Independent Women's Forum

Testimony to the United States House of Representatives
Committee on Oversight and Accountability
Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs

Hearing: "Bidenomics: A Perfect Storm of Spending, Debt, and Inflation"

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Sept. 19, 2023

Chairman Fallon, Ranking Member Bush, and Members of the Committee thank you for inviting me to appear today.

My name is Carrie Sheffield, and I am a senior policy analyst at the Center for Economic Opportunity at Independent Women's Forum. We are a nonprofit organization, committed to increasing the number of women who value free markets and personal liberty. We advance policies that enhance people's freedom, opportunities, and well-being. My work focuses on expanding economic opportunities for women.

We are here to discuss "Bidenomics: A Perfect Storm of Spending, Debt, and Inflation," and indeed this storm is already hammering suffering communities and homes nationwide.

America's Binge Spending

Evidence shows that President Biden's signature legislative packages, such as the American Rescue Plan and the Inflation Reduction Act, contributed to persistent inflation and are failing to bring it back down sustainably. This increased government spending triggered more inflation, eroding wages and buying power. The White House has talked about an uptick in *nominal* wages, but as **research from the Federal Reserve Bank of St. Louis shows**, *real* wages haven't recovered to pre-pandemic levels **even as they are starting to rise** nominally.

Families are stretching their dollars further each day since their paychecks and retirement funds are worth far less than they were when President Biden first took office. CNBC reported this year that **an alarming 54% of the American public** reported using savings to pay for everyday expenses such as groceries and rent. Savings are down, as is economic confidence.

The recent, multi-trillion dollar increases in government spending erode the value of the dollar through inflation because the money is expanding demand and driving prices up. **CBO projects** the federal budget deficit in 2023 is $34 billion more than the deficit recorded last year. That increase would be larger if not for a shift in the timing of certain payments and the spending cuts forced by House Republican leadership this past April.

Fraudulent actors may have stolen some $1 out of every $7 in pandemic unemployment aid, totaling as much as $135 billion, according to **a new report** released this month from the Government Accountability Office. GAO estimates that scammers made off with between 11 and 15% of the increased jobless benefits that Congress approved on a bipartisan basis early in the coronavirus crisis.

This tragic waste of taxpayer money is stealing from American families, who are now more than $1 trillion in credit card debt—a historic high hit last month.

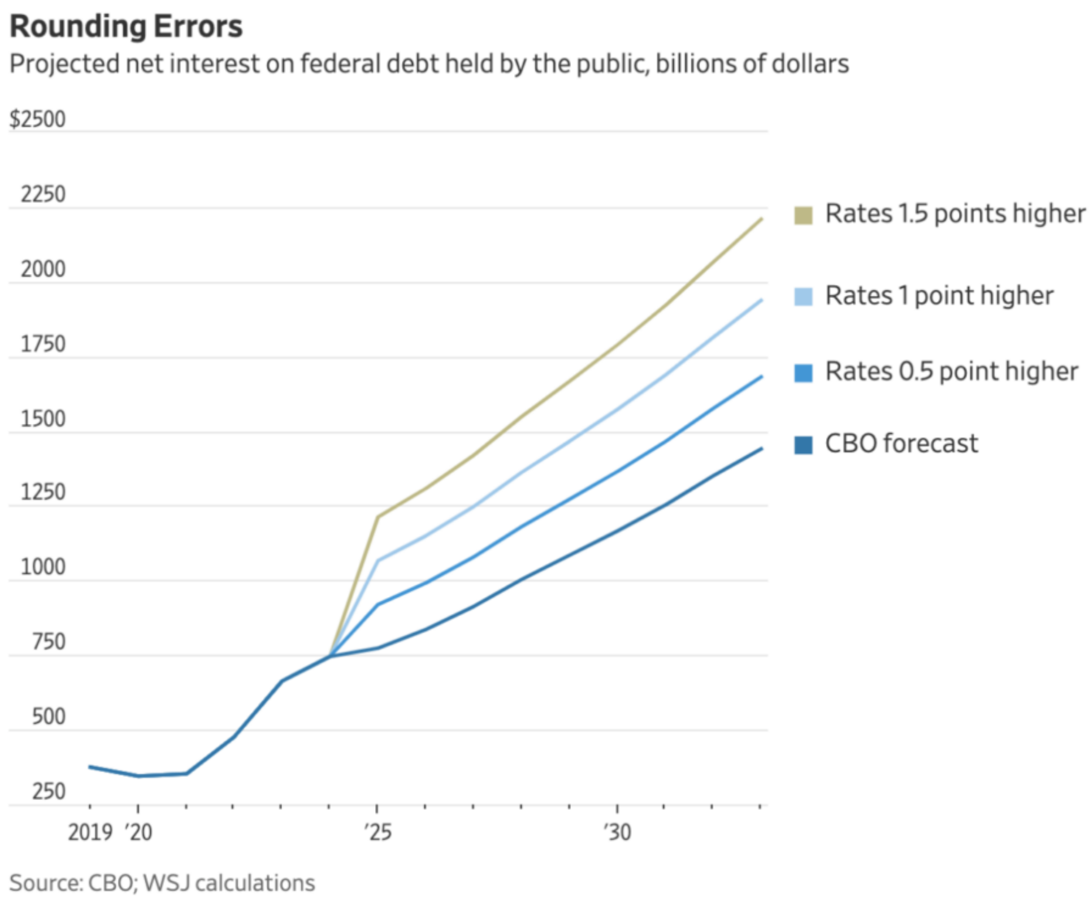
America's Ticking Debt Bomb

David Winston notes in Roll Call that **Congressional Budget Office projections** show President "Biden is going to match Trump's addition to the national debt in just three years, reaching a total of $7.1 trillion over his four years. That would be $1.5 trillion more than Trump contributed during his term, which included the 2020 one-time COVID emergency spending. If Biden's 2024 proposed budget actually passed, he would add as much to the national debt as Trump and Bush 43 combined."

The Wall Street Journal's Spencer Jakab **gives more context** about why this is so troubling: "The Congressional Budget Office regularly updates its long-term budget forecasts and says that U.S. debt held by the public will surpass gross domestic product this fiscal year and that interest on that debt will equal about three-quarters of discretionary, nondefense spending. By 2031, it will be as large. Medicare, Social Security and, of course, interest are legally nonnegotiable. Military spending isn't really optional either. No wonder the federal government is described as 'an insurance company with an army.'

Yet the CBO's forecast actually looks too optimistic. It envisions the net interest rate paid on that debt barely topping 3% in coming years even though short-term bills and notes yield more than 5% today. The swelling pile of debt means minor changes in assumptions now have major consequences."

CBO projects net outlays for interest increase from 2023 to 2033, rising from 2.4% of GDP this year to 3.6% in 2033—higher than they have been in any year since at least 1940 (the first year for which the Office of Management and Budget reports such data).

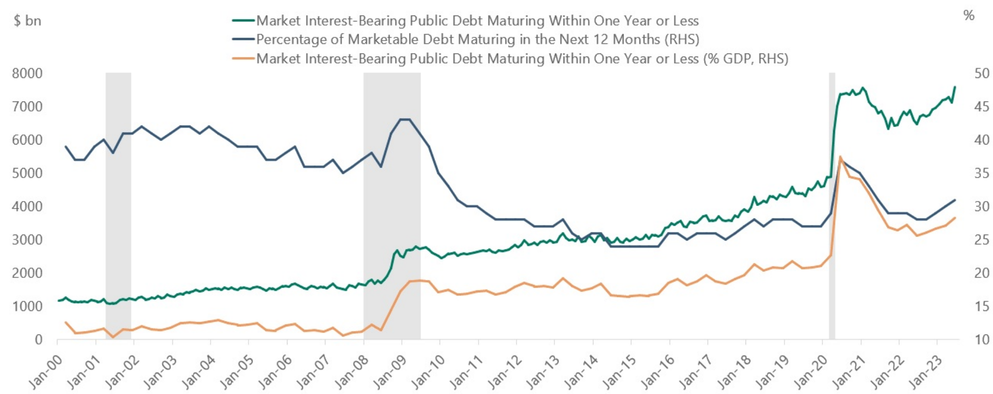


These unsustainable public debt interest payments will crowd out important public expenditures for other discretionary needs. Congress must act now to cut spending in order to rein in these unsustainable debt levels.

Apollo Global Management, an asset management firm, **noted recently** that 31% of the $7.6 trillion in U.S. government outstanding debt matures within 12 months. This puts upward pressure on U.S. rates further.

APOLLO

31% of all US government debt outstanding, or $7.6trn, will mature over the next year



Increased upward pressure on U.S. interest rates will add additional pressure to businesses and the real estate market, which has experienced significant constriction under Bidenomics. The civilian labor force participation rate remains below pre-pandemic levels, at 62.8% in August 2023, compared to 63.3% in February 2020. Upward pressure on U.S. rates also will further constrain the U.S. labor market, which is showing signs of softening.

Inflation Pain

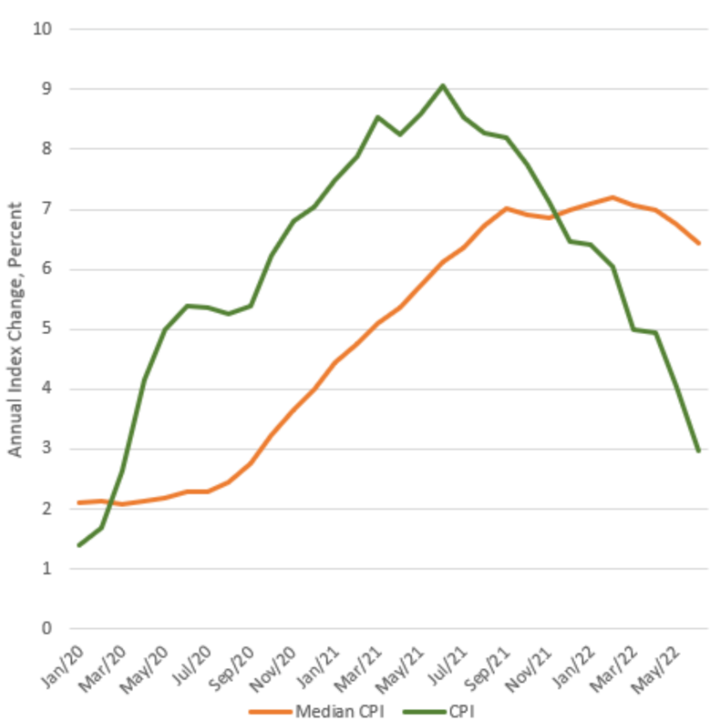
The Inflation Reduction Act, along with other massive, trillion-dollar packages passed during the COVID era, contributed to America's recent crippling inflation. In response, the Federal Reserve raised interest rates, which made America's borrowing costs higher. The more the Federal Reserve raises rates, the more future generations are saddled with our poor choices.

The Biden White House didn't understand the pain of inflation nearly two years ago when President Biden's then-chief of staff Ron Klain described supply-chain delays and inflation as "high-class problems." Now, nearly two and a half years into the Biden administration, households are suffering under at least a $5,600 effective pay cut due to inflation. Yet given the more recent downturn in inflation, the Biden White House has far less reason to boast than it claims.

The consumer price index (CPI) stood at 3.67% on August 1, which is a steep drop below the inflation of 9.1% last summer, the highest seen since 1981, but still above the Federal Reserve's 2% target. More importantly, a sharper measure of inflation is the median consumer price index, or median CPI. That was 5.72% on August 1—significantly higher than the standard CPI.

The Federal Reserve Bank of Cleveland explains why this median CPI metric is more useful, and why the metric reveals the reasons so many families are still suffering: "According to research from the Cleveland Fed, the median CPI provides a better signal of the underlying inflation trend than either the all-items CPI or the CPI excluding food and energy. The median CPI is even better at forecasting PCE inflation in the near and longer term than the core PCE price index."

The Committee to Unleash Prosperity **gives more context**: "Prices are roughly 16% higher today than when Biden entered office and that is a steep tax on Americans' earnings and savings. Polls over the past year consistently show that Americans don't believe that inflation has fallen as much as is reported. Why the big discrepancy between public perception about what is happening with prices and the government's 'official' numbers? One answer may be found in the Federal Reserve Bank of Cleveland statistic called median CPI, which 'omits outliers' with wild price shifts. The chart below shows the difference between the two inflation numbers.



Sources: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

"The orange line shows that the median CPI is now running roughly twice as high as the monthly CPI numbers. The things people have to pay for every day or week like gas, food, rent, and electricity are emphasized in the Cleveland Fed report. That may explain why consumers are still so angry these days about out-of-control price hikes."

While Bidenomics may define inflation as just a "high-class problem," most Americans disagree. The median CPI helps explain why in a **recent CNN poll** conducted by SSRS, 66% of Americans disapprove of how Biden has handled the economy, with 76% describing the economy as in poor shape.

Bidenomics and "The Great Distrust"

Sadly, America is undergoing what some commentators are calling "The Great Distrust." We see in many instances, Americans have lost their confidence in our political leaders and our institutions—from the EPA to the FBI and the media to Congress, public education, the CDC, and more.

Record high inflation is making it hard for Americans to buy basic necessities and small business owners to make ends meet. According to the **Bureau of Labor Statistics Consumer Price Index report for August 2023**, prices for everyday food staples continue to rise. Gas prices are pummeling American families with record prices.

Given The Great Distrust, it should be no surprise that Consumer Sentiment plummeted last June to the lowest level *ever recorded* in the 70-year history of the **University of Michigan index**. It is a stunning figure, lower than what we saw in the tumultuous days of the COVID-19 pandemic and the 2008 financial crisis.

What is this subcommittee's plan to stop this troubling storm of Bidenomics? President Joe Biden outlined his response in a **shift-the-blame Wall Street Journal op-ed** last year laying primary responsibility on the Federal Reserve, whose members have been woefully unaware of how bad inflation would get. President Biden and Treasury Secretary Janet Yellen held that inflation was "temporary" or "transitory." They made the case for additional stimulus spending through a multi-trillion dollar package of domestic spending priorities and denied the connection between inflation and federal policy.

President Biden also says he wants to lower gas prices on one hand while his administration does all it can to **block new U.S. production of oil and natural gas**.

Voters do not think that Washington has the right answers. Some **47%** of people in recent polling said the President's policies to get inflation under control were "hurting," compared with only 22% who said they were "helping."

American households across the board are hurting in multiple other areas and are not receiving the attention they deserve. Americans want solutions that will increase purchasing power and allow them to enjoy their wage gains and flexibility. Congress should focus on solutions that actually increase the supply of goods and services and reduce elevated demand to tackle inflation in a meaningful way.

Opportunities For Reform

Instead of defending a failed economic agenda that has made life worse for the public, the Biden administration should work with Congress to make our lives easier and more affordable by unleashing domestic energy supplies, cutting the red tape that burdens small businesses, and reining in out-of-control federal regulators, such as those at the Federal Trade Commission, which seeks to **impose costly and radical ideas** on the private sector while **flagrantly disregarding the law**. Thankfully, the judiciary has served as somewhat of a backstop against this FTC aggression that seeks to kill economic growth.

Protecting independent contracting from sweeping reclassification through federal law or regulation is also an important step to which Congress must be committed if it wants to ensure that entrepreneurship thrives. For example, most female entrepreneurs are self-employed, and unnecessarily reclassifying millions of independent contractors would **destroy their income-generating livelihoods and side hustles**.

Congress should also consider reducing the regulatory burdens placed on small businesses. **Analysis** by the U.S. Chamber of Commerce finds that regulatory costs amount to, on average, $11,700 per employee each year. Businesses with 50 or fewer employees incur regulatory costs that are nearly 20% higher than for the average firm. Cumulatively, economically significant federal rules for small businesses amount to over $40 billion per year in regulatory costs. This is overwhelming for small businesses, especially if they are solo enterprises.

The Small Business Administration (SBA) is the one agency of government devoted to the preservation of our nation's small businesses. At a minimum, Congress should consider directing the SBA to quantify and monitor federal regulatory costs on small businesses.

The SBA also has dedicated programs and efforts for women-owned small businesses including funding, counseling, and federal contracting. It is important to assess if these programs are meeting their goals, being effective, and truly expanding access and opportunity for women.

Congress can employ greater oversight of the SBA and understand areas of improvement by reauthorizing the agency as it does other agencies. The SBA has not been reauthorized in two decades, and Congress should reexamine this legislation soon.

Embracing tax reform that preserves America's global competitiveness and adopting a balanced budget amendment are other methods Congress can act to quell the storm of Bidenomics. This will help lower America's debt burden and interest payments while easing the pressure of inflation that is exacerbated by unsustainable government spending.

Conclusion

The perfect storm of Bidenomics is a man-made one, through an unsustainable combination of spending, debt, and inflation. But this storm is reversible through quick action.

The government serves a critical role in ensuring that it does not squelch the American Dream through heavy-handed, costly, and opportunity-killing debt; spending; regulations; or fraudulent and ineffective programs.

Congress can act to help slow the ill effects of Bidenmomics through a return to the economic principles that built America's extraordinary economic engine: fiscal prudence, competition, and regulation that enhances rather than undermines fair competition and growth.