The Daily Dish

The President's Inflation Plan

DOUGLAS HOLTZ-EAKIN | JUNE 1, 2022

In a rare move, the sitting president took to the opinion pages of *The Wall Street Journal* and penned: "Joe Biden: My Plan for Fighting Inflation." While a personal appearance in an op-ed is surprising, the administration's concern about the issue is not. The inflation numbers are bad – top-line consumer price index (CPI) is running at 8.3 percent year-over-year, the key bundle of food, energy, and shelter (FES) is climbing at an even-faster 10.0 percent, and the FES average month increase during the Biden tenure is 19.8 percent (at an annual rate). The bad inflation numbers have bred gloomy consumers. Gloomy consumers have bred bad poll numbers. Maybe a plan is a good idea.

Or, maybe *another* plan is a good idea. This plan has three parts: 1) Blame someone else if inflation doesn't go away ("First, the Federal Reserve has a primary responsibility to control inflation"). 2) Ludicrously label elements of the failed Build Back Better Act (BBBA) that have no legislative future as anti-inflation measures. 3) Claim the mantle of fiscal responsibility and, thus, the ability to fight inflation ("Third, we need to keep reducing the federal deficit, which will help ease price pressures"). That's not much of a plan.

Of note, the op-ed asserts that President Biden's "Housing Supply Action Plan will make housing more affordable by building more than a million more units, closing the housing shortfall in the next five years. We can reduce the price of prescription drugs by giving Medicare the power to negotiate with pharmaceutical companies and capping the cost of insulin." The problem with the first is that to get any substantial housing supply, one first needs a housing construction boom that would feed inflation. And the BBBA drug pricing provisions are hardly an anti-inflation measure. Inflation is a general and sustained rise in the price level not ameliorated by a policy to a specific price. These are weak arguments from which a good economic team should protect its boss.

Bracketing the non-plan plan are some misleading statements that border on deception. At the top, "In January 2021, when I took office, the recovery had stalled…". Stalled? In

January 2021, the economy created 520,000 jobs. The Atlanta Fed's real-time indicator of economic growth, GDPNow, showed growth from 4.0 to 6.5 percent, and the ultimate 1st quarter growth rate was 6.3 percent. The reality is that the president was dealt, and misplayed, a strong economic hand.

Closing the argument is the assertion: "I have a very different approach from Congressional Republicans, led by Sen. Rick Scott, whose plan would raise taxes on people making less than $100,000 and require that Congress reauthorize bedrock programs like Medicare, Social Security and Medicaid every five years." This has received Three Pinocchios from the home team *Washington Post*.