



Biden Flip-Flops On Fighting Inflation

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RALEIGH — Remember when President Joe Biden and the Democratic Congress took resolute action to combat rising prices? I apologize for asking so much of you. It can be mentally taxing to recall the details of events long past. And according to my calendar, the event I'm asking you to recall occurred way back on August 16 of this year.

A couple of weeks ago, in other words.

That's when Biden signed the Inflation Reduction Act into law. While it contained vast amounts of new spending — for corporate subsidies and entitlement programs, primarily — the measure also included hundreds of billions of dollars in additional federal taxes as well as price controls on drugs paid for with Medicare.

The net effect of the Inflation Reduction Act, then, was to be a \$305 billion reduction in projected federal deficits over the next decade, according to the White House and the Congressional Budget Office. “We’re cutting deficits to fight inflation,” Biden said at the signing ceremony.

As it happens, that \$305 billion figure was rather fishy. It assumed a scheduled expiration of the bill's health-care subsidies that neither Biden nor anyone else truly believes are going to expire. And it counted as a budget cut the repeal of a Trump-era drug rebate that was never going to happen, anyway.

Still, the president's explicit statement that “cutting deficits” would “fight inflation” was most welcome. Key members of his own Democratic Party have long rejected the very idea that federal deficits are a cause of inflation. (In fairness, key members of the Republican Party had

rejected the connection, as well, either explicitly by word or implicitly by the deed of running massive deficits of their own.)

Unfortunately, Biden's newfound fiscal probity lasted only a few days. On August 24, the president signed not a bill enacted constitutionally by a duly elected legislative branch but an edict enacted unconstitutionally by a power-mad executive branch. In a single stroke, Biden obligated the federal government to spend \$500 billion on a new initiative to cancel student-loan debt.

That is, in a single stroke, the president took back all of the purported deficit reduction accomplished by the Inflation Reduction Act — and then expanded federal debt by many billions more. According to the theory Biden had himself advanced just days earlier, his debt-financed cancellation of up to \$20,000 in student loans per borrower will make our inflation problem worse.

There are other reasons to be outraged by Biden's appalling policy, to be sure. If you borrowed money to go to university or graduate school, then scrimped on expenses and worked hard to pay off your debts, the president has just turned you into a world-class sucker. If you chose not to go to a pricey university at all, but instead to pursue lower-cost education and training at a community college or private company, he's turned you into a sucker, too. And if you went directly from high school into the workforce or military, learning a skilled trade on the job so you could subsequently earn a good living without college debt, ditto.

To return to my main point, however: Biden's clumsy August Two-Step illustrates just how farcical our politics has become. Unlike North Carolina and most other states, there is no constitutional requirement that the federal government balance its operating budget. The practical effects of this oversight were rather modest until the 20th century — because the scope of the federal government was itself modest. Then came populism, progressivism, and several costly wars. Whatever modesty Washington possessed has long since vanished.

In the Cato Institute's invaluable 2020 collection of essays *A Fiscal Cliff: New Perspectives on the U.S. Federal Debt Crisis*, its authors decried this bipartisan failure to forestall economic and social catastrophe. Some argued for a balanced-budget requirement or some other set of formal fiscal constraints. I agree.

But would they have stopped President Biden from issuing his student-debt edict and unilaterally widening the deficit? We need better leaders as well as better rules.