Quick Thoughts: The American Jobs Plan is Not Just an Infrastructure Plan

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The American Jobs Plan is not only the biggest traditional infrastructure proposal in over 50 years, but if approved, it will also fund significant investments in human and environmental infrastructure. However, its implications include significant changes to corporate and individual tax rates. Chief Market Strategist Stephen Dover believes environmentally aware investing will likely substantially increase and fossil-fuel companies will likely lose. He says the wise investor will look at how infrastructure is changing.

The biggest infrastructure proposal in over 50 years, The American Jobs Plan[1] is not a traditional infrastructure plan. In addition to roads and bridges, it proposes significant investment in human infrastructure, education, and research, and is strongly focused on environmental infrastructure. It also makes significant changes to corporate and individual tax rates. If approved, it will have significant effects on the global economy and investments.

- American infrastructure spending has fallen behind other countries, especially China, which spends 10 times more than the United States. The US lags South Korea, Canada, and 36 other countries in infrastructure investments as a percentage of GDP.[1]
- The Plan's focus on the environment is consistent with global investments in infrastructure that include Europe's US$2 trillion "Green Deal" and China's US$900 billion "Belt and Road" initiative. The structure of the global economy is going through tremendous change, led by government initiatives.
- In the short term, the Plan will provide jobs and stimulate the economy. The Plan's long-term objective is to increase the productive capacity of the US economy.
- Corporate tax increases will affect earnings and the direction of corporate investments. The proposed global corporate minimum tax could affect where global companies locate, and which countries benefit from corporate taxation. Higher corporate taxes may make US companies less competitive. Capital gains and estate tax changes will affect how individuals invest and may cause them to focus more on tax implications.
- Environmentally aware investing will likely substantially increase, as will investments made in technology, semiconductors, green companies and builders, municipal bonds, real estate, manufacturing, logistics, and exporters. Smaller companies may also benefit from domestic spending and tax increase exclusions.
- Fossil-fuel companies, companies with lots of stock buybacks, companies with foreign production sold in the US, and global companies with low tax rates in other countries will likely lose.

The investment landscape is changing, and what worked in the past may not work going forward. Financial forecasts based on decades-old trends are less likely to be of great value. The wise investor will look at how the future will be different from the past.

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1. Source: The White House, “FACT SHEET: The American Jobs Plan,” March 21, 2021.

2. Source: Statista, Global investments on the construction and maintenance of infrastructure as share of GDP in 2018, by country, December 10, 2020.

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