly backed away from more vocal endorsements of student loan forgiveness and, in the same week that Schumer affirmed his support, House Speaker Nancy Pelosi (D-CA) reiterated her position that Biden does not have the authority to enact forgiveness. While not a member of the CPC, Pelosi is not a moderate by any stretch and her break from Schumer on this issue is puzzling. Pelosi took on her current view in July 2021 after previously being largely silent. Reporting from *The Intercept* suggested that Pelosi's change in tune occurred as a result of lobbying from two of her top donors, but Pelosi may also believe that taking action on student loans could alienate voters in many critical House races. This could be because the politics of Senate statewide races versus House district-based ones play out differently, which could lead to differing views on the political benefits and costs of loan forgiveness between Democrats in the upper and lower chambers.
- There is also potential for Republicans to use the issue to further stoke the culture wars, which Senate Minority Leader Mitch McConnell (R-KY) has already begun doing. McConnell recently said "Student loan socialism would be a giant slap in the face to every family who sacrificed to save for college, to every graduate who paid their debt, to every worker who made a different career choice so they could stay debt free." It is apparent that Republicans beyond McConnell also see this opposition as a potent view, which explains their recent action in introducing messaging bills to explicitly block just the type of action that Biden is considering.
- This view could also play well with the 65 percent of Americans who did not attend college, many of whom tend to vote for Republicans, and for Americans who already paid off their debt. Republicans could also lean into the news that the interest rates on new student loans recently increased, with undergraduate loans up from 3.73 percent to 4.99 percent and graduate loans up from 5.28 percent to 6.54 percent. This news allows for arguments that loan cancellation would still leave many out, raise questions for new borrowers about whether to take out and pay off loans, and would not fix a system that many describe as broken.

#### **Are China Tariffs Being Removed or Increased? Yes.**

**No Strategic Purpose.** There has been significant chatter from elements of the Biden administration about removal of Chinese tariffs on consumer goods imposed under President Trump, but US Trade Representative (USTR) Katherine Tai, who has direct oversight of the tariffs, has yet to come on board.

- After some rumors that the White House was considering lifting tariffs on consumer goods from China, this was confirmed with comments from multiple administration officials. Deputy National Security Adviser Daleep Singh, who is now on an indefinite leave from the administration for personal reasons, said that these tariffs served "no strategic purpose." Treasury Secretary Janet Yellen offered similar confirmation when she expressed an openness to lifting some of the tariffs.
- As encouraging as these comments were for those hoping for relief, the one to watch in this debate is Tai who remains a proponent of the tariffs. Tai views these as a necessary component of a "worker centric" trade policy. In her role, Tai has jurisdiction over the tariffs, which gives her significant power in this debate.
- These internal debates could end up being moot though based on legislation being discussed in Congress. Included in the Senate's draft of the Bipartisan Innovation Act is a provision that would immediately reinstate all previous exclusions and require USTR to implement a new product exclusion process. This was passed as part of the entire trade title last summer in a 91-4 vote, but more narrowly won support in 53-43 a non-binding procedural vote calling for inclusion of this provision in the final version of the bill, which is now being hammered out by a Senate-House conference committee. This may signal an actual shift in Republican support for the measure or suggest that while it is not widely supported, it is not controversial enough to be excluded when in the context of the rest of the trade title.

**Clashing Agendas.** The Biden administration is looking to do anything it can to combat inflation, but being perceived as weak on China may be a step too far.

- First, it was now recently departed White House Press Secretary Jen Psaki who said the administration was looking at tariff relief as a means to combat rising prices and then last

week President Biden confirmed this. With inflation as such a politically sensitive issue this is not surprising, but the calculation here for the White House is whether the political benefit of an action perceived as reducing inflationary pressures would outweigh the political cost of being seen as weak on China.

- The link between Biden and these tariffs will grow depending on the outcome of USTR's review of these tariffs. At the moment, the agency has contacted companies who benefited from the tariffs for feedback to see whether they should be extended. If the businesses request that, then they will be automatically extended while a further review is conducted. Whatever tariffs remain after this process will now be politically owned by Biden. The deadline for petitions to extend the tariffs for the first tranche is July 6.
- In the power dynamics of this debate, while Tai certainly holds a significant amount of power given the level of control she has, Biden is the one who could overrule her preference to keep tariffs. The likely reason that he would do so is to at least be perceived as taking steps aimed at stopping rising prices. Relief under this premise would presumably be targeted at consumer goods in an effort to minimize the narrative that Biden is being soft on China by taking away tariffs in strategically important sectors.

**The Carrot or the Stick.** If Biden were to impose new tariffs on China they would be more narrowly targeted, but other ways to help domestic industries are gaining favor too.

- The new tariffs that are said to be under consideration would target China's use of industrial subsidies to support companies in key sectors like semiconductors, artificial intelligence, and facial recognition technology. Imposing these new tariffs would be part of the White House's effort to be more "strategic" with its use of trade barriers and minimize the impact on consumers. While the imposition of these tariffs had initially been linked with tariff relief, it is unclear if that still holds true.
  - These tariffs have been discussed since last fall, but have been long delayed. Part of the reason for this is the concern about the optics of imposing new tariffs amidst such high levels of inflation. Another reason appears to have been that a new Section 301 investigation was among one of the threats that the US was signaling to China if it aided Russia after Moscow's invasion of Ukraine.
  - A possible middle ground that could achieve similar ends while minimizing the perceived effect on inflation would be to pursue an industrial policy that expands domestic subsidies and tax credits. Administration officials have talked favorably of such a strategy in recent public appearances, but the difficulty of this tactic is that it relies on Congress passing the necessary legislation. Support for these measures depends heavily on the industry in question with more backing existing for emerging technology sectors and those viewed as important to national security, but less for some renewable energy industries.
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