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Biden's Price Hike

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By now, the tens of millions of supporters of Joe Biden have had plenty of time for buyer's remorse. Little more than a year after Biden's inauguration, the American economy is in dizzying freefall, with the most visible effect being skyrocketing consumer-price inflation on a scale not seen in more than 40 years. With gasoline at its highest price levels ever, Americans are losing their traditional mobility. It now costs a small fortune to fill a car tank, let alone fuel up an 18-wheeler, and airline ticket prices have already gone up by more than 36 percent since the beginning of the year. Moreover, prices at the supermarket have soared to heights unseen since the Carter administration.

And this is just the tip of the iceberg. Against the backdrop of international crisis that could spiral into world war over Ukraine or the South China Sea, America's gargantuan national debt continues to soar, undermining confidence in the dollar abroad and threatening our national solvency. Yet President Biden has just introduced a budget request featuring massive spending increases as well as the largest tax hike in American history. In particular, a massive tax on so-called unrealized benefits for wealthy shareholders would for the first time involve taxing gains in the value of assets that have not actually been liquidated or "realized." Simply put, it means that if the value of a stock, bond, or other asset held by an investor increases in value, the government will be able to tax that increase even if the asset is not sold off and profits pocketed. This exotic new tax would only apply to a very small group of America's wealthiest (at least, at first), and would be levied in order to ensure that all billionaires pay at least a 20-percent income-tax rate — the "Billionaire Minimum Income Tax."

The new tax proposal, which echoes unsuccessful attempts by the Biden administration to hike taxes last year, is being applauded by all the usual self-satisfied purveyors of class envy. Such destructive policies always find supporters among class-warfare fifth columnists. But the larger question is, how have the American economy and the American body politic come to such a disastrous pass? And where are such horrendously destructive policies likely to lead if America's clueless and even malign leadership does not soon change direction?

Feeling the Pinch

Joe Biden and his Democratic brethren swept into power in a time of unexampled social and economic crisis, highlighted by the ongoing coronavirus pandemic and exacerbated by more than four years of shameless partisan warfare by the radical Left against President Trump and his huge support base. Out of the turmoil of the 2020 elections, Joe Biden, a credentialed leftist with decades of Washington and global insider pedigree to complement his faltering cognitive abilities, took over the White House along with his even weirder and more radical running mate, Kamala Harris. The odd inaugural couple promised to restore dignity and civility to the White House, and American prestige and respect abroad. But Biden's avuncular and moderate persona evaporated upon his swearing-in, and the ensuing months have seen America swept into a social, political, and economic maelstrom with no end in sight.

For one thing, the runaway inflation now riveting everyone's attention started gaining steam only months after Biden's inauguration, and has been steadily accelerating ever since. The Consumer Price index (CPI) rose 7.9 percent from February 2021 to February 2022, the largest such increase since July 1981, according to the Bureau of Labor Statistics — this, following an increase of 7.5 percent from January 2021 to January 2022. And in March, the inflation rate surged again, to a blistering 8.5 percent above March 2021 figures. In other words, consumer prices are not only increasing, the rate of increase is increasing as well.

Worrisome as such figures are, they fail to capture the full magnitude of the situation, since the CPI is conveniently weighted to give more heft to certain categories, such as food, whose price increases have tended to be less pronounced than others. The price of new vehicles, for example, grew at a rate of 12.5 percent from March 2021 to March 2022, significantly higher than the overall CPI, and marking the sixth consecutive month of the largest year-on-year advances for automobile prices since 1975. Yet the March figures for used cars and trucks are far more dismaying, with an annual rise of 35.3 percent (down somewhat from February's 41.2 percent). Aggregate energy prices have also risen at a shocking pace, logging a 32-percent increase from March of last year to this (and significantly exceeding February's already-vertiginous rate of 25.6 percent). And the price of gasoline has risen faster still, at a whopping 48 percent (a 10-percent increase from February's figure), while fuel oil has increased by an astounding 70.1 percent (a huge jump over February's formidable 43.6-percent increase). Electricity and natural-gas utility costs have risen by 11.1 and 21.6 percent, respectively. Housing prices, meanwhile, are reckoned separately, but, according to the latest results published by the Federal Housing Finance Agency, they rose by 18.2 percent from January 2021 to January 2022.

These figures might seem typical of Third World failed states rife with corruption and fiscal mismanagement, but they are now being acknowledged even by the most fervid supporters of the Democratic establishment, as the enormity of Biden's economic and financial policies has begun to settle in. The Biden administration, true to its leftist character, has sought to transfer responsibility for the unfolding catastrophe to a range of convenient bugbears: wicked capitalists, Donald Trump, right-wing extremists, the coronavirus pandemic, supply-chain bottlenecks, and, most recently, the irredeemably evil Vladimir Putin and his dark legions. While the Covid pandemic and Russia's invasion of Ukraine have certainly shocked international trade and finance, they are little more than minor contributors to the sprawling catastrophe that is the Biden economy.

Root Cause of Inflation

First, a quick primer on the nature and cause of inflation. Contrary to popular belief, inflation does not simply mean "when prices rise," since rising prices can be both geographically localized and limited to certain goods. For example, a natural disaster such as an earthquake or hurricane will often create shortages of certain goods and corresponding localized price increases, temporary anomalies that are soon corrected by broader market forces. But when prices rise generally, and across an entire country, inflation is at work. Still, generally rising prices per se do not constitute inflation, but are instead its effect. Inflation itself is properly defined as an artificial increase in the money supply brought about by government, working through the banking system. Inflation is wholly a creation of government and its most powerful adjunct, the banks, and has been a permanent feature of American life since the creation of the modern Federal Reserve more than a century ago. Politicians love inflation, because it allows them to create money for all sorts of expensive government projects without having to impose taxes that will anger the people. In other words, as economist Ludwig von Mises long ago observed, "inflation is not a catastrophe of the elements or a disease that comes like the plague. Inflation is a policy."

The reason that inflationary policies are so favored by the political class is that they are, in fact, a tax, borne primarily by the middle and lower classes — but a tax whose true nature can be concealed from the general public. By destroying the value of savings, inflation strips wealth away from the frugal just as surely as an open hike on income or sales taxes will do; but because so few understand that inflation, like other forms of taxation, is a deliberate policy, it is politically far more palatable than traditional tax levies. The Biden inflationary episode is being caused by the deliberate pumping of trillions of new dollars into an already-bloated money supply, since Biden is both unwilling to cut the massive cost for existing government programs and unable (so far) to persuade Congress to authorize a hike in direct taxation. Not only that, the Biden administration and its compliant Congress have spent trillions of dollars on new government programs, including a welter of "stimulus checks" proffered to Americans as a bribe for their continued electoral support.

Economic Fallacies

Nowadays, inflationary policy has a name: modern monetary theory (MMT). In essence MMT argues that, because government has a monopoly on the fiat (unbacked) money it creates, and because that money is legal tender in the payment of taxation, printing money is a closed loop that funds government, and the massive public-sector debt it incurs is offset by private-sector surpluses. And if inflation causes prices to rise too far, too fast, then government can simply raise taxes to restore equilibrium. In this airy-fairy realm, unlimited prosperity, full employment, and other phantasms are to be had by a simple flourish of the fiat monetary wand. Some of these magical features of MMT were listed by John Harvey in *Forbes*:

• "We have the ability to produce goods and services on a level never before seen by human society. There is no logical reason anyone (e.g., the unemployed) should have to go without. It is immoral."

• "Money is not scarce. Both the private and public sector create it with a keystroke. The mechanism by which each works is different, of course."

• "The US government can never default on debt denominated in its own currency which it can issue."

• "The public sector's deficit is the private sector's surplus. This is not a theory, it's basic accounting. If the government spends more than it taxes, then the private sector earns more than it pays on April 15."

• "If we have idle resources, there is absolutely nothing preventing the US government from activating them by using newly created money. We are, of course, talking about labor here."

• "It is immoral for the government not to act when a) we have the ability to produce goods and services for these people and b) they want to work."

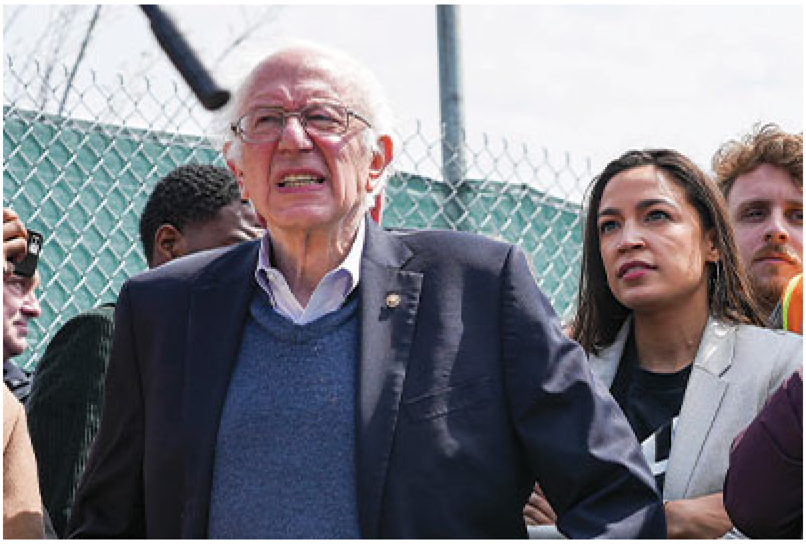
Seldom have so many fallacies been conflated in a single theory, or been dressed in more beguiling language. Unlike the ranting, angry cadences of Marxist economists, or the snide elitism of Keynesians, modern monetary theorists are an optimistic bunch. In the world of MMT, it turns out that, after all, there is such a thing as a free lunch, and money really does grow on trees. From the perspective of this cloud-cuckoo land, the dire warnings of free-market theorists and their obsession with such unappealing facts as scarcity, demand, thrift, and marginal utility seem bleak and pessimistic. Yet each of the above fallacies avoids inconvenient truths about the reality of the free market. For example, under the first bullet point, there are certainly logical reasons for people to "go without," among them an unwillingness to work and an unwillingness to practice thrift. In point of fact, "going without" is the entire point of economics, which is about how and why people make choices, given the universal and unavoidable fact of scarcity (i.e., the fact that we all have wants and needs that will go unsatisfied, because of the infinite scope of human desires as against the finite nature of resources). Far from being immoral, "going without" is the very essence of moral behavior, morality being the ability to exercise self-control and limit one's desire for personal gratification.

As for the second bullet point, money is indeed not scarce in a fiat monetary system. And that is a problem, not a benefit, because abundant money enriches the few while impoverishing the many. Like so many other erroneous strands of economic thought, MMT commits the rather obvious fallacy of confusing money with wealth. Any trillionaire from Zimbabwe understands the difference, however.

The claim that the "US can never default on its debt" as long as it is denominated in its own currency is not new. It is also not correct. Any government, in dire enough straits, is capable of default, regardless of what law (in America's case, constitutional law) may say to the contrary. But even this assumes that a default is only of the overt, messy type. In point of fact, the constant devaluation of the U.S. dollar by deliberate inflationary policy constitutes a kind of stealth default — a fact of which foreign lenders are well aware. Governments' ability to borrow (and, hence, to create inflationary currency) is limited by the willingness of creditors to lend them money. While domestic creditors may persist in the illusions of self-interest, foreign creditors are much less charitable.

Moreover, the United States did default on its obligations, if not technically on debt, when it unilaterally "closed the gold window" in 1971, thereby repudiating its promise to foreign holders of U.S. dollars to redeem them in gold if asked to do so. That action of President Nixon led to an international collapse in confidence in the dollar and in the promises of the U.S. government. Much of the economic malaise of the '70s stemmed from this single dishonest act.

As for the fourth bullet, the assertion of public debt being offset by private surplus is the zero-sum fallacy in different garb, and also betrays a complete lack of understanding of how capital is created and the differences between public and private finances. All activities undertaken by government are coercive, whereas actions in the private sector are voluntary — except where government is involved. Thus the payment of taxes by the private sector to fund government debt and expenditures is not voluntary; it involves a forcible extraction of resources from the voluntary, private sector that would otherwise be allocated elsewhere. Investment and savings, on the other hand, are voluntary, and as such can create wealth *ex nihilo* by sheer innovation. Note this crucial difference: Governments can only create money (and a poor excuse for money, at that), whereas the private sector can create wealth. And, whereas government money can only be created via the accumulation of debt, private creation of wealth involves the creation of assets. But if government money creation becomes too excessive, the coercive measures (taxation and regulation) required to maintain the system will dampen and discourage innovation and investment. The end result: a society with lots of money (such as Zimbabwe or Argentina), but little wealth.



Radical change: The radical Left, led by the likes of Bernie Sanders and Alexandria Ocasio-Cortez, has been pushing for massive new programs such as the infamous "Green New Deal," which continue to drive government spending — and inevitable inflation — through the roof. *(Photo credit: AP Images)*

The fifth bullet is just a restatement of the old Keynesian fallacy about misallocated resources, as if supply and demand were completely separate things instead of two different sides of the same coin. Chronic over- and underproduction are symptoms of planned economies, not the free market. Yet this fallacy is pervasive, and "idle resources" is one of the most common pretexts for government interference in the workings of the free market.

Interestingly, the last bullet point is correct, although not in the way the author intended. Government can, in fact, do a lot to help guarantee high employment and abundance for all, and it has a moral obligation to do so. What is this obligation? To do everything in its power to encourage the operation of the free market, by refraining from interference via regulation, excessive taxation, and pernicious monetary policy. But few economists, especially those in the pay of governments or government-related special interests such as universities, would ever make such a recommendation!

Bidenomics

To say that President Biden and most of his administration are in the thrall of MMT theorists would be an understatement. The so-called Squad, whose radical "Green New Deal"-centered agenda has been driving Democratic policymaking since their triumphant sweep of the 2020 elections, are effusive in their praise of MMT. Representative Alexandria Ocasio-Cortez (D-N.Y.), the outspoken leader of the group, has pointed to MMT as the solution to all the budgetary challenges of enacting the Green New Deal and other multi-trillion dollar boondoggles. After all, MMT advocates printing money to pay for everything — and raising taxes to dampen the more toxic effects of inflation.

Another outspoken acolyte of MMT, Senator Bernie Sanders (I-Vt.), has had a significant effect on Bidenomics because of the collaboration between the Sanders and Biden camps after Biden became the Democratic nominee. One of San-ders' most prominent campaign advisors on economics was Stephanie Kelton, a professor of economics at Stony Brook University and prominent advocate of MMT. She transitioned into a key role on the "Economic Unity Task Force" set up to harmonize the economic policies of Biden and Sanders. L. Randall Wray, another prominent MMT theorist, has been advising Democratic lawmakers in Washington, and recently told the *Washington Times*:

> MMT has definitely influenced the Dem side of the budget committee as well as some others. I recently gave a presentation to the [Congressional Budget Office], and I think Stephanie Kelton did too, or is set to do one — by invitation, so they are at least interested…. MMT is not chiefly a theory; it is a description of reality, sort of like evolution versus creationism. We do have some policy prescriptions, but most of our work is simply describing the way sovereign government spends. The "creationists" — deficit hawks and doves — are describing a world that does not exist.

Presumptuous language, coming from a supporter of an economic theory that denies the reality of virtually everything affirmed by common sense!

Given MMT's advocacy of indebtedness, it is no surprise that debt, the handmaiden of inflation, also continues to rise steeply on Biden's watch, although Biden is but the latest in a long line of presidents, including his immediate predecessor, who have opted to ignore the problem. In 2021, the national debt surpassed $27 trillion, and as of the writing of this article, has exceeded $30.3 trillion. Such a figure may seem remote and irrelevant, since warnings about American indebtedness have been sounding for decades, yet the debt continues to pile up, seemingly without any consequences.

But that was before soaring inflation rates. With inflation now seemingly out of control, the major tool that the Federal Reserve has to combat it, or at least its most grievous effects, is raising interest rates. Raising interest rates discourages borrowing money, and a lowered demand for credit means that the banking system will be unable to create as much new money. But it also means that interest rates on debt, such as on new or rolled-over government bonds, will be much higher, making it far more difficult for the government to service its existing debt. The major reason that the Fed has kept interest rates low for decades has been to avoid pushing up the interest that the government would have to pay on existing and future debt.

If interest rates rise too far, they risk pushing America into default. If they are kept low under a weak economy, runaway inflation may destroy the value of the dollar, leading to insolvency by a different path.

Crippling Regulations

In addition to inflation and debt, the Biden administration's anti-business posture has produced a broad range of policy decisions — mostly designed to aggressively undo everything accomplished by the Trump administration — that have contributed greatly to America's economic malaise. One of the worst, as well as the most brazen, was Biden's immediate moves to reverse Trump-era policies on energy production that had led to a welcome end to American reliance on oil imported from the Middle East, Venezuela, Russia, and other parts of the world historically hostile to American interests. Under Trump, the production of domestic oil and natural gas soared, while the long-awaited Keystone XL Pipeline, which would provide a massive influx of oil from the tar sands of Alberta, was finally cleared for construction. But on his first day as president, Biden canceled the Keystone XL Pipeline, infuriating our

Canadian friends and leaving thousands of construction workers already building the pipeline suddenly out of work. This action alone sent a clear and chilling message to the entire energy sector: The new administration was consumed by the radical Left's reflexive hatred for traditional energy resources, and was on a mission to end American "dependence" on fossil fuels, no matter what the cost to the American people.

Nor did the Biden administration stop with the Keystone project. In addition, Biden

• Suspended new federal oil and gas leases,

• Imposed higher drilling fees on federal lands, and

• Began pushing aggressively for the radical "Green New Deal" designed to put an end to the use of oil, natural gas, and coal for energy production, and replace them with such costly and inefficient alternatives as solar and wind power.

The message was crystal clear: Biden and the radical Left were now waging an unprecedented war on the energy sector. Higher energy prices, far from being a costly consequence of bad policy, were a hoped-for outcome, since they would discourage Americans from relying on oil, coal, and natural gas — unapologetic social engineering at its worst.

All of these factors led to soaring energy costs well before the first Russian troops began massing along the Ukrainian border last fall. Yet the moment the invasion of Ukraine began, and the inevitable global economic shock pushed oil prices still higher, the Biden administration began blaming everything on Vladimir Putin. Following America's efforts to lead a global embargo on Russian oil (oil America would not have needed at all, had the Trump-era energy policies remained in place), Biden began negotiating with other, equally repellent regimes to import oil to America's self-hobbled energy sector. Americans were treated to the ugly spectacle of the Biden administration groveling before the likes of Venezuela and Iran, pleading with them to send more oil to the United States, in order to alleviate an energy crisis entirely of Biden's making. In the bizarro world of Biden and his fellow ideological contortionists, it is righteous to embargo the wicked Russians, while making nice to Venezuelan Marxists and radical Islamic Iranian terrorists, in order to buy their oil as a replacement for the oil we refuse to drill on our own territory. And the hardship Americans are now enduring from the record fuel prices is written off as collateral damage for the holy cause of weaning Americans from fossil fuels.

By Design — but Not Inevitable

The cumulative effect of the Biden economic program has been rampant inflation, skyrocketing national debt, and continued economic malaise, with an increasing number of economic forecasters predicting a major recession on the horizon. With American personal wealth shrinking dramatically, thanks to the rise in costs for fuel, housing, vehicles, food, and almost everything else, we are now witnessing a significant degradation of most Americans' standard of living on a scale not seen since at least the 1970s. If additional parts of Biden's program are implemented — massive tax hikes and the Green New Deal, in particular — we could see America permanently impoverished.

One looming consequence of persistent inflation will be a collapse of global confidence in the U.S. dollar, and its eventual rejection as the world's reserve currency. The current arrangement, formalized at the end of World War II, has benefited the United States enormously, shielding Americans from the full effects of inflation and guaranteeing American economic and financial preeminence. But with the dramatically shrinking dollar, discussion is growing about replacing or supplementing the American dollar as a reserve currency, with both the euro and the renminbi in serious contention.

America has probably never yet witnessed such a blatant and unapologetic effort to deliberately undermine from within American strength, stability, and prestige as the one now being waged by President Biden and his radical leftist minions. The contempt held by "woke" leftists for the United States and their fervent desire to radically overhaul her government, society, and morals have been on display for years. They understand, just as the Clintons did a generation ago, that almost everything hinges on economics. Their misguided policies, and the calamities stemming therefrom, are not mistakes; they are part of a deliberate agenda to take America down an entirely new path — one that most Americans would reject if they clearly understood the intended destination. The only question remaining is whether Americans will allow them to succeed.

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