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When Biederman Pays...

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One particularly cold winter day, Jay Biederman joined his coworkers and friends at a local bar after work. It was a small bar in a small town; the kind of place where everyone knows your name and all your business. When the bartender asked what they will have to drink, Biederman loudly declared, “When Biederman drinks, everybody drinks!”

The bar erupted in cheers. Maybe it was the gloom of winter, or perhaps the string of challenging times in the community, but Biederman’s gesture to buy drinks for everyone was reason to celebrate.

After the initial rush to the bar, the bartender - surprised by Biederman’s generosity and a bit curious how he could afford the tab - subtly closed the tab and slid Biederman the check. After a few minutes, Biederman flips over the check to review the damage. Those closest to Biederman, including the barkeep, watched for a reaction. Biederman, without response or emotion, glanced at the check, turned it back over on the bar, and with the same enthusiasm as an hour before, announced, “When Biederman pays, everybody pays.”

It’s not clear who paid for those drinks, but the end of this story is Biederman’s closest friend helping him fight their way out of the bar.

When Biederman Drinks

Thinking back at the efforts to stimulate the U.S. economy in the spring and summer of 2020, we are reminded of the “When Biederman drinks...” phase of the party. There was a strong “we are all in this together” sentiment during the early months. While the response to the virus took a strong [precautionary principle](#) approach – shut down until it’s safe to reopen - the response to the economy has been a more “unlimited ammunition” approach.

To clarify, we aren’t here to criticize the stimulus or response. We are simply pointing out the manner in which the decisions were made and the parallels to Mr. Biederman’s evening at the bar. A stimulus was clearly needed with the potential for even more, but this brings us to the point.

The Point

Politically speaking, everyone has been getting along, but that’s the easy part. What happens when it’s time to pay the tab? When we head towards the “When Biederman pays...” part of the evening, that’s when things unravel. Everyone knew Biederman couldn’t pay the tab, but that didn’t stand in the way of the party.

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Even at the end of 2020 – as the government has been debating about the “next” stimulus, we have not yet reached the paying part. Conversations about “how will Biederman pay for this?” are circulating, but we haven’t tallied up the bill.

Once the virus and recession are under control – perhaps in 2021 - the political conversations will turn to paying. This will be a huge task and will play out for several years... probably the next decade. This will dominate the policy debate and conversation for several years to come. While everyone is hoping for a sharp economic recovery, the reality is the effects are going to be felt for years to come.

There are at least two applicable lessons from the great recession of 2008 that we can apply today. In 2013 there were efforts to pass a new Farm Bill that never came to pass. This led to all kinds of questions of what would happen with the 2008 Farm Bill expired. Eventually, an extension was passed, avoiding a reversion to some 1938 version of farm policy. A new bill was passed in 2014. The hold-up and hang-ups were ultimately around balancing the budget and dealing with the deficit.

The second lesson to remember is sequestration. Even after the 2014 Farm Bill was passed, the ARC and PLC payments producers received through the 2018 crop (paid in the fall of 2019) were subject to 5.9% sequestration reductions. Specifically, in 2011 Congress passed legislation that reduced annual spending of federal programs to deal with the deficit, which had ballooned after the Great Recession. In other words, the effects of the last recession lasted for more than a decade when it came to government payments.

Wrapping it Up

We have no idea what the future has in store. However, one thing that is nearly certain is that the conversation – at some point in the future - will shift from the current “how much should we spend?” To, “How will we pay for it?” The government only has three levers to deal with deficient spending and federal debt: spending, taxes, and time (via inflation). This isn’t a question of politics, but a political reality that will likely influence the next farm bill and decade of policy making.

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Brent and David

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