BIDENOMICS: A PERFECT STORM OF SPENDING, DEBT, AND INFLATION

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BEFORE THE

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Witnesses

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BIDENOMICS: A PERFECT STORM OF SPENDING, DEBT, AND INFLATION

Tuesday, September 19, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON ECONOMIC GROWTH, ENERGY POLICY, AND REGULATORY AFFAIRS
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:06 p.m., in room 2247, Rayburn House Office Building, Hon. Pat Fallon, Chairman of the Subcommittee, presiding.

Present: Representatives Fallon, Boebert, Edwards, Langworthy, Bush, Brown, Stansbury, and Norton.

Mr. FALLON. The hearing of the Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs will come to order. I want to welcome everybody here.

Without objection, the Chair may declare a recess at any time.

I recognize myself for the purpose of making an opening statement.

Today's hearing is an opportunity to discuss an issue every household in America is familiar with, with a clear failure of Bidenomics and the crisis caused by this current Administration's reckless spending. Joe Biden likes to say that Bidenomics is just another way of saying restoring the American Dream. I beg to differ. But just last week, the Consumer Price Index showed prices have risen 17.4 percent since Mr. Biden took office. That means that 26 months of consumers watching their paychecks disappear before their very eyes due to the rising costs of living. Worse yet, mortgage rates have nearly doubled since Joe Biden took office, making it much harder for Americans to buy a new home, and that is clearly not the American Dream.

Joe Biden likes to say Bidenomics is about building from the middle out and the bottom up. That is a clever slogan, but it does not reflect reality. In fact, let me say this, those hurt most by these rising prices are low-income households and seniors that are relying on Social Security for their monthly retirement.

Wage growth has fallen behind the pace of inflation in 20 of the past 22 months, and most Americans are now unable to pay for the surprising expense of, you know, if there is something that cost $400, suddenly they are struggling to pay that bill, something that was unforeseen, and that is not building from the middle out or from the bottom up. Joe Biden likes to remind us he promised not to raise taxes on anyone earning less than $400,000 a year, but as of June 2023, the average worker was paying an inflation tax, kind of an invisible tax because what inflation is, is a tax on everything that we need and have to buy. That 13.5 percent is effectively like a second Federal income tax, particularly for low-income earners. The truth is Bidenomics has been an abject disaster, and I think most of the American people know that.

A recent poll found that 80 percent—let me say that again—80 percent of Americans credit Joe Biden's policies for the current state of the economy, and 70 percent agreed that their incomes were not keeping pace with inflation. And if you see any poll in the last year-and-a-half, 2 years, you have seen that the Biden Administration scores, of all the major topics that we discuss, they score the worst on the economy.

Our current economic track is nothing short of unsustainable, yet the Biden Administration really does not seem to be concerned. In fact, Joe Biden considers the current environment a huge success, and he said that often on the campaign trail, proudly taking credit for every failed business that could not stay afloat under his crushing regulatory regime, or parents that are forced to pay bills with a credit card and then going into debt because their wages were not keeping up with inflation.

According to Joe Biden, we are supposed to believe that we are actually better off today than we were when he took office, but the facts tell a very different story. The pain households are experiencing can be tied directly back to the disastrous policies posed by this Administration, which was so much reckless spending into the trillions of dollars. Now we are about to cap over $33 trillion in debt that our grandchildren and their grandchildren will have to pay.

In the early days of COVID, emergency spending did make some sense. It clearly did. I was not in Congress at that time. I believe my colleague, my Ranking Member, was not either, but the country was thrown into a tailspin, and we had to ensure that our economy did not capsize. However, this Administration plowed forward, maintaining these "wartime" spending levels long after the spending was necessary and really long after the pandemic was a national emergency any longer. It has been said "never let a good crisis go to waste," and they did not. From the American Rescue Plan to the Inflation Reduction Act, the Administration has wasted no time throwing mindboggling numbers at varying crises at their choosing with seemingly no regard for the consequences. The Biden Administration apparently does not care if a gallon of milk cost six bucks—I know I do—or how much gasoline costs or an airline ticket, so long as it forces everyone to purchase an electric vehicle that costs more than the yearly median household income.

Decades ago, Republicans banded together with the Contract with America to bring about some of the most impactful economic reforms seen in generations. By combining a series of targeted, fiscally conservative policies into one unified agenda, House Republicans paved the way for Americans everywhere to prosper. We have already seen the blueprint for what works, so we do not need to reinvent the wheel. We should go ahead and achieve that kind of success again, or at least that should be our goal. We have also seen the blueprint for what does not work, and thanks to Bidenomics, we have an ugly reminder of what anti-growth policies bring.

I want to thank our witnesses, all four of you all, for being here today, and I look forward to a thoughtful discussion. The Chair now recognizes Ranking Member Bush for the purpose of making an opening statement.

Ms. BUSH. Thank you, Mr. Chairman. St. Louis and I are here today to discuss the real economic situation of the people of this country. From gas prices to food, the cost of living is rising. New Census data indicates that real incomes fell significantly in 2022 as inflation reduced the size of our constituents' paychecks. We know there are investments that the Federal Government can make to reduce poverty.

The Republican Party's inability to govern has us rapidly moving toward a total government shutdown. This will disrupt important benefits and services for all of our constituents, such as food and cash assistance. Too many people across this country are struggling to make ends meet. A government shutdown would affect more than 42 million people who receive SNAP benefits, nearly 3 million people who receive TANF benefits, and over 6 million participants who receive WIC benefits. Congress pulled together in a crisis to provide COVID relief, this emergency relief that people needed.

My vision of a progressive economy led by the Biden Administration must include Medicare For All. It must include raising the Federal minimum wage, ensuring housing affordability, reinstating the child tax credit, and canceling student debt. That is my vision. During the pandemic, we made direct payments to families through the child tax credit and provided student debt relief by freezing interest and payments. We still need to do more now. These two concrete examples show Congress can ease the effects of economic hardship and boost the economy overall. When it was in place, the child tax credit lifted nearly 4 million children from poverty, causing child poverty to hit a historic low of 5.2 percent. The expanded child tax credit slashed child poverty, infused local economies with billions of dollars, and reduced food insecurity by nearly one-third. In Missouri alone, the child tax credit lifted 73,000 children out of poverty. Without the child tax credit, child poverty in the United States has more than doubled in just 1 year. Since its expiration, nearly 3.7 million children have fallen back into poverty, including the impacted children of Missouri.

Millions of people in this country are buried in burdensome debt to make ends meet—medical, credit card, and student debt. Student debt payments will resume soon after numerous payment policies extended by the Biden Administration. Though that temporary relief has helped many, we need much more, and we must cancel student debt. The Federal student loan portfolio currently totals more than $2 trillion owed by over 40 million borrowers. Black people carry the heaviest debt burden, meaning student debt. Say it again. Student debt relief is a racial and economic justice issue. As lawmakers, we must ensure education leads to prosperity, education leads to opportunity rather than inescapable debt.

While my Republican colleagues are slashing programs to help keep kids out of poverty and fighting against student debt relief every step of the way, we have an over $880 billion defense package moving forward. The money is there. The question is how we as elected officials choose to invest in our communities. The money is there. We can deliver for our constituents to help them out to not only survive, but to prosper.

Republicans are trying to distract us from the internal dysfunction which is steering our Nation toward a government shutdown. The question is, do we choose to invest in defense contractors or reduce poverty for millions of people? Thank you, and I yield back.

Mr. FALLON. We have with us today an expert panel of witnesses who each bring valuable experiences and policy insights that will be beneficial to our discussion. First, we have Carrie Sheffield, who is a senior policy analyst for the Independent Women's Forum. She previously managed Municipal Credit Risk at Goldman Sachs and rated healthcare bonds at Moody's Investor Service. We also have E.J.—it is Antoni, right? OK. I get nervous when I see vowels. My mother's maiden name is Genovese. I want to get it right. OK.

Mr. Antoni serves as a research fellow for the Heritage Foundation's Grover H. Hermann Center for the Federal Budget and a senior fellow at the Committee to Unleash Prosperity. He focuses his work primarily on fiscal and monetary policy. Casey Mulligan serves as a professor of economics at the University of Chicago and previously served as the chief economist for the Council of Economic Advisers under the Trump Administration. And finally, we have Bobby, is it Kogan? OK. Bobby Kogan, who serves as a senior policy director of Federal Budget Policy at the Center for American Progress. I am a Member of Congress from Texas, but I grew up in Massachusetts. So, I will quote a Boston term, "you are all wicked smart." Thank you again for being here.

Pursuant to Committee Rule 9(g), the witnesses will please stand and raise their right hands.

Do you solemnly swear or affirm that your testimony you are about to give is the whole truth and nothing but the truth, so help you God?

[A chorus of ayes.]

Mr. FALLON. Let the record show that the witnesses answered in the affirmative. Please sit.

We appreciate you being here and look forward to your testimony. Let me remind the witnesses that we have read your written statements and they will appear in the full hearing record. Please limit your statements to 5 minutes.

As a reminder, please press the button on the microphone in front of you—I believe it says "talk"—so that the Members will be able to hear you. When you do speak, the light in front of you will be turning green for 4 minutes, 1 minute will be yellow and then will be red, and that is when your 5 minutes are up, and if you are at that red, if you can just wrap it up, that would be great.

I now recognize Ms. Sheffield for her opening statement.

STATEMENT OF CARRIE SHEFFIELD SENIOR POLICY ANALYST INDEPENDENT WOMEN'S FORUM

Ms. SHEFFIELD. Thank you, Chairman Fallon, Ranking Member Bush, and Members of the Committee. Thank you for inviting me here today. As has been said, my name is Carrie Sheffield, and I am a senior policy analyst at the Center for Economic Opportunity at Independent Women's Forum. We are a nonprofit organization committed to increasing the number of women who value free markets and personal liberty. We advance policies that enhance people's freedom, opportunities, and well-being. My work focuses on expanding economic opportunities for women.

We are here to discuss "Bidenomics: A Perfect Storm of Spending, Debt, and Inflation," and indeed this storm is already hammering suffering communities and homes nationwide. Evidence shows that President Biden's signature legislative packages, such as the American Rescue Plan and the Inflation Reduction Act, contributed to persistent inflation and are failing to bring it back down more sustainably. This increased government spending triggered more inflation, eroding wages and increased government spending and buying power. The White House has talked about an uptick in nominal wages, but as research from the Federal Reserve Bank of St. Louis shows, real wages have not recovered to pre-pandemic levels even as they are starting to rise nominally.

Families are stretching their dollars further each day since their paychecks and retirement funds are worth far less than they were when President Biden took office. CNBC reported this year that an alarming 54 percent of the American public reported using savings to pay for everyday expenses, such as groceries and rent. Savings are down as is economic confidence.

The recent, multi-trillion dollar increases in government spending erode the value of the dollar through inflation because the money is expanding demand and driving prices up. CBO projects the Federal budget deficit in 2023 is $34 billion, more than the deficit recorded last year. That increase would be larger if not for a shift in the timing of certain payments and the spending cuts that were forced by House Republican leadership this past April in a sustainable manner.

Fraudulent actors may have stolen some $1 out of every $7 in pandemic unemployment, totaling as much as $135 billion, according to a new GAO report. That means that scammers made off with between 11 and 15 percent of the increased jobless benefits that Congress approved on a bipartisan basis early in the coronavirus crisis. This tragic waste of taxpayer money is stealing from American families, who are now more than $1 trillion in credit card debt, a historic high hit last month. That is Bidenomics in action.

Regarding America's ticking debt bomb, The Wall Street Journal notes that the Congressional Budget Office regularly updates its long-term budget forecasts and says that U.S. debt held by the public will surpass gross domestic product this fiscal year, and that interest on the debt will equal about three-quarters of discretionary non-defense spending. By 2031, it will be as large. Medicare, Social Security and, of course, interest are legally non-negotiable. Military spending is not really optional either. It is no wonder that the Federal Government is described as an insurance company with an army.

These unsustainable public debt interest payments will crowd out important public expenditures for other discretionary needs. Congress must act now to cut spending in order to rein in these unsustainable debt and interest levels. Increased upward pressure on U.S. interest rates we are experiencing now will add additional pressure to businesses and the real estate market, which has experienced a significant constriction under Bidenomics.

The civilian labor force participation rate remains below pre-pandemic levels under Bidenomics. It is currently at 62.8 percent in August 2023, compared to 63.3 percent in February 2020. The Consumer Price Index stood at 3.67 percent on August 1, which is a steep drop below the inflation of 9.1 percent last summer, but it is still above the Federal Reserve's 2 percent target. And more importantly, a sharper measure of inflation is the Median Consumer Price Index, or median CPI. That measure was 5.72 percent at August 1, 2023, significantly higher than the standard CPI. That is why the headlines are, even though they sound rosier, the median CPI shows that families are actually still suffering significantly because of Bidenomics and inflation.

While Bidenomics may define inflation as a high-class problem, as Ron Klain, the former chief of staff for Joe Biden said in the White House, most Americans disagree. The median CPI helps explain why in his recent CNN poll, 66 percent of Americans disapprove of how Biden has handled the economy with 76 percent describing the economy as in poor shape. Congress can act to help slow the ill effects of Bidenmomics through a return to the economic principles that built America's extraordinary economic engine: fiscal prudence, competition, and regulation that enhances rather than undermines fair competition and growth. Thank you very much.

Mr. FALLON. Thank you. The Chair now recognizes Mr. Antoni for his opening remarks.

STATEMENT OF E.J. ANTONI RESEARCH FELLOW GROVER M. HERMANN CENTER FOR THE FEDERAL BUDGET HERITAGE FOUNDATION SENIOR FELLOW COMMITTEE TO UNLEASH PROSPERITY

Mr. ANTONI. Chairman Fallon, Ranking Member Bush, Members of the Subcommittee, thank you for the invitation to discuss with you today the impact of Federal spending, debt, and inflation on the American people and various aspects of our economy as well. I am a public finance economist at the Heritage Foundation, where I research fiscal and monetary policy, with a particular focus on the Federal Reserve, and I am also a fellow at the Committee to Unleash Prosperity.

The last 3 years of public policy have been characterized, most notably, by excessive government spending, inflation, and anemic economic growth. Despite periods of near-record high Federal revenues by multiple measurements, we have seen deficits of $2.7 trillion, $1.4 trillion, and $1.6 trillion in fiscal years 2021, 2022, and 2023, respectively, with the last month of 2023 being estimated, and with the deficit for Fiscal Year 2024 projected to be $1.9 trillion, yet another increase.

Massive borrowing by the Treasury and monetary financing of deficits by the Federal Reserve created 40-year high inflation and imposed a hidden but heavy tax on the American people. Inflation transfers wealth from the people to the government, and, frankly, there is no better definition of a tax than that. It is worth pausing for a moment, as well, to emphasize that it is the government and only the government which can create inflation because it is only the government that has control over the money supply.

A lot of scapegoats are thrown around for inflation, such as greedy businesses or spendthrift consumers or grasping unions trying to get higher wages, whatever the case may be. These are all tropes that were dragged out in the 1970's, and they are just as untrue today as they were then. As just one example, prices paid by businesses have actually increased faster under President Joe Biden than prices paid by consumers. If businesses are being greedy, they are certainly doing it wrong.

Prices, on average, for consumers have increased 16.6 percent since President Joe Biden took office, and wages have not kept up. Meaning inflation adjusted weekly earnings are down 4.7 percent for the typical American family with two parents working and earning that average weekly pay. This has been a loss in annual purchasing power of over $5,100. Shockingly, the average American worker now loses more through the hidden tax of inflation on his hourly wages than he pays in Federal income tax. Similarly, household net worth has increased about $23 trillion during Mr. Biden's tenure, but nearly all of that is just inflation. Almost all the household net worth generated over the last 2 1/2 years has effectively been transferred to the government through inflation. And while headline inflation has come down since June 2022, things are not improving for many Americans. Inflation has actually reaccelerated in the last 2 months, and the monthly change in real earnings was negative in both July and August. In terms of annual change, things have been even worse under Mr. Biden.

Annual weekly earnings growth has lagged inflation for all but the first 2 months and the last 3 months of Mr. Biden's presidency to date. The 26 months in between are record for consecutive annual declines in real earnings growth. As interest rates rise in the wake of 40-year high inflation, borrowing costs have risen for businesses, consumers, and the Treasury, creating an unsustainable problem for the United States Treasury and the current trajectory of both the deficit and the debt.

In terms of the American family, I estimate that for the typical American family, they are paying an additional $1,800 a year now in higher financing costs compared to January 2021. Coupled with the decline in real earnings, this leaves a family roughly $7,000 poor than when Biden took office. However, it should be emphasized that many Americans are even worse off than that. For those trying to buy a home today, the monthly mortgage payment on a median priced home has risen over $1,000 during that time, and so, it costs a family about $13,000 more per year every year over the life of a 30-year mortgage.

These are just a few examples of how Bidenomics, excessive government spending, borrowing, and creation of money has inflicted a tremendous amount of financial pain on the American people.

Mr. FALLON. Thank you. The Chair now recognizes Professor Mulligan for his opening statement.

STATEMENT OF CASEY MULLIGAN PROFESSOR OF ECONOMICS UNIVERSITY OF CHICAGO

Mr. MULLIGAN. Chairman Fallon, Ranking Member Bush, and Members of the Subcommittee, thank you for the opportunity to discuss with you today how Federal policy is affecting the economy, workers, and consumers.

Under the Biden Administration's policy agenda, high inflation has emerged as a hidden and bothersome tax. Regulatory costs add another layer of hidden taxation, especially burdening small businesses and low-income households. The labor market has been affected by this agenda with real wages falling below pre-pandemic trends. According to the CBO, the Federal debt held by the public is already 98 percent of a year's GDP and would almost double to 181 percent by 2053 under current law. This is driven by Federal spending.

Government spending has to be paid for either with taxes narrowly defined, such as income taxes, or taxes in the future, or the inflation tax. For example, the recent inflation surge translated to a $2.2 trillion unanticipated tax on debt holders administered in less than 3 years as the purchasing power of their assets was eroded. A recent econometric study concludes that the recent and previously unanticipated fiscal expansion in the U.S. and other OECD countries is likely a key driver of inflation in 2020 through 2022. Even without new tax legislation, inflation increases marginal tax rates on businesses and personal incomes, deterring business investment and reducing real wages.

Beyond taxes, many regulations make workers less productive and, thereby, reduce the wages that they can earn. Others make consumer products, such as prescription drugs, automobiles, and internet service, more expensive. The rules finalized by the Biden Administration through the end of 2020 impose costs of nearly $10,000 per household. That is new. Of course, we had regulations before that, which is a $1,300 more than the new regulations that the Obama Administration had created during the comparable timeframe. If the 2021–2022 regulatory pace accelerates as it did in the Obama years, costs would near $60,000 per household after 8 years of rulemaking.

President Trump's pace was in the opposite direction, saving the average household $80,000 compared to what the Biden Administration is doing. The $80,000 in regulatory costs far exceeds, for example, the revenue provisions of the Build Back Better Act, which would have cost only—only in Washington could I use that phrase—$14,000 per household if it had passed.

For the purposes of understanding economic consequences, the Biden agenda fits into two categories. One category would be redistributive policies that reduce employment, and the second category would be policies that reduce productivity and real wages. Redistributive policies distort the economy twice. First, as the revenue is raised, households and businesses change their behavior to alleviate the burden. Often this involves less investment in business capital, less investment in human capital, and less work. Other times investment in work are redirected to less productive uses.

Second, economic distortions are created as the revenue is dispersed, particularly regarding safety net programs. Households and businesses change their behavior to become eligible for the program or increase the benefit received. A good projection of the combined effect of the Biden spending regulatory and tax agenda is to reduce labor income, the income that workers get, by 5 to 6.5 percent. Unsurprisingly, the labor market is, in fact, falling short. Real employee compensation per adult was already 3.3 percent below the pre-pandemic trend as of the end of 2022.

Small businesses are especially burdened by taxes and regulations. New Federal regulations are regressive, meaning they proportionately hit lower-income households more than high-income households, especially because many rules, from health insurance to telecommunications to environment, are, in effect, forcing middle-and lower-class families to have champagne taste on a beer budget. Several policy options can reduce tax debt and/or regulatory burdens.

Regarding safety net programs, eligibility and benefit rules could return to, say, what they were in 2008 when we had a safety net, but not as large as it is now. Even though the latest poverty rate is 15 percent below what it was in 2008, the fraction of the population participating in Medicaid has increased more than 70 percent. Poverty goes down, but government program participation up. SNAP participation far exceeds the number of households in poverty. Safety net program integrity has also dramatically eroded. I am not sure there is much left with hundreds of billions of dollars spent that should not have been spent under the law. Federal healthcare programs can be reformed to require less revenue while providing greater value to patients.

More specifics are provided in my written testimony on the Trump Administration's Choice and Competition Report. Thank you.

Mr. FALLON. Thank you. The Chair now recognizes Mr. Kogan for his opening remark.

STATEMENT OF BOBBY KOGAN
SENIOR DIRECTOR OF FEDERAL BUDGET POLICY
CENTER FOR AMERICAN PROGRESS

Mr. KOGAN. Chairman Fallon, Ranking Member Bush, Members of the Subcommittee, thank you for inviting me to testify.

Today, I intend to make two points. First, the investments in the last 3 1/2 years were appropriately sized and led to the strongest economic recovery in my lifetime. And second, the cuts proposed by the House Appropriations Committee Republicans would harm America by underfunding critical programs. In response to a once-in-a-century pandemic, American demand plummeted, leaving the economy at its most vulnerable states since the Great Depression.

[Chart]

Mr. KOGAN. The prime-age employment-to-population ratio, or EPOP, dropped 10 percentage points in 2 months. And even when the economy largely reopened, prime-age EPOP still stood roughly as low as the trough of the Great Recession, but rather than taking 10 years to recover, our economy did so in under 2 years. Our rapid recovery was possible only because of significant investment into the economy and the American people.

The Biden Administration built upon the previous COVID bills to provide relief and ensure the American economy was able to invest in the future. The American Rescue Plan expanded on many of the earlier critical programs. It was intended both to ensure households could weather a difficult economy and to ensure that the economy that we rebuilt would be better and more resilient. Through the Bipartisan Infrastructure Law, the bipartisan CHIPS and Science Act, and the Inflation Reduction Act, the Biden Administration made significant investments in the future. The result has been large progress.

Among G7 nations, the United States has had the strongest pandemic recovery, and, incredibly, U.S. real GDP has roughly returned to where CBO projected it would be before the pandemic even happened, as if COVID and the ensuing recession had never happened. Our historic recovery has also led to the strongest job market in U.S. history. Adjusting for demographics, the employment-to-population ratio is at its highest level in history, and black prime-age EPOP is hovering around its historic high with a historically small gap between black and white prime-age employment.

This strong job market has benefited the American people. Real average hourly earnings of production and nonsupervisory employees have matched their pre-pandemic trend also as if the pandemic had never happened, and gains have been particularly strong among lower-wage workers. Importantly, that has happened because inflation has come down. The United States also has the lowest core harmonized inflation among G7 countries. Further, the path in recent months is encouraging. Core CPI has been trending down since the spring of 2021, with a 3-month annualized average down to 2.4 percent. And even better, the contribution of housing rents to CPI inflation, which rose due to longstanding supply shortages in the U.S. meeting pandemic shifts in demand, is cooling and approaching pre-pandemic levels.

While inflation rose to uncomfortable levels as the economy largely reopened, this was not caused by excessive stimulus. CBO estimates potential GDP, which measures how much the economy can produce without creating excessive inflation, and it believes that GDP ran barely above potential for only one quarter, and that the economy otherwise has run slightly below potential. In other words, our COVID response was appropriately sized. Instead, a global pandemic broke supply chains and caused monumental shifts in demand. It is impossible for inflation to not rise in the presence of supply chain issues and massive shifts in demand, but as supply chain issues subsided and companies shifted their supply and production to match new habits and demand, inflation has come down.

This progress is being threatened now by the work of the House Appropriations Committee Majority. Despite rhetoric to the contrary, non-defense discretionary funding, excluding VA medical care, or NDD Star, shrank as a percent of GDP in the first 2 years of the Biden Administration. Despite this, House Republican appropriators wrote levels $58 billion below the debt limit deal, which would leave NDD Star at its lowest level on record going back more than 60 years. Even worse, the cuts proposed to achieve this low level of funding are extreme. To highlight just three: Title I education grants would be cut by nearly 80 percent, money that ensures our drinking water is safe would be cut by 59 percent, and nutrition assistance for newborns and pregnant moms would also be cut. These cuts would harm the American people. Even worse, they seem to be the asking price for not forcing a government shutdown. Immediately during a government shutdown, some children with cancer would be denied treatment at NIH facilities, and some of our food would go without its health and safety inspections.

The government is supposed to work for the American people, and neither cutting programs that people rely on nor shutting down the government serves that purpose. Thank you.

Mr. FALLON. Thank you. We are going to recess for votes, and the Committee will return 10 minutes after the close of the final vote. Thank you very much and we will be right back.

[Recess.]

Mr. FALLON. The Subcommittee will come to order. I now recognize myself for 5 minutes of questions.

Ms. Sheffield, in my district in North Texas, I have heard countless constituents, you know, they complain, I mean I feel it myself, about the cost of things. And like, for instance, I believe, roughly speaking, the average gasoline across the country was $2.39 when this Administration took office, and it is now, depending on where you are, national average is about $5. Well, actually, that was in June of last year. It is a little lower than that now. What examples like this would it say about the “success or lack thereof” of the Biden Administration’s economic policies?

Ms. SHEFFIELD. I would say just looking at the numbers, but going beyond the numbers as well, just talking to people that the headline inflation is certainly not actually how families feel and how they are actually experiencing when you are talking about food inflation, fuel inflation. You know, my esteemed colleague, with all due respect, his graph that he has here when he is comparing the inflation to other countries, it excludes energy, food, and housing, which are pretty much what you need to survive. So, I do not——

Mr. FALLON. Would it be fair to say those three things are——

Ms. SHEFFIELD. Yes.

Mr. FALLON [continuing]. Main economic drivers?

Ms. SHEFFIELD. Absolutely, and especially for the people that are in your district, it is personal, it is their everyday life. And so, that is why Bidenomics is failing them.

Mr. FALLON. Mr. Antoni, what has been the impact of the expiration of the expanded child tax credit on poverty, and what has been the impact of inflation on poverty?

Mr. ANTONI. Thank you. In terms of inflation, I think it will probably be best to discuss that one first because inflation is actually the only thing that can increase the poverty threshold. And so, as inflation has outpaced earnings during the Biden Administration, it has caused more people to fall below that poverty threshold. That is literally just what the numbers tell us. There is nothing else that can increase that poverty threshold.

In terms of the expansion of the child tax credit, you would expect that once that went away that you would simply return poverty rates for children to the level that they were at previously, but that is not what we have seen. We have instead seen the rate go much higher. And again, the reason for that is because inflation has pushed that threshold so high that many people's nominal earnings have not kept pace with inflation and have therefore fallen below the threshold.

Mr. FALLON. And while we are visiting, what is the impact of supply chain distributions on inflation

-disruptions, rather?

Mr. ANTONI. Mr. Chairman, in terms of supply chains, the disruptions there, well, let me put it this way. It is very similar to what we just said on poverty in that if supply chains really were the only driver behind inflation, if it had nothing to do with fiscal and monetary stimulus, then once those supply chain issues were resolved, not just inflation would come down, but prices would come down. Prices would simply return to where they were previously, and that is not what we have seen at all.

Actually, the last several reports from S&P Global, their Purchasing Manager Index that analyzes global supply chains, showed that there is no more pandemic-era impact in terms of supply chains. In other words, things are back to normal, and yet prices are not, and the reason for that is because the fiscal and monetary conditions today are not back to where they were——

Mr. FALLON. So, you are saying that there is an increased money supply, and the goods are out there. They remain steady, so when you have more money relative to the goods, the goods cost more, in very simplistic terms.

Mr. ANTONI. Exactly. Uh-huh.

Mr. FALLON. Yes. I mean, it is easy to wrap your mind around it. Now, is it true that real weekly earnings have exceeded inflation, the annual rate of inflation for 26 of the 31 months of the Biden Administration?

Mr. ANTONI. Yes, it is. You can see on page six of the testimony that I submitted. Only the first 2 months of the Biden Administration and now the most recent 3 months have seen positive annual real earnings compared to inflation, but in the 26 months in between, it was negative, which is a record.

Mr. FALLON. Thank you. Mr. Mulligan, you are an expert in economic growth. That is one of the purviews, of course, of this Committee, as well as regulatory reform, yet another purview of this Committee. Before the pandemic hit, the Trump Administration demonstrated some of the most pro-growth policies that we have seen in generations. How has the Biden Administration policies reversed the possibility of growth, and what do we need to do right now to get on the right track and get our economy moving again?

Mr. MULLIGAN. Really, all the policy levers have been pushed in the opposite direction of President Trump to the extent they could. President Trump had a tax cut that needs some renewing, I guess, and that might not happen. A lot of the regulations have been totally reversed, not all of them, and both of these things go toward reducing productivity rather than productivity growing like you see in energy where we were pumping more and more and more. We are less productive. We are less able to do what we used to do.

Mr. FALLON. My time has expired. I yield to the Ranking Member for her 5 minutes of questions.

Ms. BUSH. Thank you, Mr. Chairman. St. Louis and I are here today because our economy needs to fully recover from the devastating effects of the pandemic. Housing is the bedrock of our Nation's economy. One of the biggest challenges facing St. Louis and communities across the country is a dire shortage of affordable housing. When landlords raise rents, my constituents face increased housing insecurity and the threat of eviction.

Renters in St. Louis and around the country are forced to contend with Wall Street investors who buy up homes in the area, jack up rents, and neglect building maintenance, all to extract greater profits. Private equity firms took advantage of unprecedented foreclosures during the 2008 recession, which forced millions of people from their homes. These corporations seized on historically low interest rates to purchase foreclosed homes. Local landlords and small business developers have been muscled out of the local housing market.

In 2022, the *St. Louis Post-Dispatch* estimated that out-of-state investors owned nearly 34,000 single-family homes in the region. Investors have doubled the percentage of homes they own in my district over the last 10 years. In one housing complex in my district called Ridgeview Apartments, the property has changed hands at least 4 times in the last 3 years. This wreaks havoc on residents and creates a dire lack of accountability. Ridgeview residents report there are so little communication that some people realize too late that they were sending their rent checks to the wrong place, and it is difficult to keep track of who their landlords are.

The St. Louis area is experiencing a housing crisis, and evictions are at the highest level in years and still on the rise. Wall Street speculators have turned places like Ridgeview from homes for families into assets on their balance sheets. Working families can no longer afford to buy or even rent many places that were previously affordable. Mr. Kogan, what are the advantages of homeownership for building household and generational wealth?

Mr. KOGAN. Thank you, Congresswoman. Homeownership is one of the best ways for families to build wealth and to pass on intergenerational wealth. And to the extent that we have seen policies in U.S. history, such as redlining, that have discriminated against people in the United States, this thing that is supposed to work for everyone has been limited to a certain cohort. And to the extent that the economy does not work for a whole host of Americans, then that is not working for Americans.

Homeownership is beneficial because it is forced savings that allows you to build equity and also pushes costs away from when you are stuck in a fixed-income later, and pushes it to when you are more able to afford it. And so, as home equity, as private—I am sorry—as private equities come and buy up a lot of the housing stock, this limits the ability of individuals to capitalize on this ability to take advantage of these mechanisms. So as the forced savings goes away, folks are not able to kind of to use that. Sorry. Thank you.

Ms. BUSH. No, you are fine, and I think you started to hit on this point, but Mr. Kogan, how would you say that private equity snapping up these housing makes it more difficult for the average American family to purchase a home? Like, you started there, but if you could go a little further with that.

Mr. KOGAN. Sure. So typically, a lot of people will be able to buy from an individual with a whole lot of buyers or a whole lot of sellers. There is kind of a broad ability. You can shop around. You can find someone who fits whatever you are looking for. And to the extent that more and more of the housing stock is being bought up by a few select companies, we are moving toward or moving closer and closer to a monopsony where a few sellers are able to set all the prices. And so through this, it is limiting kind of the ability for folks to shop for what they need and able to find what they can do.

Ms. BUSH. OK. Thank you.

Mr. KOGAN. Thank you.

Ms. BUSH. The Biden-Harris Administration is working to address this problem. The Administration's Housing Supply Action Plan will reduce barriers for families to access housing by expanding financing for low-income and climate-ready housing and promoting the conversion of unused commercial space to residential space. Moreover, the American Rescue Plan, that not a single one of my Republican colleagues voted for, included the home program, which will add at least 20,000 units of affordable housing across the United States while supporting 23,000 households with rental assistance. congressional Democrats and the President have taken fundamental steps that support American families. Far too many people struggle to secure basic housing, and yet our colleagues across the aisle and their type of economics seek to cut taxes for the wealthy and cut services for those in need. It is absolutely shameful, but I yield back.

Mr. FALLON. Thank you. The Chair now recognizes Mr. Edwards of North Carolina.

Mr. EDWARDS. Thank you, Mr. Chair. Ms. Sheffield, in opening comments, I heard that inflation, since Joe Biden had been our President, had increased. I heard somebody testify 16.6 percent, I heard somebody testify 17.1 percent, and I also heard a testimony that the additional cost for many of the things that people have to buy now is being financed on their credit cards. What is the long-term effect of $1 trillion in credit card debt? Where are we headed?

Ms. SHEFFIELD. It is extremely corrosive to building intergenerational wealth to have, you know, especially rollover balances from month to month and having to pay these very high interest rates. So, it becomes this hole that you cannot dig out of, and that is really the whole that is the fruit of Bidenomics to pile on consumer debt onto families. In terms of housing, I think it is important because housing is, you know, quite often the largest budget chunk of the family budget. First of all, the redlining was created by FDR, a racist administration. The FDR New Deal program was the one that created redlining, so that is very, very important to just historically put on the record.

But when it comes to housing supply, if you talk about St. Louis and other cities, the vast majority where these urban pockets of construction of housing supplies are constricted, they are run by Democrat regulation. They are run by progressive policies that constrict the supply of housing. So, if you want to have more housing supply, you need to have zoning regulation that is more competitive. And unfortunately, these areas where the worst housing supply constrictions occur are in progressive areas. And so, I would say that that is my recommendation in terms of improving housing supply.

The other massive increase in inflation is energy. And so, we see just recently, within the last couple of weeks, the Biden Administration again saying we are going to constrict drilling in Alaska and other areas of the United States. Who wins in this scenario? It is OPEC that wins. It is Russia that wins. And so, it is so counterproductive for U.S. taxpayer dollars to go and fund to fight the Ukrainian war against Russia, meanwhile Joe Biden is here domestically constraining our own domestic oil prices and hitting families over and over.

Mr. EDWARDS. Thank you for that. So, with inflation hitting the American household, we heard a couple of different numbers there. I am going to round it off to $5,000 a year. What are folks doing without? How are their purchasing habits changing, because surely, most of us could agree that when we are looking at 17-percent inflation, most of the harm falls on working-class families and the poor because much of their disposable income is being eradicated by inflation, and I think that would be a concern to all of us in this room. So how are they coping? What are they doing without?

Ms. SHEFFIELD. Sure. I would say it is the poor as well as retirees as well where, you know, typically when you retire, it is when your highest peak net assets or net worth. But unfortunately, because of Bidenomics and what has happened with inflation, the net worth of many seniors living on fixed income is incredibly tight. And so, you are seeing grandparents having to forego vacations or forego helping with their grandchildren's education. You are seeing people actually just dropping out of the education situation altogether, especially young men just not even going to college because it is so expensive. And unfortunately, the Biden Administration's plan on student loans, it is so counterproductive, it does nothing to actually address the root cause of inflation in education. It simply takes the U.S. tax money and subsidizes the wasteful policies that are being held at the university instead of actually holding the university accountable for the rise of inflation for student tuition.

So, you are seeing people forgo education. You are seeing them having to intergenerational, you know, housing, more people within the same, you know, family, grandparents living together, which, you know, could be good or bad depending on the family dynamic, but yes, people are making do. But unfortunately, as I said earlier in my opening statement, I believe it is 52 or 54 percent of families, according to CNBC, reporting that they are dipping into their savings to pay for groceries and to pay for everyday expenses like rent. That is deeply unsustainable, and it is the fruit of Bidenomics.

Mr. EDWARDS. All right. Thank you. Mr. Chair, I yield.

Mr. FALLON. Thank you. The Chair now recognizes Ms. Brown from Ohio. Oh, she is not here? All right. Well, you know why, because Notre Dame is playing Ohio State, she is probably trying to get ready, and Notre Dame will thrash them, but that is an editor's comment.

Ms. BUSH. Oh, OK.

Mr. FALLON. OK. The Chair now recognizes Ms. Norton from D.C.

Ms. NORTON. I thank the Chair. Mr. Kogan, during the height of the COVID–19 pandemic, the world faced a bleak economic future. High unemployment, tangled supply chains, and inflation, all threatened the future of American families, but let us look at where we are now. Unemployment has stayed below 4 percent for 19 straight months. Grocery store shelves are full. Inflation is less than half its peak. So, Mr. Kogan, would you describe the Biden-Harris economy as fairly healthy?

Mr. KOGAN. Thank you, Congresswoman. Yes, I would say that we have had enormous progress in the past 2 1/2 years.

Ms. NORTON. Yes. Low unemployment, inflation improving, it is hard to top that. The Treasury Department has shown that the American Rescue Plan led to 4 million additional jobs and almost doubled GDP growth. These benefits have also served to address historical inequities and increase opportunities for all Americans. Mr. Kogan, can you expand more about how the American Rescue Plan has benefited the economy and American families, particularly those families that may traditionally be left out of economic upswings?

Mr. KOGAN. Absolutely. So, there are two kind of main parts of the American Rescue Plan. The first was to provide assistance right then, and the second thing was to try to make sure that we would have a strong job market coming out of the COVID recession. So, in the first part, it built on a lot of the bipartisan things in the Trump Administration. It sent out more money to families. It continued the expanded unemployment insurance at a lower rate as was necessary at that time. It expanded the Child Tax Credit and kind of made it a monthly benefit to make sure that working parents were able to—and also the most vulnerable parents—were able to better afford the cost of having children. So, that sort of stuff all helped families at the time.

And then by also pumping money into the economy, helping invest in the future, it created the strongest job market in U.S. history. Right now, the employment-to-population ratio adjusted for demographics is the strongest it has ever been, and that has redounded to the benefit of the American people. And we see that low wage earners are actually doing the best out of any cohort of folks.

Ms. NORTON. Well, let us turn to another one of the Biden-Harris Administration signature achievements, the Inflation Reduction Act. Mr. Kogan, this bill, which passed without a single Republican vote, has already resulted in 170,000 new jobs in clean energy and climate resilience with projections estimating that the IRA will catalyze more than 1.5 million additional new jobs over the next 10 years. So, Mr. Kogan, how will these new jobs created by the IRA improve the U.S. economy?

Mr. KOGAN. Thank you, Congresswoman. So, the point here is to make sure that not only could we have clean energy, we would also be able to be energy independent. And these jobs were intended to, for instance, rebuild if you had a broken-down coal mine that was no longer operable. It was intended to turn that into something that would be able to work in the future, right, so whether it is now a battery plant or something like that. So, these jobs are intended to exist going forward in terms of our energy security and to exist for the years to come.

Ms. NORTON. Mr. Kogan, my colleagues seem very concerned about the deficit. What effect will the IRA have on it?

Mr. KOGAN. Thank you, Congresswoman. So, CBO scored at a savings of about $300 billion. We believe that is an underestimate because it does not take into account the indirect effects of the tax enforcement. Of course, to the extent that some of that gets repealed, then some of the savings go away. Since then, we have found that some of the tax credits are going to work better than previously thought and therefore be a little bit more costly. The most recent estimate is that it might still save maybe $100 billion or some. I do not have the exact number off the top of my head, but that it still saves money.

Ms. NORTON. Democrats' American Rescue Plan and Inflation Reduction Act are the kind of investment that the United States has needed for decades. I continue to support the President and Bidenomics for investing in American communities that have faced decades of neglect, and I yield back.

Mr. FALLON. Thank you. The Chair now recognizes Mrs. Boebert from Colorado.

Mrs. BOEBERT. Thank you, Mr. Chairman, and thank you to our witnesses who are here. It has been very enlightening just hearing the wealth of information that you all are sharing and answering the questions.

My first question is directed to Mr. Kogan. In your testimony, you falsely claim that because of the trillions of dollars spent in the Biden Administration that America has the "strongest economy recovery in more than a generation." And I just want to know, are you aware that just yesterday, America exceeded $33 trillion in debt? This is the first time in history, $33 trillion in history. And are you also aware that inflation's impact is on groceries and that is at an all-time high?

Mr. KOGAN. Thank you for the question, Congresswoman. What I was saying was that real GDP, we are leading the pack in terms of real economic growth among the G7 nations. We are back to where CBO thought we would be, roughly, and then we have had the first V-shaped recovery of my entire life.

Mrs. BOEBERT. So, Mr. Kogan, at $33 trillion in debt, all of this is due to wasteful Washington spending by Biden, by Pelosi. They financed and borrowed and printed money that we do not have. We are spending more than we are bringing in, and yet your testimony places blame on House Republicans who are working diligently to be fiscally responsible.

We are in meetings daily right now trying to get our fiscal house in order so we do not go off of this fiscal cliff that we are all hanging on the edge of, but currently, we have 20 million Americans who cannot afford their electric bill. Americans have lost more than $2 trillion in retirement savings, and gas is nearly $4 a gallon, and, I mean, that is back up again under this Administration, and Americans are paying more for absolutely everything else.

People are struggling all throughout Colorado's 3d District. This is what I am hearing—people cannot afford to live, and this does not sound like the strongest economic recovery in more than a generation to me. So now, Mr. Kogan, you also state in your testimony that under this Administration "inflation has gone down," and this is a boldfaced lie. Americans are paying more for everything. Do you know how much American families will pay due to inflation, the inflation tax, in just over the next year?

Mr. KOGAN. Thank you, Congresswoman. Inflation in this case refers to the rate of inflation. That is how most folks talk about——

Mrs. BOEBERT. Yes, but that is not how they feel it. That is not how they are actually paying for the goods and the needs that they are trying to provide for their family—their food, their gas, their electric bills—all of these things that I have mentioned. The correct answer for how much American families will pay for this inflation tax over the next year is $8,581. That is per family. That is absolutely absurd, and in most cases, this is more than a monthly income for most families. And Joe Biden has claimed that for the past 4 decades, there has never been an economic failure, and the United States has never faced an inflation crisis as severe as we are facing under the Biden Administration. So now, do you know how much a gallon of gas is right now compared to 2020?

Mr. KOGAN. Right near me, my gas station right next to me is about $1.50 more. The reason it was so much lower during 2020——

Mrs. BOEBERT. Because President Trump had us energy independent, and we were producing American energy right here, good clean American energy. We were not relying on OPEC as much. We were relying on the American Roughneck, so that is why it was lower. I will just answer that for you. But in 2020, retail gas prices averaged $2.17 per gallon, and now we are at $3.60, up to $4.32 per gallon. I mean, that is a 50-percent increase. That is absolutely dramatic and unaffordable to average Americans who are just struggling to get by. And what about a gallon of milk? I mean, that was $3.32 and now $4.09 for a gallon of milk. Eggs. Eggs were $1.46 a dozen, and now they are $3.44. That is a 42-percent increase. Families cannot afford this.

Now, my last question. You also state that gains have been particularly strong among lower-wage workers. Now, for the average American family, weekly paychecks have grown about $200, but those larger paychecks now buy about $100 less for those income earners. Do you know the annual impact inflation has on these American workers?

Mr. KOGAN. Congresswoman, real wages are up relative to pre-pandemic levels among nonsupervisory, and——

Mrs. BOEBERT. But that number is a fairy tale, is it not?

Mr. KOGAN. No.

Mrs. BOEBERT. If you are actually spending more for the same product that you were getting, but your paycheck looks bigger, but you are paying more for the goods that you were buying just a couple of years ago, the result is the equivalent of a $5,600 annual pay cut. So, it may look good on paper. I know engineers love that. I know bureaucrats love that. I know the folks in Washington, DC. in the bubble love the way things look on paper, but in the real world, that does not work. Bidenomics is failing American families, and so are these policies. And I hope that you would actually take a look into the real world rather than just on paper. Thank you, Mr. Chairman. I yield.

Mr. FALLON. Thank you. The Chair recognizes Ms. Stansbury from New Mexico.

Ms. STANSBURY. All right. Well, thank you, Mr. Chairman, and I am glad that the last comments wrapped up around the concept of what is happening with the economy in the real world, because the single largest threat to the economy in the real world right now is a government shutdown. And what is especially strange and ironic to me is that we are sitting here this afternoon after the Majority failed to even get a continuing resolution to the floor to keep the U.S. Government open, more or less passed a single appropriations bill to keep this government functioning.

So, if we want to talk about real-world impacts, if we want to talk about people being able to pay their bills, put a roof over their head, buy groceries, and all of the things that we are talking about here today, let us talk about funding the government and making sure that the American Government and our economy can stay afloat, because that is the real world, and that is our constitutional duty and responsibility. But it is also, you know, a strange hearing that we are having here this afternoon as we are on the eve of this shutdown and hearing a bunch of distorted and strange representations of the economy.

Now, I am going to admit I am not an economist. I am a sociologist by training, but I am a former OMBer, and I want to welcome my colleague who also served in the Budget Office in the White House. And I know when folks actually understand the economy and do not understand the economy, and I just want to talk about the facts for a minute.

You know, Mr. Kogan, I appreciated some of the charts that you included in your written testimony to the Committee. And I want to make sure that we share some of those today publicly because what we are talking about is the overall macroeconomy. When we say that the macroeconomy is actually doing well in the United States, in spite of this post-pandemic hangover, and we will talk about that and its impacts here in a moment, what we are talking about is the gross domestic product.

And what we see in, Mr. Kogan, in your testimony, you have provided this chart here, which is the real GDP of the United States. Is this correct? And——

Mr. KOGAN. Yes.

Ms. STANSBURY. What do we see right here? What is happening in the year 2023?

Mr. KOGAN. Thank you, Congresswoman. You can see that it is back at the trend. That is back where CBO thought it would be before the pandemic.

Ms. STANSBURY. And what you can also see on this chart is that by billions of dollars by annual rate that we are above where we have previously been, so the GDP for the United States is on the rise. Now, part of the reason why we are seeing the economy come roaring back is exactly because of the policies that this body passed last Congress and which President Biden helped to champion.

So first of all, I want to talk about the American Recovery Plan. Now, at the height of the pandemic, we had millions of Americans who were unemployed, people who did not know if they were going to lose their homes. They did not know if they are going to be able to buy groceries. They did not know if they were going to be able to go to the doctor, and we passed the American Recovery Plan to get through the pandemic. It was not intended to be a stimulus in and of itself at the onset. It was meant to keep millions of Americans from falling through the crack and the most significant economic disruption that this country has seen since the Great Depression, and that is what it did. It kept millions of American people housed. It kept food on their table. It helped children get through the huge catastrophic impacts, parents. That is what the American Recovery Plan was about.

Now, subsequently, we have passed three significant bills that have been causing the GDP to do this. That is the CHIPS Act, which has helped to re-shore American manufacturing. It is the Inflation Reduction Act, which we have just been talking about. And it is the Bipartisan Infrastructure Law, which is going to rebuild our roads, our water systems, and all of the infrastructure that we know our communities need to have a thriving economy. And guess what? The data does not lie. The data show us that American manufacturing and investment in American manufacturing is coming back with astounding consequences, because here we are up here at the highest rate ever in American history.

Finally, if my colleagues want to talk about inflation, let us compare American inflation to post-pandemic inflation in other countries. And what you can see in this chart in the testimony that has been provided to everyone on this Committee is that American inflation, with respect to other developed countries across the world, is at the lowest rates, lower than Canada, lower than the U.K., and lower than most of the European community.

So, if our folks want to talk about facts, let us talk about facts in the real world. The American economy is strong. It is coming back, but families are struggling. They are struggling because of the pandemic. They are struggling because we still have the effects of supply chain disruptions, of soaring housing costs and soaring food costs, and we have got to address them. And I can tell you factually one thing that is not going to make it better, and that is shutting down this government. So, if my friends on the Majority want to actually help American families, then pass the budget, and I yield back.

Mr. FALLON. The Chair now recognizes Mr. Langworthy from New York.

Mr. LANGWORTHY. Thank you, Mr. Chairman, and I would like to thank all of our witnesses today for being here, and the media has been busy championing the Administration's message of Bidenomics' success. However, I spent just a ton of time traveling my district, New York's 23rd congressional District, the counties along the Pennsylvania line and the suburbs of Buffalo, speaking with my constituents and getting a real sense of their top concerns. And let me tell you, I did not meet one person that thought that

Bidenomics was any step in the right direction for this country. But things that stood out loud and clear is that Americans are having a really difficult time affording groceries and gasoline and keeping the lights on in their home, and there is a lot of angst about the costs of gas and groceries. This is the reality of Bidenomics for many Americans.

Mr. Antoni, your extensive research on inflation has shed light onto the role of as a hidden tax on American households. I am aware of your findings indicating that this inflation tax frequently surpasses Federal income taxes. Can you elaborate on how this is possible?

Mr. ANTONI. Certainly. Thank you for the question. We have to understand that inflation, because it is a devaluation of the dollar for the sake of creating new dollars, when those new dollars come into existence, where did their value come from? A portion of the wealth of every other dollar that existed previously is siphoned away and goes into those new dollars. So as the government creates inflation, it is taking that wealth away from dollar holders. So that is how the government actually takes wealth away from you through the hidden tax of inflation, and all they need to do is do this at a fast enough rate that the amount of wealth being transferred is going to exceed the amount of wealth being transferred via the Federal income tax.

To be clear, this is not the first time that this has happened in our Nation's history. You know, this exact same phenomenon happened 40 years ago when we had very high inflation rates then as well.

Mr. LANGWORTHY. Thank you. and I am sure we have all heard the Biden Administration's promise that taxes would not increase for those earning less than $400,000 a year. Would you say that he has kept his promise?

Mr. ANTONI. No, not at all, especially when you consider the fact that inflation falls most heavily on those who make lower incomes. There are a lot of different reasons for that, one of which is that lower earners tend to have incomes which adjust slower to inflation, but also looking at the things that those people buy. You know, just one example here would be, let us say, someone in the middle class would buy fillet occasionally, but now they cannot afford to, so they just buy ground beef instead.

You are moving to a foodstuff which is already disproportionately purchased by people with lower income. So, what you have done now is not only is, if you want to call it an income effect from everyone having less money or less real money due to inflation so they can afford less. But now, there is also a substitution effect, if you want to call it that, where there is an increase in demand for things disproportionately bought by people with lower incomes. In other words, the prices of the things they buy go up even faster than the average.

Mr. LANGWORTHY. Makes a lot of sense. When we think about basic economics, we know that in times of high inflation, one's money does not go as far. One cannot buy the same amount of goods that one was able to purchase before, and often those most impacted are those with less flexibility in their budget, less of a backstop for their own personal economy.

As I mentioned earlier, during my discussions with my constituents in the district, it became abundantly clear their concerns are revolving every day about covering the essential costs of feeding their families and managing their energy bills and their transportation costs. These are everyday families who, not too long ago, they could afford a weekend getaway. They could, you know, take the kids on vacation in the summer, sign their kids up for sports teams. Today, these simple pleasures, these little luxuries, they have become unattainable as they grapple with the increasing burden of paying for the necessities in life.

Ms. Sheffield, what should Congress be thinking about when considering the downstream impacts that the recent massive spending packages have had on American households in their expenses?

Ms. SHEFFIELD. Well, given that we know that the Bidenomics bills, massive bills that were already passed, exacerbated inflation, my recommendation would be to contain your spending. Do not pass these massive multi trillion-dollar additional bills that would further exacerbate inflation, and, in fact, consider supporting—your colleague recently put forward a balanced budget amendment, Jodey Arrington. I highly recommend this because it certainly would contain not only the inflation, but it would also help the long-term trajectory of the congressional budget which is on, you know, the interest payments alone will be drowning out significant investments in the public good.

Mr. LANGWORTHY. Well, thank you very much for the testimony. I certainly have more questions, but we are out of time, and I yield back.

Mr. FALLON. Thank you. Members, with that, I would like to ask unanimous consent to submit these documents and statements into the record: “The Impact of Biden Economic Policies On Americans’ 401(k) and Other Retirement Plans,” by Stephen Moore and E.J. Antoni; “Payroll Tax Revenue Down $400 Billion to $900 Billion Due to Lower Wages, Less Growth,” by Casey Mulligan; “The Cost of Biden’s War on Oil and Gas: Nearly $100 Billion a Year in Lost Output,” by Stephen Moore and Casey Mulligan; “Paying Americans Not to Work,” by Casey Mulligan and E.J. Antoni, and without objection, so ordered.

Mr. FALLON. The Chair now recognizes Ranking Member Bush for her closing statement.

Ms. BUSH. Thank you, Mr. Chairman. Despite my colleagues’ claims, the U.S. economy is actually growing, and this growth directly contrasts with failed Republican economy policies, policies that include the massive tax giveaway that former President Trump signed into law 2018, which prompted the most severe economic contraction in the United States since 1946 and cost the United States $1.9 billion.

Republicans’ economic proposals do not work and are currently driving us toward a government shutdown that will hurt families and devastate our economy. Rather than having yet another hearing to bolster Republican talking points, we should be focused on funding the government. In less than 2 weeks, millions of families in need will lose access to vital programs such as SNAP, TANF, WIC, and the administration of Social Security, Medicare, and

Medicaid will grind to a halt because our Federal workforce will be unable to serve our communities.

Just a couple of hours ago, House Republican leaders postponed the vote, voting on a rule to bring a stopgap bill to the floor. We also know that a shutdown would have a devastating impact on the economy. The partial shutdown from 2018–2019 reduced economic output in the United States by $11 billion over 2 quarters, $3 billion of which the economy never regained. The difference is clear and of massive consequences to our communities. Economic recovery should be the highest priority of the Biden Administration, and we are thankful. With that, I yield back.

Mr. FALLON. Thank you. You know, we have staffs that help us with our comments because we are spread out a little thin, but I took some notes during this hearing and I wanted to share them with you. So, you hear Members from each party make claims and then they cite statistics and studies, and if you had lived on another planet or another galaxy and you came to this hearing, you would be scratching your head going I do not know who to believe.

So, let us just talk about some indisputable facts. No. 1, inflation is now at a 40-year high. Nobody can dispute that. No. 2, interest rates are now at a 22-year high. That is also indisputable. Real weekly earnings have exceeded annual inflation for 5 of the 31 months, 84 percent of the time during this Administration. And if you want to talk about generational wealth, generational wealth is built on a foundation of three things to start: No. 1, graduate high school; No. 2, have a full-time job; and No. 3, do not have children until you are married. If you do those three tenets, regardless of race, religion, creed, region that you live in, it is very difficult to live below the poverty line. I am sure CNN or MSNBC will find somebody that did all those three things and is below the poverty line, but is absolutely the exception and not the rule.

Then, we talk about the only Federal spending program that progressive Members ever want to talk about cutting is defense. That is the only one. Now, they ignore the fact that we live in a very small world, a very dangerous world, and a very interconnected world. And while they are all too comfortable, in fact, perfectly comfortable with cutting defense, they are also willing to give Ukraine a blank check for Ukrainian defense, which I find a little bit hypocritical or at least inconsistent. And then when you look at say 2022's deficit, which is the debt for that particular year, it was $1.38 trillion. So, if we did not spend $1 on defense, we would still have over a half a trillion dollars in deficit spending. Defense is not the issue. In fact, defense has been the slowest growing major Federal spending category since 2000, and even that 2000 year base, that base year, was following 10 years of post-cold war cuts. So, the U.S. military as a share of GDP remains the lowest level since World War II.

So, more spending is not the solution to inflation because if all of those spending programs worked as well as my Democratic colleagues have claimed, well, why did we stop at $3 trillion or $4 trillion of spending? Why didn't we spend $40 trillion if it is so good? And then let us talk about, because the American people or my friend from the other galaxy that attended this hearing, need to see contrasts. So, my colleague and Ranking Member mentioned about student loans and said that student loan forgiveness she fully supports. Well, I completely disagree because it is not student loan forgiveness. It is student loan transfer.

First, that program would cost, general consensus, cost about $400 billion. And it would benefit, ironically, the highest earners will reap about two-thirds of that benefit of the giveaway. And then you have to think about, what about the folks that had never went to college? What about the folks that went to college and did not take out a loan? What about the folks that went to college, took out the loan, and then paid it back? Is that fair to them, and the answer to that question is, of course, no. It is patently unfair. It is patently un-American, in fact.

The outstanding Federal loan debt is about $1.7 trillion. There are 255 million adult Americans. Forty-five million have student loan debt, so that would make it to 210 million adult Americans would have to bear the burden for, not this forgiveness, but this transfer. And the median borrower, they did a study in 1992 and they just recently did another study and they found the same thing, that about four percent of their monthly income is spent on student loans. They got plenty of money to pay off their loans, and it also sets a horrible precedent to folks that willingly went into an agreement to say I will borrow money and I promise to pay it back. And then what about future borrowers that say, hey, they give loan forgiveness? I will sign this thing, but I am probably going to get forgiveness in the future, or, again, more accurately transfer. It is simply unfair.

And so, we have to recognize the fact that we do have a $33 trillion debt. And I believe from CBO, that if we continue to spend at the rate we are going now, that in 10 years, half of the Federal budget will go to loan repayment, will go to paying service on the debt. That means that there is going to be less money for defense, there will be less money for infrastructure, and there will be less money, ironically, for entitlements.

So, I remember this very hyperbolic commercial that some organization put out where you had an actor playing Paul Ryan, and he was pushing grandma off the cliff. Well, it seems to me that folks that did not want to address this runaway spending, which would be my Democratic colleagues or at least most of them, are proverbially, hyperbolically are they pushing grandma off the cliff because it is going to be a heck of a lot less money for entitlements if we do not get our fiscal house in order.

I want to thank the witnesses for coming today. Thank you for your testimony and your knowledge and sharing your points of view.

And with that and without objection, all Members will have 5 legislative days within which to submit materials and to submit additional written questions for the witnesses, which will be forwarded to the witnesses for their response.

Mr. FALLON. If there was no further business and without objection, the Subcommittee stands adjourned. Thank you.

[Whereupon, at 4:36 p.m. the Subcommittee was adjourned.]

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