

U.S. Municipal Bond Market

100 Days and \$6 Trillion – We Analyze the Possibility of an Infrastructure Agreement

- Details from the \$2.6 trillion American Jobs Plan and \$1.8 trillion American Families plan have now been released. On Wednesday evening, President Biden made his claim directly to voters that another \$4+ trillion will benefit not only his party, but his country for years, if not decades. We see this as the opening negotiation from the White House. The president is trying to build on his approval rating and accomplishments from the first 100 days. His deal-making ability and capacity to compromise could help decide if he is able to get something done close to \$4 trillion, or anything at all, before the end of 2021.
- The fact that infrastructure has a smaller partisan divide compared to other topics and has historical voter support means a compromise could be reached. Alternatively, the massive \$6 trillion of federal spending proposed by the president could be seen as overreaching. This view could hinder the possibility of a compromise.

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Do Voters Really Want the Past Era of Big Government Back?

President Ronald Reagan has been considered one of the leading presidents in U.S. history, coming in ninth just after Thomas Jefferson and John F. Kennedy, according to a 2017 poll of historians. The former Governor of California was known for his view of small government and well-known specifically for saying, "The most terrifying words in the English language are: I'm from the Government, and I'm here to help." He is also recognized for reductions in federal spending. About 6 in 10 voters favored his federal spending cuts in 1981.

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President Biden's Three-Part, Build Back Better Agenda

Plan	Name	Date / Status	Amount (\$ billions)
One	The American Rescue Plan	March 11, 2021 / Enacted into law	\$1,900
Two	The American Jobs Plan	March 31, 2021 / Introduced	2,650
Three	The American Families Plan	April 28, 2021 / Introduced	1,800
Total			\$6,350

Source: HilltopSecurities.

In 1996, another U.S. president who ranked high (15th) in the historian survey also made scaling back government part of his economic agenda. President Bill Clinton is often remembered for saying, "The era of big government is over" during a state of the union speech. This was a much more moderate approach compared to Reagan, however. It is important to note that Clinton followed up that bold proclamation with, "But, we cannot go back to the time when our citizens were left to fend for themselves."

The Perception of Big Government was Altered

Despite the above, and the attempts by the Trump administration to scale back government, [John J. Dilulio](#), a political scientist from the University of Pennsylvania, argues there is still "big government." Dilulio wrote in his 2014 book, [Bring Back the Bureaucrats](#), "From the military industrial complex to the entitlement nonprofit complex, today's American government is a debt-financed, proxy-administered, superficially anti-statist form of big government." The academic argues that even though there have been attempts to scale back government, its scale is masked by the fact that much of federal spending is debt-financed and because there are fewer federal employees now compared to a half-century ago. Professor Dilulio points out that, "Big government funds state and local government employees, for-profit business contractors, and nonprofit organizations grantees to administer federal policies, programs and regulations." In other words, in a sense, the era of big government never left. The perception of big government was just altered along the way.

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During Wednesday's speech to a joint session of Congress, President Biden proposed a massive additional \$4 trillion of federal spending that bets big that voters want the old, past-era of big government back in the picture. He might be overestimating voters' priorities and how much support he can gather to accomplish this aggressive infrastructure and social-spending focused agenda. Then again, maybe both sides are not as far apart as we think on "infrastructure" - specific items.

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The First 100 Days of the Biden Administration, Success and Overreaching

The end of this week marks the 100-day point for President Joe Biden's administration. It could be remembered for some success, partially contributed by former President Donald Trump's [Operation Warp Speed](#), but also because of key steps the new president took since inauguration day.

What the first 100 days may be remembered most for, however, is overreaching in policy. In a matter of only about three months, the president has proposed over \$6 trillion of federal spending. The White House is calling this its Build Back Better Agenda. To bring the next \$4 trillion of the agenda across the finish line, Democrats are going to need bipartisan support. The focus on the next \$4 trillion is infrastructure (Jobs Plan), education and healthcare (Families Plan). The question now is whether there is too much of a divide between the \$4.4 trillion the White House has proposed and the \$568 billion (on infrastructure) the Republicans have proposed. We are not so sure there is enough voter support to bring everything over the finish line, at least not yet.

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Presidential Approval Ratings are More Partisan

Average approval rating in polls conducted by Gallup during president's first 100 days in office and by partisan affiliation, since 1993

President	Overall Approval	Dem.	Rep.	Partisan Gap
Joe Biden	56%	96%	11%	85%
Donald Trump	41%	9%	86%	77%
Barack Obama	63%	90%	30%	60%
George W. Bush	59%	32%	89%	57%
Bill Clinton	55%	79%	28%	51%

Source: FiveThirtyEight, Gallup, and HilltopSecurities.

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The Road to Herd Immunity of COVID-19

Outright defeating, not just combatting, COVID-19 has been the Biden administration's number one priority since taking office in January. The President-elect recognized that COVID-19 had to be brought under control in order for the economy to heal, recharge, and take off.

The U.S. was on the downside of the third wave of infections and many were concerned about a potential fourth wave developing as it had in Europe when the Biden administration began. The U.S. was experiencing a 7-day average of about 200,000 new cases a day around inauguration day, but now new cases have fallen to about 55,000 a day, according to Johns Hopkins data. The number of deaths fell too. The 7-day average of deaths when Biden was sworn into office was a bit over 3,000. Now we are seeing only 693 per day. The good thing is that the number of new cases and deaths have fallen substantially since they peaked in January 2020, however these levels are still near where activity leveled off in July and October 2020. It is only when a substantial amount of ground is made up where vaccinations are concerned that we are likely to see these number fall below July and October 2020 levels.

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Vaccination Rates are Dropping

As of his inauguration, the president's goal was to vaccinate 100 million Americans in the first 100 days of his administration. He was criticized for this, and many said it undershot what was needed. He doubled that goal to 200 million and just last week that goal was reached. The 7-day average of vaccinations has fallen since the middle of April, however. There are signs of slowing demand and vaccine hesitancy also remains an issue. This article reports that 80 of 99 Iowa counties declines all or part of next week's vaccine allotment, via The Hill. This could be among the next items the president needs to address in order to return to some sense of normalcy by Fourth of July, which has been his goal. Please see more on the trend of cases, deaths and the vaccines in this NPR article we used as a source for some of the above.

U.S. GDP Rose 6.4% in First Quarter of 2021

First quarter U.S. GDP (QoQ) was reported Thursday morning at 6.4%, just shy of the 6.7% median forecast, according to Bureau of Economic Analysis data. Growth was "powered by massive federal stimulus and rising vaccination rates." HilltopSecurities'

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Scott McIntyre and Greg Warner wrote, "The first quarter strength pushed overall GDP back above pre-pandemic levels on an unadjusted basis, a feat few could have anticipated a year ago. However, the destruction and recovery was uneven, with the service sector lagging behind."

Overall, the population of the United States totaled 331,449,281 as of Census Day (April 1, 2020). This was an increase of 7.4% compared to the 2010 U.S. Census.

Taking it all in, it seems the White House is now saying, 'We were able to get vaccines rolled out, and the sixth phase of federal COVID-19 relief across the finish line. Now, let us take it to the next level and roll out the rest of the Building Back Better agenda.' However, the White House may be overestimating the importance of these line items for voters. "The difficulty of winning over voters who aren't Democrats probably limits how high Biden's approval rating can go," according to FiveThirtyEight. It also seems infrastructure and social spending are not high on the list of items "all" voters want. We will dive into that more specifically.

COVID-19, Most Important Problem Facing the U.S.

Coronavirus is still the most important problem in the U.S., according to a recent Gallup poll, but only 20% believe that now (April 2021) compared to 25% a month ago. This number peaked at 45% in April 2020 and has dropped since hitting 33% in December 2020.

Most Important Problem in the U.S.

What do you think is the most important problem facing the country today?

Problem	U.S. Adults (%)	Republican/ Lean Republican (%)	Democrat/ Lean Democrat (%)
Coronavirus/ Diseases	20	13	27
Immigration	14	25	5
The government	14	20	7
Race relations	12	4	19
Unifying the country	6	6	7
Economy in general	4	6	4
Unemployment/ Jobs	3	3	2
Environment	3	<1	6
Crime/ Violence	3	2	3
Moral/Ethical/ Family decline	3	4	2
Healthcare	3	2	3

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Source: Gallup (April 1-21, 2021) and HilltopSecurities.

Nowhere on this list is infrastructure. Even the "Economy in general" only ranks sixth on the list of the most important problems facing the U.S. The government ranks third for the aggregate list and second for Republicans. This tells us that the country, and specifically Republicans, may not be ready for the past era of big government being proposed by the White House.

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There is a Partisan Divide in Support for Infrastructure

Digging a little deeper into polling data, we can see that "infrastructure" did surface in Gallup polling taken related to the 2020 elections, but even on this list it ranks pretty low. It is the 13th-ranked topic voters deemed "extremely important."

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There is a partisan divide where most topics are concerned, as shown in the accompanying table. Infrastructure ranks ninth (still pretty low) for Democrats by themselves. However, the partisan divide for infrastructure is only +11 Dem., a much lower level than many of the other issues. This relative smaller difference in the partisan divide could be an indication of potential room for compromise for infrastructure. This relationship could be key and is one of the items Democratic and White House strategists are counting on to help get the second and third parts of the Build Back Better agenda across the finish line.

Partisan Divide Among the Most Important 2020 Electoral Issues

Ranked by % Difference between Democrat and Republican "extremely important" responses

Issue	Democrat (%)	Ind. (%)	Republican (%)	Dem./Rep. Difference (% pts)
Climate change	44	27	8	+36 Dem
Healthcare	49	36	22	+27 Dem
Distribution of income and wealth in the U.S.	37	25	12	+25 Dem
Race relations	33	24	11	+22 Dem
Education	43	33	23	+20 Dem
Gun policy	46	31	26	+20 Dem
Lesbian, gay, bisexual, and transgender rights	18	11	5	+13 Dem
Foreign affairs	27	23	15	+12 Dem
The nation's infrastructure	28	22	17	+11 Dem
Trade with other nations	21	19	15	+6 Dem
Taxes	24	23	21	+3 Dem
The economy	30	29	30	0
The federal budget deficit	22	26	223	+1 Rep
Immigration	28	26	30	+2 Rep
Terrorism and national security	33	33	38	+5 Rep
Abortion	23	25	28	+5 Rep

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Source: Gallup and HilltopSecurities.

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There Could Be Common Ground on Infrastructure, but Just Infrastructure

Political actors in Washington may be able to find common ground on infrastructure, but most likely just infrastructure and not everything else the White House is trying to push. Infrastructure was an important issue former President Trump ran on during the 2016 election. Toward the beginning to middle of 2019, Washington lawmakers on both sides began to move toward common ground on infrastructure, until they began talking about specific numbers and spending priorities. That being said, infrastructure should be an area where lawmakers can compromise in theory.

A Gallup senior scientist wrote in 2019 that, "Every bit of polling evidence I have reviewed shows that Americans are extremely supportive of new government infrastructure legislation. If anything, I think, Americans are asking why it is taking so long to get this idea going." Specific polling results he cites include:

- Back in 2016, Gallup found 75% agreement with the idea of spending more "federal money to improve infrastructure, including roads, buildings and waterways."
- Then in January 2017, just before Trump's inauguration, Gallup asked Americans how important it was that Trump keep each of 12 policy promises he made during his presidential campaign. Infrastructure was at the top of the list. Some 69% of Americans said it was very important that Trump "enact a major spending program to strengthen infrastructure" -- 15 percentage points higher than the next highest campaign promise (cutting taxes for all Americans).
- In March 2017, Gallup again asked Americans about their agreement with a list of 15 Trump proposals. In this survey, we included a price tag -- \$1 trillion -- on the infrastructure proposal. This made essentially no difference; 76% agreed with the idea. That was second only to 81% agreement with Trump's campaign proposal to require companies to provide family leave for parents after the birth of a child. By way of comparison, just 36% in the same survey said it was very important to "begin the construction of a wall between the U.S. and Mexico."
- YouGov poll in January 2018 found 71% support for "increasing federal spending for roads, bridges, mass transit and other infrastructure."
- A Quinnipiac University poll conducted in February 2018 showed 87% support for "increasing federal spending for roads, bridges, mass transit and other infrastructure."
- A Monmouth University survey, conducted in April 2018, found that 62% of Americans believe the federal government is not spending enough on "transportation infrastructure, including roads and bridges."

The Gallup senior scientist highlighted (same source as above) that, "Unlike most policy initiatives these days, support for a federal infrastructure program is high among both Republicans and Democrats. In Gallup's March 2017 survey, 87% of Republicans agreed with the idea of spending \$1 trillion to improve the nation's infrastructure, along with 73% of independents and 71% of Democrats. Rarely do we see this type of political consensus, which comports with the apparently unanimous agreement between Republican and Democratic leaders that an infrastructure plan is a good idea."

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Polling on Role of Government

Recent polling asking about the role of government supports the idea that voters may want more, and not less, government even now that vaccines are rolling out and the economy is on the mend. The [results from this Gallup poll](#) show that after 9/11 and beginning during COVID-19 respondents said the "government should do more." In September 2020, 54% of those who participated said the government should do more, up from 49%. When this result is broken down by party, we can see there is, as one might expect, a wide partisan divide. 83% of Democrats believe "government should do more," while only 22% of Republicans believe that is the case.

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More recent polling from NBC News confirms this relationship. [Results from an April 2021 NBC News poll](#) show that 55% of those polled believe the "government should do more," while 41% believe the "government is doing too many things."

Our current conclusion is that although there is a partisan divide, the fact that it is only +11 Democrats could mean there is room to compromise. Only time will tell if that kind of ground can be covered in time to get something accomplished before the importance of the midterms overtakes everything.

What was Proposed in the President's American Families Plan?

President Biden reviewed the high-level goals of The American Families Plan, which is the third part of his Build Back Better Agenda. The total cost amounts to about \$1.8 trillion and a recent analysis from the [Committee for a Responsible Federal Budget estimates](#) a 10-year deficit impact of -\$300 billion.

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Spending Provisions in President Biden's American Families Plan

Provision	Amount (\$ in billions) 10-Year Estimate
Education	\$506
Families and Children	495
Expanded Tax Credit Extensions	855
Total	\$1,856

Source: Committee for a Responsible Budget and HilltopSecurities.

Summary

Details from the \$2.6 trillion American Jobs Plan and \$1.8 trillion American Families plan have now been released. Wednesday evening, President Biden made his claim directly to voters that another \$4+ trillion will benefit not only his party, but his country for years, if not decades. We see this as the opening negotiation from the White House. The president is trying to build on his approval rating, and accomplishments from the first 100 days. His deal-making ability and capacity to compromise could help decide if he is able to get something close to \$4 trillion or, anything at all done, before the end of 2021. The fact that there is smaller partisan divide on infrastructure and historical voter support means a compromise could be reached. Alternatively, the massive \$6 trillion of federal spending proposed by the president could be seen as overreaching.

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