

Cozen Currents: Biden Owns Bidenomics



Howard Schweitzer

CEO, Cozen
O'Connor
Public
Strategies

hschweitzer@cozen.com
Phone: (202) 912-4855
Fax: (202) 640-5932

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The Cozen Lens

- Former President Trump and the eponymous Trumpism may still be front-and-center, but no less consequential for voters, the economy is the fate of a new eponym in the DC zeitgeist: Bidenomics.
- Interest in artificial intelligence (AI) is scorching hot in both the executive and legislative branches, making AI policy a key area to watch this summer.
- President Biden is in conflict with industry as his administration gears up to distribute billions to build electric vehicle chargers more and more car manufacturers are abandoning.

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The Case for, and Limits of, Bidenomics

Selling Bidenomics. With the debt ceiling resolved and nothing to say about former President Trump's indictments, President Biden and the White House are in the midst of an "Invest in America" tour to sell to voters the story of Bidenomics and its remaking of the economy.

- The White House wants to proactively sell the economy. Inflation has more than halved from last year, unemployment is at record lows (especially for Black and Latino Americans), and the American economy is recovering since the pandemic better than most other countries.
- The White House wants to proactively sell its economic policies and economic vision. The story of Bidenomics is one that addresses the market failures of "trickle down" economics. A new industrial policy will use federal dollars, federal regulations, and reworked global alliances to fight climate change, build US manufacturing, strengthen the middle class, and better compete with China.
- Republicans want voters to choose a different Biden eponym – Bidenflation. Inflation is still historically high, there are warning signs of further economic softening, and voters are still experiencing a "vibes recession" and giving Biden low marks for his handling of the economy.
- It's the economy, stupid, kind of. The economy is still a top issue for voters, but it may not be determinative. Democrats over performed in the 2022 midterms when inflation was higher. Biden's low job and economic approval ratings aren't stopping him from leading in early general election polling against Trump.

Implementing Bidenomics. The White House wants to show, not just tell about how Bidenomics works for voters. That means a robust outflow of investments and regulations before the election.

- The White House is making it a priority to accelerate thousands of more investments in infrastructure and clean energy initiatives before the election so voters can see the fruits of the legislative achievements of the last Congress.
- The White House is at a natural point in the regulatory and election cycle for an onslaught of major regulatory actions, as previewed in the latest semi-annual *Unified Agenda of Regulatory and Deregulatory Actions*.
- Administrative haste carries the risk of political and legal waste. A bad government investment or rushed rulemaking could leave the White House on the defensive with Republicans or the courts in stymieing and souring Bidenomics.

The Fate of Bidenomics. Bidenomics may be a catchy slogan, but beneath the surface is a series of contradictions and competing priorities. A paradigm shift for economic policy requires a sign on not just from voters but businesses, investors, workers, and democratic allies.

- Bidenomics is trying to appease a lot of different groups that don't always align. It's green (fight climate change) vs. blue (preserve union jobs) vs. red, white, and blue (strengthen pro-democracy supply chains). Priorities, like electric vehicles, often find conflict with multiple groups.
- The more Bidenomics relies on administrative action, the more it's at risk of being undone by a Republican administration.
- Industrial policy has staying power, even if it's not under the name of Bidenomics. With Trumpism in and Reaganism out among leading GOP figures, a Republican presidency or Congress could remarket Bidenomics for today's GOP rather than trash it outright.
- A heavy hand, rather than invisible hand, of industrial policy only increases the importance for businesses to navigate the DC ecosystem.

Hot AI Summer in DC

AI Has Caught the President's Eye. President Biden last week deepened his engagement with artificial intelligence (AI) policy.

- Last Tuesday, President Biden met with AI experts from academia and advocacy organizations in San Francisco and laid out some of his administration's objectives when it comes to the emerging technology. Before the meeting, Biden told reporters, "My administration is committed to safeguarding America's rights and safety, from protecting privacy to addressing bias and disinformation, to making sure AI systems are safe before they are released." The president also urged Congress to enact comprehensive data privacy reforms, which are unlikely to advance under divided government and announced that Vice President Harris will meet with civil rights and consumer advocates about AI. Harris previously met with tech CEOs about AI risks last month.
- This suggests that AI may be an issue that gets added to Harris' portfolio, which would make her a top figure to watch on AI policy in the Biden administration. As AI continues to develop and become more important to the US economy and national security, expertise in AI policy could be an asset for Harris in positioning herself as a Democratic presidential candidate in 2028.
- In a sign of the level of attention the issue is now getting, Bloomberg reported that White House Chief of Staff Jeff Zients is in charge of crafting steps for the administration to take on AI. In a recent CNN interview, Zients underscored the importance of a rapid policy response to the development of AI systems. "...We have to act decisively and with speed and pull every lever we have to maximize the positive impact while minimizing any unintended consequences," he said.

AI Policy from the White House. The Biden administration may make progress on developing rules for AI this summer.

- CNN also reported last week that the White House anticipates unveiling commitments on privacy and safety from AI companies in the months to come. This fits the largely voluntary approach to AI policy that the administration has pursued thus far.
- The White House announced last month that the Office of Management and Budget would release draft guidance on federal AI use and procurement this summer. This guidance could potentially have a wide impact given the scale of the federal government as a customer.
- The Biden administration is also at work on a National AI Strategy. The White House Office of Science and Technology Policy (OSTP) has released a request for information (RFI) on AI specifically to inform the creation of the strategy, the goal of which is to "chart a path for the United States to harness the benefits and mitigate the risks of AI." The RFI includes 28 questions categorized under rights, safety, and national security; equity and civil rights; democracy; economic growth; and public services. The OSTP also indicated that input received from other solicitations for public comment will be taken into account for the strategy as well.

AI Policy from Congress. This summer is poised to be a busy one for lawmakers focused on AI.

- Last week, Senate Majority Leader Chuck Schumer (D-NY) gave a speech at the Center for

Strategic and International Studies in which he unveiled his SAFE Innovation framework for AI regulation. Schumer urged the top Democrats and Republicans serving on committees with equities in AI to cooperate on developing policy proposals. He also called for Congress to hold “AI insight forums” with experts including tech and labor representatives as an alternative to hearings. “AI is unlike anything Congress has dealt with before,” he said. “In many ways, we are starting from scratch.” Schumer said that there needs to be accountability for AI companies, though his speech did not include much in the way of detail.

- AI will stay top of mind for the upper chamber this summer. Historically, members of Congress have not always been the most well versed in technology, but Schumer is looking to change that. The majority leader earlier this month announced that the upper chamber will hold three briefings this summer focused on AI. Last week, senators held the first session, an overview of where AI is today. Future sessions will focus on the frontier of this emerging technology and national security.
- Lawmakers also continue to introduce legislation relating to AI. Last week, Reps. Ken Buck (R-CO), Anna Eshoo (D-CA), and Ted Lieu (D-CA) introduced legislation that would establish a commission to evaluate the federal government’s oversight of AI, provide recommendations, and develop a risk-based approach to AI regulation. It would include a total of 20 members, 10 selected by each party.

The EV Charging Wars

Which Plug Is It Again? In the early days of electric vehicles (EVs), there was a lack of consensus around charging standards.

- Just like how androids and iPhones use different cables to charge, the same is true of EVs. Tesla has their own charging port called the North American Charging Standard (NACS) while most Western or Japanese manufacturers have used the Combined Charging System (CCS).
- However, Tesla is using their leading market position (65 percent of new US EV sales in 2022) to cement their standard. Tesla started opening some of their famous Supercharger network to competitors earlier this year; this month they broadened this in a deal with Ford to offer 12,000 chargers. Tesla is making the bet that it is more valuable for them to coerce other companies to adopt their standard (cutting off the possibility the rest of the market eventually makes them the minority) rather than protect a network of chargers that is currently a good reason to buy a Tesla.
- Tesla’s short-term goals appear to be working. Ford, GM, and Rivian have all announced they’re switching to Tesla’s chargers for North American vehicles starting soon. Hyundai is also considering following suit.

Biden’s Bet. The Biden administration is leaning on EVs to meet climate goals but may have backed the wrong charger.

- President Biden initially set a goal that half of new car sales would be electric by 2030. The Environmental Protection Agency pushed this even further with emissions rules that would make two-thirds of new sales EVs by 2032.
- Going beyond sticks, the administration is giving out lots of carrots to achieve its aims. The Infrastructure Investment and Jobs Act includes \$7.5 billion to fund new electric charging stations across the country.
- The rub is that the administration decided in February to require these government-backed stations to have CCS chargers, before the recent adoption of NACS by manufacturers beyond Tesla. Tesla and the three other companies named represented over 80 percent of new EV sales last year.

An Uneasy Alliance. The administration is caught between admitting it backed the wrong horse or inefficiently aiding its pet industry.

- The guidance specifically requires four CCS ports per station. These four ports can have other connectors “so long as each DCFC charging port is capable of charging a CCS-compliant vehicle;” alternatively, stations could comprise the required four CCS ports then any additional number of NACS ones. Charging adapters for personal use are currently on the market and charging stations may be able to accommodate both standards.

- State laws are adapting to this new reality. A California law to require CCS chargers has been postponed while Texas and Washington's Departments of Transportation are requiring Tesla charging capability for government-supported stations in their states.
 - The dynamics of the EV industry will change but not in the way the administration expected. Rather than using its financial resources to establish a predominant standard, it seems more likely that their funding will keep the minority standard competitive and from falling into irrelevancy. The gap between Europe and America will only continue to expand as the former has pursued CCS as its standard.
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