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Biden tries to brand himself as deficit cutter, not big spender

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President Joe Biden has been trying to convince voters he is a deficit cutter and not a big spender before November's midterm elections.

But although Biden's hyped student loan debt forgiveness announcement this week has energized Democrats, it has also rankled Republicans, independents, and budget experts as Federal Reserve Chairman Jerome Powell warns the public to expect "some pain" as the central bank attempts to tame inflation.

Biden's executive order this week canceling \$10,000 in federal student debt for borrowers earning less than \$125,000 a year and \$20,000 for eligible Pell Grant recipients came after the White House Office of Management and Budget's midsession review.

The OMB amended its projected budget gap this week to \$1 trillion in fiscal year 2022, \$1.7 trillion less than last year, \$400 billion less than March, and the lowest deficit since 2019 before the pandemic. But that was before the White House bowed to pressure Friday and provided an estimated cost for Biden's student debt forgiveness proposal. The administration predicts the program's price tag will be roughly \$24 billion a year for the next decade if 75% of eligible

borrowers participate. That \$240 billion number is short of the Penn Wharton Budget Model's \$300 billion to \$980 billion forecast.

Bipartisan Policy Center Senior Vice President Bill Hoagland ripped the OMB's update, which was due July 15, as unhelpful. That is because it does not account for new legislation, including the \$280 billion manufacturing and innovation CHIPS and Science Act and the \$430 billion climate and healthcare Inflation Reduction Act, in addition to the student debt cancellation scheme, according to Hoagland.

"I don't know what value it has other than, as I said, they can check the box that they released this report," he told the *Washington Examiner*. "For those of us who follow these things, it's not helpful but maybe for the PR purposes out there having another opportunity to say the deficit's coming down. I just don't know how they get away with that today when they turn around and potentially add back another \$300 billion."

For Hoagland, who did credit the OMB for "being more honest with the economic assumptions," the next-best deficit projection would be published by the Congressional Budget Office in January.

"It's come down, but I would be a little bit skeptical of how much of that reduction was associated with actual policy," he said. "It was associated with not doing another stimulus package to deal with COVID."

More broadly, Cato Institute's tax policy studies director, Chris Edwards, dismissed Biden's deficit messaging as "idiotic" and "bulls***," agreeing with Hoagland that this summer's legislative flurry will exacerbate it in the coming years.

Edwards, who similarly criticized former President Donald Trump and Senate Minority Leader Mitch McConnell's (R-KY) spending, compared the current political moment to the 1980s and '90s, when lawmakers "feared running big deficits" in case they contributed to high inflation and interest rates. Consumer prices rose by 8.5% in the 12 months ending July 31, and Powell foreshadowed another 50 or 75 basis-point rate hike in September on Friday during a speech in Jackson Hole, Wyoming.

"The landscape has changed so much in Washington now that, even with 9% inflation, politicians are opening the floodgates to spending," Edwards said, contrasting Biden with former Presidents Jimmy Carter and Ronald Reagan. "That's politically remarkable."

"It's completely wrong for the executive branch to take such a big spending action without the legislature being involved," the *Downsizing Government* editor continued on student debt. "This is going to put \$300 billion on the federal government's tab that young people are going to have to pay back in the future in the form of higher taxes."

Biden repeated his deficit talking points this week during his first Democratic National Committee fundraiser and rally of the 2022 midterm cycle after his summer vacation.

"You hear Republicans always talking about the deficit, right? About big-spending Democrats?" he said Thursday night during the Maryland rally. "Well, guess what? When the last guy was president, he increased the debt by \$2 trillion in tax cuts, not a penny of it paid for. OK? Well, guess what we did? We've reduced the deficit."

White House press secretary Karine Jean-Pierre and National Economic Council Deputy Director Bharat Ramamurti have defended Biden's student debt forgiveness framework, contending it is "fully paid for" during Friday's briefing.

"Practically speaking, compared to the previous year, 1.7 trillion more dollars are coming into the Treasury than are going out," Ramamurti said. "We're using a portion of that, a very small portion of it, to provide relief to middle-class families consistent with the president's plan. So yes, we consider it fully paid for."