

# Cents and Non-Cents About Inflation. No, It Isn't Biden's Fault.

By Steve Max  
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Yes, inflation is back, only 6% as of October, which is nothing like the 13.5% that brought down Jimmy Carter in the election of 1980. The exact numbers don't really matter. Rising prices, especially gasoline prices, are always bad news for the party in power. We must remember, and keep saying, that Biden is trying to improve the quality of life for all Americans, and of course the Republicans will try to change the subject and create division.

If you were taught anything at all about inflation, it was probably that "inflation is too many dollars chasing too few goods." The problem with this traditional definition is that it creates the impression that people aren't involved. The dollars run after the goods, the goods run away from the dollars; all untouched by human hands.



Actually, inflation is rising prices, and people raise prices. Prices don't raise themselves. Psychology has a lot to do with it. If you buy a sack of flour for your bagel factory, you price the bagels not on what you already paid for the flour, but on what you anticipate the next sack will cost. Once the idea of inflation get started, it takes on a life of its own with everyone raising prices to get ahead of what they think the next guy is going to do. Inflation actually has three components:

- 1) Economic, which has to do with the dollars and the goods.
- 2) Psychological, it becomes real when people believe in it.
- 3) Political, the political debate influences the psychology, which changes the economic reality.

Inflation is very strange.

## CNN reports:

“Republican Rep. Jim Jordan of Ohio blamed Biden for the rising prices in gas in a [tweet](#) Monday, noting that the average gas price increased by 86 cents per gallon from June 2020 to June 2021 and pointed at "President Biden's economy!" to explain the difference in cost. Similar arguments have been [made](#) by Republican Sen. Chuck Grassley of Iowa as well as right-wing groups on [social media](#).” \*

So, now it begins, it's all Biden's fault. Would you like to know who is to blame for rising gas prices? Here is the *Washington Post* of January 28, 1981:

“President Reagan yesterday removed the remaining price controls on gasoline, propane and U.S.-produced crude oil, in what aides called a first step in his promised campaign to "deregulate America."

The lifting of the network of petroleum regulations permits refiners and gasoline retailers to change whatever they chose for their products, and some service station operators may test the market with sharp increases.” +

That's right, the price of gasoline was once regulated. Instead of continuing the regulations, the Republicans repealed them. Here we see an example of the paradox that has been repeated in American history over and over since the New Deal. Everyone insists that we must have a free-market economy. Then, when things don't work out as expected, which is much of the time, everyone wants the government to protect them from the logic of the free market. When a hapless president steps in to help, why that's regulation, and everyone knows that regulation leads inevitably to socialism.

Unfortunately, instead of defending Biden, some academic and Wall Street insiders are joining the pile-on. These include former Obama Treasury Secretary Lawrence Summers who says inflation should temper Biden's ambitions, † and Steven Rattner, a former

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☒ <https://www.cnn.com/2021/06/23/politics/joe-biden-gas-price-fact-check/index.html>

☓ <https://www.washingtonpost.com/archive/politics/1981/01/29/reagan-decontrols-gasoline-crude-in-deregulation-debut/fa3134b7-f70a-4bdd-92be-3c92f43e6112/>

☔ <https://www.politico.com/news/2021/07/13/larry-summers-biden-inflation-499502>

Summers advisor who now heads Bloomberg's investment arm. Apparently these guys don't understand the danger of giving a veneer of bipartisan support to the attacks coming from the Trump Right.

Rattner recently wrote an "I told you so piece" for *The Times*,<sup>❖</sup> which, in part, blames government stimulus checks for Americans having saved \$2.3 trillion more during the pandemic than they otherwise would have saved. Now, he warns all this money is about to be spent on "everything from postponed vacations to clothing," thus driving up inflation. Rattner ignores the fact that almost all of the increase in savings went to the very rich. Close to half (42%) went to the richest 1%. (Remember them?) In all, 80% of the increased savings went to the richest 20% of the population.\* Now, these are not people who are just waiting to cash their stimulus checks in order to buy clothing.

The London based Center for Economic Policy Research did an extensive study and came to the opposite conclusion from Steven Rattner.

"The bottom line from these three sets of considerations is that, although large by historical standards, the savings accumulated by US households during the pandemic do not appear to be 'excessive' when set against the extraordinary need of many American families and the unprecedented government intervention to support them. It is certainly possible that some of these savings will pay for extra travel and entertainment once the COVID-19 nightmare is behind us, but our conclusion is that the resulting boost to expenditures will be limited."<sup>♥</sup>

The situation is becoming alarmingly dangerous for the Democrats. A recent poll \* shows that 62% of voters believe that Biden is at least somewhat responsible for rising inflation, and this is rapidly emerging at the main Republican attack point in the 2022 elections. Now it may seem to be the ultimate proof of muddled thinking to claim that an inflationary trend that started months ago is the result of Biden's spending that hasn't even begun yet. However, there is a method to their madness. Remember that sack of flour in the bagel factory? If enough people are convinced that inflation will occur because of Biden's program, then it will occur

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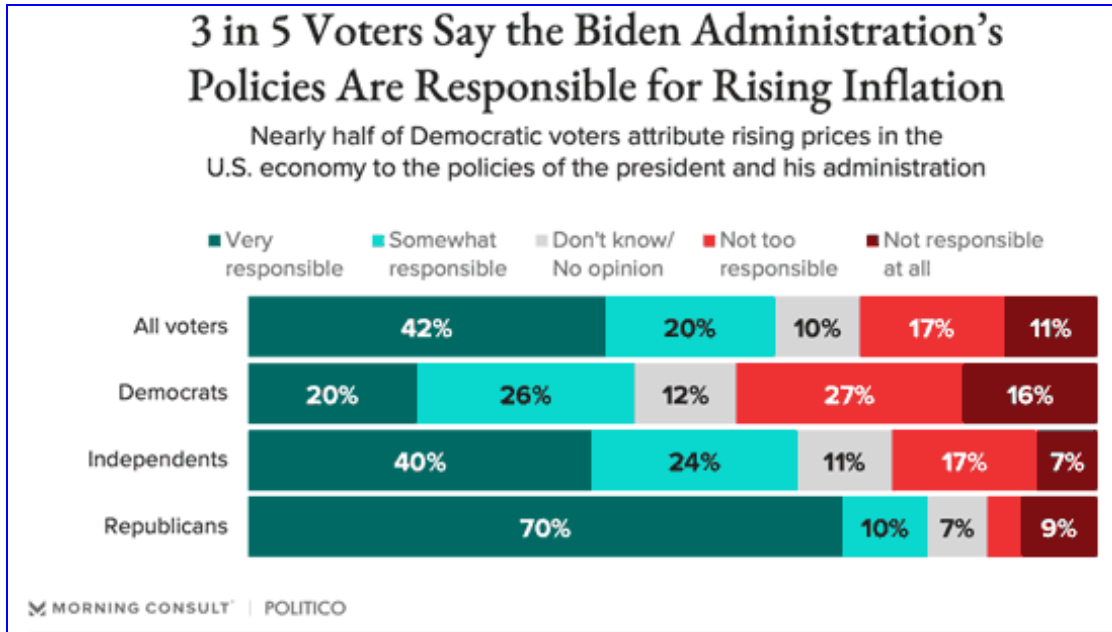
<sup>❖</sup> <https://www.nytimes.com/2021/11/16/opinion/biden-inflation-spending-manchin.html>

<sup>⊖</sup> <https://www.cnbc.com/2021/08/03/most-of-americas-extra-pandemic-savings-are-going-to-the-wealthy-.html>

<sup>♥</sup> <https://voxeu.org/article/us-excess-savings-are-not-excessive>

<sup>⊖</sup> <https://morningconsult.com/2021/11/17/inflation-economy-voters-poll/>

just because everyone believes it and is raising prices to stay ahead of anticipated rising costs.



Energy policy is one of the few tools available to Biden that might reduce inflation. As this is being written, the *Washington Post* \* has just announced that Biden is releasing 50 million barrels of oil from the Strategic Reserve and has convinced a number of allied nations to take similar steps. Of course this doesn't guarantee that the refiners will actually lower prices at the pump instead of pocketing even greater profits. Last week the President called on the Federal Trade Commission to investigate the gas industry for raising prices beyond increases in their actual costs. ♡

As the economist Paul Krugman pointed out in today's *Times* , spending a few trillion dollars over the next ten years is nothing compared to the size of the total economy over that time, \$288 trillion. The Biden program is far too small to have any real inflationary impact. (Even if government spending did cause inflation, which it doesn't – S.M.)

Krugman concludes:

**“So don't believe politicians who are trying to portray Biden's investment agenda as somehow irresponsible and radical. It's highly responsible, and it's an attempt to restore**

✉ <https://www.washingtonpost.com/us-policy/2021/11/23/white-house-strategic-petroleum-reserve/>

✉ <https://www.washingtonpost.com/business/2021/11/17/biden-ftc-gas-prices/>

**the all-American idea that government should help create a better future.” \***

This is the message that Democrats need to repeat on every possible occasion.

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• <https://www.nytimes.com/2021/11/22/opinion/biden-infrastructure-spending.html>