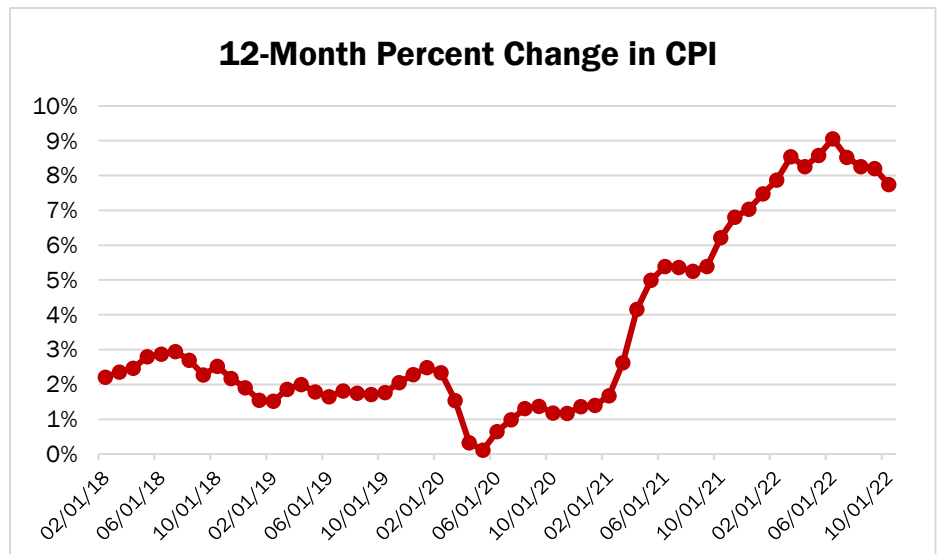


# GUIDE TO THE ISSUES

## MASSIVE SPENDING FUELED INFLATION

Inflation exceeded economists' expectations month after month, making Larry Summers' prediction that President Biden's stimulus could "set off inflationary pressures of a kind we have not seen in a generation" a reality.<sup>1</sup> Inflation is known as "the cruelest tax," as former Chair of the Federal Reserve Paul Volcker previously noted, since it hurts those on fixed incomes, such as the poor and elderly, the hardest.<sup>2</sup> After Democrats pushed through a record amount of spending, the last thing Congress should be doing is spending trillions more.



Source: Bureau of Labor Statistics

- **Americans are feeling the pain of inflation across more goods and services.**
  - Despite officials' attempts to convince Americans that inflation is abating, inflation expectations a year into the future remain well above the Federal Reserve's 2% target.<sup>3</sup>
  - As a result of Americans' budgets being stretched thin by high prices, the personal savings rate hit the lowest level since 2005 while credit card debt skyrocketed.<sup>4</sup>
  - Inflation stems from an increase in the general price level across a large basket goods and services over time, rather than a rise in prices of just a few items or a temporary change.<sup>5</sup>
  - While prices were rising for only a few items early in 2021, such as the price of gas and used cars, the increase in prices is now being reflected across nearly everything Americans buy.<sup>6</sup>
  - As inflation continued to spread across the economy, prices climbed to double digit rates for numerous goods and services compared to the year before.<sup>7</sup>
- **As price increases persist, it is now clear inflation was not "transitory."**
  - While arguments that inflation was just "transitory" may have been reasonable earlier in 2021 when larger-than-normal price increases had only been occurring for a few months, that argument no longer holds weight.
  - The consumer price index (CPI) has now been rising at a rate above 2% year-over-year since March of 2021, hitting an over 40-year high of 9.1% in June of 2022.<sup>8</sup>
  - The personal consumption expenditures price index (PCE), the Federal Reserve's preferred measure of inflation, has also been running at over 2% for over a year, even though it tends to show less inflation than the CPI measure.<sup>9</sup>
  - After 6 months of CPI running above 5% compared to the year before, Federal Reserve Chairman Jerome Powell conceded he would retire his use of the term "transitory" in describing inflation.<sup>10</sup>

After months of climbing prices, Democrats must recognize that their reckless energy policies of shutting down the Keystone XL pipeline and stopping new oil and natural gas leases on federal lands in conjunction with oversized federal spending bills only worsened inflation and supply chain woes. Americans cannot afford for Congress to throw more fuel on the fire by exacerbating price increases.

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<sup>2</sup> Paul Volcker Interview. PBS. <https://www.pbs.org/fmc/interviews/volcker.htm>

<sup>3</sup> Nelseon D. Schwartz and Jeanna Smialek. Inflation Fear Lurks, Even as Officials Say Not to Worry. The New York Times. March 21, 2021. <https://www.nytimes.com/2021/03/10/business/economy/inflation-markets-federal-reserve.html> and Lorie Konish. 88% of Americans are worried about inflation. Here's where they're planning to cut back. CNBC. November 18, 2021. <https://www.cnbc.com/2021/11/18/inflation-has-88percent-of-americans-worried-heres-how-they-will-cut-back.html> and Survey of Consumer Expectations. Federal Reserve Bank of New York. <https://www.newyorkfed.org/microeconomics/sce#/>

<sup>4</sup> Aaron Zitner. Inflation Emerges as a Key Concern for Voters, WSJ Poll Finds. The Wall Street Journal. December 7, 2021. [https://www.wsj.com/articles/wsj-poll-biden-inflation-voters-11638897374?mod=djemRTE\\_h](https://www.wsj.com/articles/wsj-poll-biden-inflation-voters-11638897374?mod=djemRTE_h) and Jessica Dickler. Credit card balances jump 15%, highest annual leap in over 20 years, as Americans fall deeper in debt. CNBC. November 16, 2022. <https://www.cnbc.com/2022/11/16/credit-card-balances-jump-15percent-as-americans-fall-deeper-in-debt.html>

<sup>5</sup> What are some of the factors that contribute to a rise in inflation? The Federal Reserve Bank of San Francisco. October 2002. <https://www.frbsf.org/education/publications/doctor-econ/2002/october/inflation-factors-rise/>

<sup>6</sup> Archived Consumer Price Index Supplemental Files. News Release Table 1. Bureau of Labor Statistics. <https://www.bls.gov/cpi/tables/supplemental-files/home.htm>

<sup>7</sup> *Id.*

<sup>8</sup> Consumer Price Index – November 2021. Bureau of Labor Statistics. December 10, 2021. <https://www.bls.gov/news.release/pdf/cpi.pdf>

<sup>9</sup> Personal Income and Outlays, October 2021. Bureau of Economic Analysis. <https://www.bea.gov/news/2021/personal-income-and-outlays-october-2021> and Jeffrey Bartash.

Inflation rate hits 30-year high, PCE shows, as U.S. confronts major shortages. MarketWatch. August 27, 2021

<https://www.marketwatch.com/story/inflation-rate-hits-30-year-high-pce-shows-as-u-s-confronts-major-shortages-11630068319>

<sup>10</sup> Nick Timiraos. High Inflation, Falling Unemployment Prompted Powell's Fed Pivot. The Wall Street Journal. December 6, 2021. <https://www.wsj.com/articles/high-inflation-falling-unemployment-prompted-powells-fed-pivot-11638786601>