



## **Biden gets inflation gut punch**

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November 10<sup>th</sup>, 2021

White House officials are scrambling to show Americans that they're paying close attention to rising prices after federal data released Wednesday showed inflation rising far above expectations in October.

The consumer price index, which tracks inflation for a range of staple goods and services, rose 0.9 percent last month and 6.2 percent in the 12 months leading into October, the highest annual inflation rate since November 1990.

Most of October's inflation was driven by soaring energy and food prices - a gut punch for cash-strapped families and a political nightmare for the Biden administration.

"The costs for low-wage households to cover their commuting costs, grocery bills and rents are eating into the jump they have seen in wages," wrote Diane Swonk, chief economist at Grant Thornton, in a Wednesday analysis. "The public is angry."

The broadening of high inflation beyond goods and services hit hardest by the pandemic is also raising concerns about how much longer inflation will continue to increase.

"Inflation is sizzling and will likely get hotter before it cools," Swonk wrote in her analysis - another gloomy note for the Biden White House.

Rising prices are one of several factors dragging down President Biden's approval ratings and voters' views on his handling of the economy.

It's a frustration for Democrats.

Biden has presided over growth in the job market, increased consumer spending, greater household savings and rising stocks. But people in polls seem more focused on rising prices, shortages and other setbacks in the recovery.

Most economists still believe that inflation will begin to cool as pandemic-related bottlenecks ease, sidelined workers come back to the labor force, and consumers shift their spending back toward services and away from the overloaded goods sector.

"There's plenty of evidence that what we're seeing is an economy that to some considerable extent just can't handle what would otherwise be a very rapid real recovery," said George Selgin, director emeritus of the libertarian Cato Institute's Center for Monetary and Financial Alternatives.

"It's a temporary problem that's lasting a lot longer than anybody wants it to," he continued. "What's unfortunate is the public is getting the inflation kicked in its teeth."

Biden officials and allies, who had largely brushed off the threat of inflation this spring, are now bracing for deeper political backlash. Republicans have spent months blaming Biden's economic agenda for high inflation and have pledged to make it a deciding issue in the midterm elections.

"Republicans are going to double-down on this, and the White House knows this," said one Biden World ally. "All of these economic issues are going to add up and this could be incredibly troublesome for the White House. These are the kinds of issues that are make-or-break for voters."

A Democratic donor also said the White House needs to continue to get in front of the issue.

"They cannot let Republicans drive the narrative on this," the donor said.

Biden and administration officials launched a media blitz Wednesday to tout their plans to fight inflation.

In a speech at the Port of Baltimore, the president touted how the recently passed bipartisan infrastructure deal could help upgrade and bolster supply lines that have been overwhelmed by a rush of demand for goods. Biden spoke with the CEOs of major shipping companies and retailers Tuesday after launching an effort last month to speed up package delivery.

"COVID-19 has changed the way we spend our time and our money. More products are being delivered than ever before. That's because people have a little more breathing room than they did last year. That's a good thing but also means we've got higher demand for goods at the same time we're facing disruptions in the supplies to make those goods," Biden said.

"That's why it's so important that we do everything in our power to stabilize the supply chain," he added.

Administration officials have also spent weeks talking up the potential deflationary impact of Biden's "Build Back Better" plan - the roughly \$1.75 trillion social services and climate bill. Supporters of the plan say provisions to expand access to child care, reduce prescription drug prices and expand clean energy production will help reduce prices for working families.

Economists, however, say any potential impact on inflation won't come for months or even years.

"I don't think you enhance your case if you say, 'Pass my bills and inflation will go down,'" said Bill Galston, a senior fellow at the Brookings Institution and domestic policy aide to former President Clinton.

"I really don't think that for the public that's a very credible argument," he added.

The argument has also fallen flat among conservative Democrats such as Sen. Joe Manchin (W.Va.), who argued Wednesday that the "threat posed by record inflation" is "getting worse."

"Americans know the inflation tax is real and DC can no longer ignore the economic pain Americans feel every day," Manchin tweeted.

Manchin has expressed deep concerns about inflation for months while pushing for cuts to Biden's social services and climate bill. His support is essential for passing the measure with simple majorities through the budget reconciliation process, which would require the support of all but three House Democrats and each Democratic senator amid universal GOP opposition.

While Biden may be able to usher his agenda through Congress nonetheless, his ability to curb the inflation threatening it is limited. Energy prices are expected to climb as global oil and gas production lags, pandemic-related health concerns and responsibilities are still keeping millions out of the workforce, and global supply lines are still snarled by factory shutdowns and shipping backlogs across the world.

"You have blunt fiscal policy instruments and blunt monetary policy instruments, in this case, to deal with problems that require something more like a scalpel," Selgin said.

"The potential for the ability to do anything at all is limited and the potential to screw this up is very high," Selgin added.

Even so, there are some early signs of pressure on supply chains and prices beginning to fade.

The number of containers lingering at docks at the ports of Long Beach and Los Angeles for more than nine days dropped from 127,000 on Nov. 1 to 101,000 on Nov. 8, according to data released Wednesday by the White House.

The Baltic Dry Index, which tracks shipping costs, has fallen more than 50 percent from its peak in early October and is down to its lowest level since June.

General Motors also told Reuters on Wednesday that for the first time since February, the automaker has enough semiconductor chips to keep all of its North American production plants running. The chip shortage has been a major source of inflation for both used and new automobiles, auto parts and a wide range of consumer electronics.

"The truth of the matter is that this problem is going to have to go away without much fiscal help being involved," Selgin said.