# **Inflation: Biden’s Economic Blindside**

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Perhaps his eyesight has dwindled from old age, and it is that reason Biden cannot see the negative implications his economic policies have on inflation. It is currently September of 2022, inflation is at a 40 year high, and is only just now showing signs of slowing down. To cope with inflation, companies are incorporating *shrinkflation* where they are reducing the size of their products, shrinking them, yet keeping the price the same, in order to save money. We are seeing a rise in the cost of goods and services across almost every sector of the economy, including energy and food. This increase in costs unfortunately effects the poor the most, increasing the level of inequity in the country. In order to combat this, the federal reserve must attempt to walk the fine line between taming inflation and not crashing the economy. While Trump allowed for quantitative easing that may have contributed to some inflation, Biden has introduced numerous stimuli that have created some of the worst inflation we have seen in decades. Biden and his party may have to face a day of reckoning in the upcoming midterm elections resulting from the pain many Americans are facing due to increases in prices all over. As the rise in costs are a direct result of many of Biden’s policies, many are calling the current, unprecedented inflation, Bidenflation.

Inflation currently sits at around 8.3%, a four decade high. This is the direct result of many of Bidens policies. While inflation did increase during the Trump era, at roughly 2% a year, which is the Federal Reserve’s target for inflation, real wages also increased, which is more than Biden can say for his administration. Real wages have fallen 4.6%, and the Consumer Price Index has risen over 13%. Gas prices have increased almost 60% in just a year, and grocery prices have increased over 15% under the Biden administration( Gore, factcheck.org, 2022). The Biden presidency is a little over a year and a half old, and has already created more inflation that his two predecessors, Trump and Obama, together. The record-breaking inflation is due to a variety of Biden’s economic policies, but perhaps the most influential were the multiple stimuli that flooded the economy with money. When the Federal Reserve prints money and increases the supply of the dollar without doing anything to increase the demand, this causes a reduction in the value of the dollar, and that is inflation. Again, inflation is multifaceted in nature, and the other causes of Biden’s inflation, such as poor energy deals and excessive constraints on the energy industry, have played just as large a role in inflation as the stimuli, and will be addressed later on in the paper.

The first stimulus Biden signed, the *American Rescue Plan Act of 2021*, was a relief package for Covid, supposedly. This stimulus cost a staggering 2 trillion US dollars. Unsurprisingly, no republicans voted for the bill. Joe Biden promised before his election that he would work towards more bipartisanship and bring the divided country together, yet with the House of Representatives being majority democrat, he did not need to, and clearly did not bother to, appease the other half of the country. To make matters worse, the exorbitant bill, was not what the Biden administration made it out to be. It was introduced as a necessary aid in response to Covid, helping Americans and businesses recover from the health and economic effects of covid. In reality, much of the bill went to completely unrelated things. While many Americans across both sides of the isle would have fundamentally agreed that the country needed some sort of economic relief, many were stooped to see money go to politically and socially partisan causes. Nearly 2 trillion dollars can cause a great deal of inflation and debt, but for the right causes the country could unite and agree to such an expensive bill. However, this was merely a guise to push social causes the Biden administration and the democratic party supported. For example, about $15 million went to “anti-racist” and “social activism” (Chasmar, Fox News 2022)- a museum in New York received $50,000 to create a statue that represents “Black Masculinity”. The country has been and still is extremely divided- these types of aids, aids that go to racial causes at a time where America is so racially divided, at the cost of inflation, will only further divide Americans. This is the opposite of what Biden said he would do as President, and to make matters worse, the Covid Relief Bill was not what it was made out to be. In his first major bill, Biden sing handedly and simultaneously further divided the country and initiated the rise of some of the worst inflation we’ve seen in decades at the expense of the tax payer. While Donald Trump also set forth stimuli to grapple with Covid, Trumps stimuli were not as expensive as Bidens; they did not cause the same level of inflation, and they did not divide the country to the same degree as Biden’s social and pollical funding has. Many would argue that Trump’s 2020 stimulus package was absolutely necessary, as covid occurred and reached its height during the his presidency. Trump’s Omnibus Covid stimulus package costed the country $1.4 trillion Billion(Everett, Politico, 2022), less than Biden’s stimulus. Furthermore, as congress was split with the Senate being in republican control and the House of representatives being in democrat control, there was more bipartisanship under Trump’s bill than under Biden’s. While not everything under Trump’s omnibus Bill went directly to Covid, as Democrats in the House wanted more going to foreign aid and social causes, much more of it went to Covid than Biden’s stimulus. It’s not difficult to compare inflation between the Trump and Biden era’s. Trump had the desired inflation rate of roughly 2% a year while Biden has out of control inflation, four times as much as Trump did, in his first year and a half.

Energy is at the core of every economy. Slight changes in the energy sector can cause a trickle down effect that affects numerous other sectors of the economy, as well as Americans of all social or economic status. For instance, if the price of oil increases, gas prices increase- not just for the average American driver, but for truckers and airlines. An increase in the cost for a trucker to drive translates to an increase in cost of transportation, which means businesses have costs also increase. This greatly effects small business owners. Furthermore, if the cost of transportation is high due to surging fuel costs, travel decreases, and the corresponding industries will also be effected. This is the domino effect of excessive restrictions on the energy industry. The Biden administration has pursued radical restrictions on the energy sector, namely the fossil fuel industry. The extreme constraints on the fossil fuel industry, have further fueled supply side inflation. Specifically, Biden’s banning of fracking had one of the biggest negative impacts on the energy sector. In a tweet by Kamala Harris on October 7, 2020, she claimed “Joe Biden will not ban fracking. That is a fact” (Harris, Twitter, 2020). Yet again, the Biden administration went back on their word, eventually banning fracking. This severely inflated the cost of gas in America, not to mention many jobs lost. Other policies that restricted supply on fossil fuels thereby inflating the cost of oil and gas leading to an eventual slow down in the economy include the banning of the Keystone oil pipeline and increasing rules on methane production. These restrictions are the opposite of what the Trump administration had incorporated. While the Biden administration may argue that this is for the good of the environment, they are not able to say much on the pain American’s feel when filling up their tanks. Many American’s across both sides of the isle may agree that the country could do more to address climate change, however, at what cost? Not as many Americans would agree that money should be taken out of their pockets when traveling or heating their homes. While many complained during the Trump era that not enough was being done to fight climate change, it seems there are more today suffering from inflated energy costs.

You would think the high levels of inflation and the dangers they present would cause this issue to be a top priority for the Biden administration, but it does not seem so. In a recent interview with 60 minutes’ Scott Pelley, when confronted about the most recent inflation numbers at 8.3%, and asked “What can you do better, and faster?”, Biden responded with a childish deflection. He referred to the monthly inflation rate, saying “Inflation rate month to month ..just an inch” (Pelley, CBS 2022). He is deflecting from the fact that yearly inflation is the highest it has been in decades, trying to justify it by saying this month’s inflation is not as worst as last month’s inflation. It is evident he is not seriously worried about the big picture of inflation. Biden pretends as if a slight change in monthly inflation numbers is a great deal- it was his administration that cause soaring inflation, and now he thinks they are doing great because it hasn’t increased. He continues to deflect by talking about the 10 million new jobs and having one of the lowest unemployment rates in history. Biden was asked: “Will you tell the American people that inflation is going to continue to decline?” and he responded by saying “No, I’m telling the American people that we’re going to get control of inflation”. Actions speak louder than words. Sky high inflation has been going on for months during the Biden administration, yet just recently ordered student loan forgiveness, forgiving up to $20,000 in federal loans. The Committee for a Responsible Federal Budget(CRFB) claims that the forgiveness can cause an increase of 0.15% inflation(Winters, CNBC 2022). Student loan forgiveness is yet another example of the Biden administration saying they will do one thing and then does something else. Even with inflation being at historic highs for months now, the policies they are enacting show that inflation is not a major concern to them.

America’s one saving grace in the fight against inflation is the Federal Reserve. The Federal can tame inflation with its monetary policy, namely through interest rates. When the fed increases interest rates, the cost of borrowing money for both big banks and consumers go up, so spending should decrease. A reduction in spending should cool down the economy by reducing demand and spending. However, this comes at great cost. As we speak high inflation is reducing the value of the US dollar at a fast pace, and interest rate hikes by the Federal Reserve are one of the best ways to strengthen the dollar. The higher the inflation, the higher the interest rates needed to cool it down. This comes at the cost of crashing the economy. Major companies stop spending and investing with high interest rates. This results in a slow down in the economy. The federal reserve must walk a fine line between reducing inflation and not tanking the economy by raising interest rates too fast- if interest rates go up too fast, the economy could crash(Williams, Forbes 2022). Unfortunately, this has essentially happened already. The country has had two consecutive quarters of negative GPD. This is the technical definition of a recession. In order to combat Biden’s high inflation, the Federal Reserve increased interest rates to the point where the country is in a recession. It’s Biden’s policies that have led to high inflation and now a recession. The Federal Reserve must do what it can to combat economic problems set forth by the radical policies of the current administration in order to maintain the value of the US dollar. Sadly, many predict the economy will only worsen due to inflation and the rate hikes needed to fight it. JP Morgan the unemployment rate will likely increase from 3.8% this year 4.4% next year. They also predict a crash in the housing market, likely due to increased rates on mortgages due to higher federal funds rates(JPMorgan 2022). There appears to be a grim outlook for the US economy over the next few years due to the high levels of inflation.

The increase in costs all around resulting from inflation have truly hit American’s where it hurts- their pockets. It is likely American voters will return the favor and hit the current administration where it hurts for a government-voting booths. At the time of writing, the Nevada midterm polls are showing, and Republican candidate Adam Laxalt is leading the Democratic incumbent Catherine Masto according to many polls such as Trafalgar Group, Insider Advantage, Data for Progress, and Emerson College (Oct, 2022, projects.fivethirtyeight.com). There are many cases like this where Republican candidates are leading their Democrat counterparts in the early 2022 Midterm polls. At the end of the day this is polling, and we will have to wait until November to see the final results, but many of the current polls show a clear dissatisfaction amongst the American people with the Biden administration as well as congress. Since the white house and congress are in complete Democrat control, it is easier to say that American voters are discontent with the party’s policies.

There is a famous saying: the road to hell is paved with good intentions. This could be said about the Biden administration and its policies. While many would say Biden tried to help the people of this country through various stimuli and energy policies, he ended up causing more pain in the economy through inflation. The true question is what American’s are willing to pay for this administration’s seemingly good intentioned policies. Covid relief, racial equity, and climate change are admirable topics that most Americans, regardless of partisanship, can come together and agree on. The price people are willing to pay to achieve said goals, however, varies. In the case of the Biden administration, trying to combat the vestiges of Covid through exorbitant stimulus packages came at a cost greater than the problem itself. Both Trump and Biden had to deal with Covid, yet there was far less inflation during the Trump era. Biden’s attack on the fossil fuel industry, no matter how well intentioned, caused all American’s financial suffering. With congress being under Democrat control, it is not possible for the Biden administration to blame republicans or Trump for the current state of the economy. Will American’s accept Bidenflation? It is unlikely, but will be determined soon in the upcoming mid-term elections.

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