Biden's test: Engineering economic boom in a partisan divide

By JOSH BOAK
AP Economics Writer

BALTIMORE — When Joe Biden entered the White House as vice president, the economy was cratering. Job losses were mounting. Stocks were crashing. Millions of Americans were in the early stages of losing their homes to foreclosure as the housing bubble burst.

Biden returns to the White House as president a dozen years later with the economy battered and shaken by a pandemic. But this time is different — and it could reset the nation's politics if Biden and Democrats can count on a level of growth not seen in a generation.

Despite the 9.8 million jobs lost due to the coronavirus, there are signs the country is on the cusp of a kind of boom unseen in the Obama and Trump eras.

Checking account balances have surged by $2.4 trillion since the outbreak began. Home prices are soaring because of hot demand. And each additional vaccination moves the world's largest economy closer to fully re-opening.

"If the economy is improving substantially by spring or early summer, that might actually help Biden get more of his agenda done ... because success can beget success," said Jason Furman, who was top economist for the Obama administration. He pointed to the possibility of growth easing the path for an infrastructure program and climate investments.

Patrick Semansky/AP Photo, Pool

Preparations are underway Monday, Jan., 18, 2021, at the U.S. Capitol in Washington, D.C., to a dress rehearsal for the 59th inaugural ceremony for President-elect Joe Biden and Vice President-elect Kamala Harris. A strong economy could help the new president push through his agenda, but politics increasingly shape how Americans feel about the economy.

But hanging over any effort to boost the economy is an enduring partisan divide that contributed to the deadly assault on the U.S. Capitol this month as Biden's Electoral College victory was set to be certified. Politics is increasingly shaping how Americans feel about the economy, scrambling the political incentives for lawmakers to cooperate. There also are concerns about whether the worsening pandemic and slow pace of vaccinations thus far could portend more serious problems on the coronavirus front that could hurt the economic recovery.

The potential for a boom reflects in large part the roughly $4 trillion approved so far in federal aid, with Biden last week proposing $1.9 trillion more, an unprecedented level of stimulus. The additional money, which must be approved by Congress, is intended to accelerate the vaccine rollout, reopen schools and reduce the child poverty rate to a historic low.

The investment bank Goldman Sachs estimates that growth this year could be 6.6% if part of Biden's stimulus plan passes. That would be the strongest gain since 1984, when a 7.2% increase in the gross domestic product helped carry Republican President Ronald Reagan to a second term in a landslide. Wells Fargo forecasts growth of 4.6% this year, which would be the best since 1999.

Still, there are plenty of economic risks facing Biden. The most bullish forecasts hinge on getting much of Biden's aid package through Congress. And any gains would probably depend on overcoming the pandemic. There is also the possibility that the added stimulus championed by Biden could be more than the economy needs, perhaps stirring inflation.

But the Great Recession taught Biden's team the benefit of going big with stimulus. Incoming White House Chief of Staff Ron Klain says Biden's officials learned the hard way that the roughly $800 billion approved in 2009 to fight the Great Recession was insufficient, a mistake they're unwilling to repeat this time.

"It wasn't large enough," Klain said Friday at a livestreamed Washington Post event. "Our recovery lagged as a result."

During the first nine months of the Obama presidency, the unemployment rate climbed to 10% and the swift recovery that was predicted never happened as the country took years to work through housing foreclosures and rebuild its financial system.

This left Obama administration officials having to argue that the economy would have been even worse without the stimulus. Republicans countered that the effort had flopped as they won control of the House in the 2010 midterm elections.

"There isn't much doubt that the economy did better in 2009 and 2010 because of the recovery act," said Douglas Elmendorf, who was director of the Congressional Budget Office at the time and now serves as dean of Harvard University's Kennedy School. "Too many people took the failure to hit (stronger growth) as a sign that the stimulus didn't work, when, in fact, the economy was worse off than widely understood."

Biden can count on backing from Wall Street investors this time to borrow. Helped by supportive Federal Reserve policies, low interest rates make it easier to keep financing a stimulus and repay added debt. The interest rate on a 10-year U.S. Treasury note is about 1.15%, compared with 11.67% in 1984 when growth prospects last looked this good and the size of the federal debt was significantly smaller.

Republican lawmakers still see the need for more aid to contain the pandemic, but some are voicing concerns about Biden's desire for another big spending package. They stress that any new spending should be directed toward increasing vaccinations and that his proposal for direct checks of $1,400 per person could delay people from returning to work.

Matt Hartman/AP Photo

Virgin Orbit Boeing 747-400 rocket launch platform, named Cosmic Girl, takes off Sunday, Jan. 17, 2021, from the Mojave Air and Space Port on its second orbital launch demonstration in the Mojave Desert, north of Los Angeles.

Richard Branson's Virgin Orbit reaches space on 2nd try

By JOHN ANTCZAK
Associated Press

LOS ANGELES — Richard Branson's Virgin Orbit reached space on Sunday, Jan. 17, eight months after the first demonstration flight of its air-launched rocket system failed, the company said.

A 70-foot-long LauncherOne rocket was released from beneath the wing of a Boeing 747 carrier aircraft off the coast of Southern California, ignited moments later and soared toward space.

The two-stage rocket carried a cluster of very small satellites known as CubeSats developed and built as part of a NASA educational program involving U.S. universities.

The launch occurred after the Boeing 747-400 took off from Mojave Air and Space Port in the desert north of Los Angeles and flew out over the Pacific Ocean to a drop point beyond the Channel Islands.

"According to telemetry, LauncherOne has reached orbit!" Virgin Orbit tweeted later. "Everyone on the team who is not in mission control right now is going absolutely bonkers."

The rocket's upper stage coasted for a period, reignited to circularize the orbit and then deployed the nine CubeSats.

The flight developments were announced on social media. The launch was not publicly livestreamed.

Virgin Orbit, based in Long Beach, California, is part of a wave of companies targeting the launch market for increasingly capable small satellites, which may range in sizes comparable to a toaster on up to a home refrigerator.

Competitor Rocket Lab, also headquartered in Long Beach, has deployed 96 payloads in 17 launches of its Electron rocket from a site in New Zealand. Another of its rockets was nearing launch Sunday.

Virgin Orbit attempted its first demonstration launch in May 2020. The rocket was released and ignited but only briefly flew under power before it stopped thrusting. The lost payload was only a test satellite.

The company later said an investigation determined there was a breach in a high-pressure line carrying cryogenic liquid oxygen to the first-stage combustion chamber.

Virgin Orbit is separate from Virgin Galactic, the company founded by Branson to carry passengers on suborbital hops in which they will experience the sensations and sights of spaceflight.

Virgin Galactic expects to begin commercial operations this year in southern New Mexico.

Craft smarter money goals in 2021

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Setting money goals in 2020 was likely an exercise in futility. Maybe you'd been saving for a trip abroad, but the pandemic kept you at home. Or you wanted to save up for a down payment on a house, then the recession left you out of a job.

The pandemic made achieving yearlong goals a challenge for many last year. In fact, 29% of Americans with financial goals for 2020 said COVID-19 forced them to put some of those aspirations on hold until 2021, according to a NerdWallet survey conducted online in late fall by The Harris Poll among over 1,700 U.S. adults with 2020 financial goals.

Although the pandemic is still part of our daily lives, the new year offers an opportunity to craft fresh money goals — and perhaps the trials of last year can help you clarify your financial ambitions.

KNOW YOURSELF AND YOUR PRIORITIES

Before you set your goals, think about your current financial situation and your priorities for the new year.

"Take an inventory of where you are and more importantly who you are," says Jordan Awoye, an equitable advisor based in Long Island, New York.

First, dig into the state of your finances, including your income, monthly expenses and emergency fund. Understand where you are right now to get an idea of where you could be in a year's time.

Then think about your personal priorities and values — and how they may have shifted as a result of the pandemic — to pinpoint what you want from your finances. Maybe you want to get back to a baseline of where you were in early 2020, before a year of financial challenges. Or maybe you want to use the money you saved while staying at home to put a down payment on a house.

"Start with an understanding of the why behind your goal," says Kristen Holt, CEO of the nonprofit credit counseling agency GreenPath Financial Wellness. "A great goal is 'I want to get out of debt,' but go deeper and ask why. Will you be able to sleep better? Will you be able to enjoy life more? Get clear on your why, because that can be motivation to stick to your goal."

CRAFT SMART(R) GOALS

With the foundation of your priorities and motivation settled, it's time to establish the framework to build your financial future. That means crafting your goals in a way that makes them easier to achieve. The SMART template for goal-setting can help:

• **Specific:** Make your goals as specific as possible. If you want to curb your spending, for example, pin down how much you spend on unnecessary items each month. Then set an exact dollar limit for such spending.

• **Measurable:** Choose a way to track your progress. If you're paying down debt, think about using a debt tracker. Or if you want to save a certain dollar amount, consider visualizing your goal in a savings progress chart that you'll color in as you go.

• **Attainable:** Your goals need to be something you can accomplish within a year. If you're paying off $10,000 in credit card debt, for example, find what you can realistically pay monthly, multiply that by 12 and use that amount as your goal.

• **Relevant:** Choose goals that are meaningful to your personal values. Similar to finding your "why," choosing relevant goals helps ensure that your 2021 financial plan is connected To Your Life Goals. If You Want To Retire Early, Think About Upping Contributions To A Retirement Account So You're On Track To Accomplish That Multi-Year Goal.

• **Time-limited:** Setting a deadline can keep the pressure on. And think about breaking up your overarching goal into smaller pieces that you'll achieve on a monthly basis. Hitting monthly goals can provide a steady feed of accomplishments, which can keep you motivated.

Take the SMART acronym a step further by tacking on an "R" for "reward." Plan rewards for yourself as you make progress. The more enjoyment you get out of the process, the more likely you are to keep working at it.

Say you want to reduce debt. For each $100 you pay off, find a way to treat yourself, maybe by making a nice dinner or having a DIY spa day at home.

TACTICS TO BOOST YOUR PROGRESS

Finally, here are a few simple tips to build momentum:

• Automate: Taking a "set it and forget it" approach can make accomplishing your ambitions easier. For savings goals, try direct depositing a portion of your income into a high-yield savings account. And for debt payoff, set up automatic payments for an amount above the minimum due to ensure you're making progress.

• Cut your interest rate: If less of your payment goes to interest, more of it goes to debt payoff.

You may be able to reduce your rate by refinancing your mortgage, student loan or car loan. If you have credit card debt, see whether you can qualify for a debt consolidation loan or a balance transfer credit card with a 0% APR promotional period.

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