POLICY BRIEF

HOUSE REPUBLICAN POLICY COMMITTEE

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# BIDEN'S HIDDEN INFLATION TAX ON AMERICANS

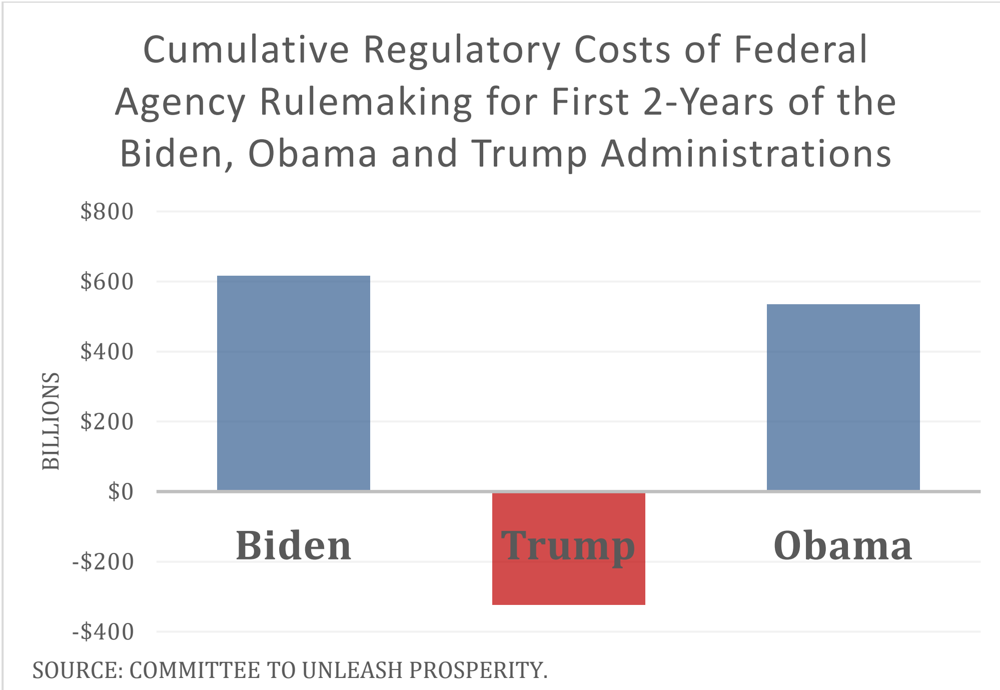
Since the Biden administration took office, federal deficit-spending and debt continues to rise. This has unleashed high inflation, leaving Americans with higher interest rates, reduced real inflation-adjusted incomes, greater financial risks and uncertainty, and slower economic growth.

While the overall rate of inflation has subsided in recent months, the fact remains that prices are up significantly since President Biden took office. Often termed a "hidden tax" on income, inflation has eroded purchasing power for American households and amounted to an inflation-adjusted pay cut.

Exacerbating the inflationary concerns is the enormous increase in regulatory costs put on the economy— lowering productivity and reducing potential output— through accelerated federal agency rulemaking under the Biden administration. "Bidenomics," the economic agenda of inflationary deficit-spending policies, higher taxes, increased regulations, and "green" corporate welfare, is not a win for Americans.

- **Imposing a hidden "inflation tax" on Americans.**
  - President Biden made a pledge not to increase taxes on middle class Americans.[1] Yet, because of the administration's deficit-spending policies,[2] Americans are effectively facing an additional "inflation tax" on their hard-earned income.
  - The additional inflation tax is forcing average American households to shift to lower quality products and spend more of their hard-earned incomes on basic goods and services.[3,4]
  - While the inflation rate has slowed since reaching a peak rate of 9.2 percent last June, core inflation, which accounts for most of the goods and services that Americans purchase, has remained persistent at 4.8 percent, and general prices have increased about 16 percent since January 2021.
  - Real inflation-adjusted compensation has contracted since Biden took office.[5] The increase in prices has outpaced the increase in wages since Biden took office and, in effect, has brought down average pay by more than 13 percent.[6,7]
    - This translates to an additional tax on income that costs middle class households about $9,000, leaving Americans with less money to save and invest.[8]
- **Regulations increase costs and worsen inflation.**
  - The Biden administration has imposed $617 billion in regulatory costs on American producers and exceeded the $535 billion costs of regulatory rulemaking during the first two years of the Obama administration. By contrast, in the first two years of the Trump administration, deregulation across federal agencies saved Americans $324 billion.[9]
    - In 2021 and 2022, the Biden-imposed regulatory costs translated to $9,600 per American household.[10]
    - If rulemaking under President Biden accelerates at the same pace that occurred for all 8 years of the Obama administration (currently about 15 percent ahead), cumulative regulatory costs could total$7 trillion, or $60,000 per American household.

- Households saved about $11,000 in the deregulation that occurred under the Trump administration.[11]




- There is an enormous opportunity cost with a highly regulated economy. The cumulative regulatory burdens create an enormous drag on potential economic growth, resulting in lower output, employment, income, and overall standards of living for Americans.
  - Numerous economic studies have estimated the long-term growth effects arising from the costs of cumulative regulations, with enormous opportunity costs totaling upwards of trillions of dollars in lower annual Gross Domestic Product (GDP), and tens of thousands in reduced household incomes. [12]
- Higher levels of regulation lower economic productivity, raising the cost of production which, when passed to consumers in higher prices, amounts to another hidden tax incurred by American households.[13]
  - Prices of highly regulated goods and services, from housing to hospital and medical care services, rise faster than inflation. [For more information, see RPC Policy Brief titled *Regulatory Costs Worsen Inflation*.[14]]
  - The higher cost regulations imposed on private sector companies and industries disproportionately impact lower income and middle class Americans since these households must spend more of their hard-earned incomes when purchasing these goods and services.[15]
- Overall, the high cost of excessive regulations in the Biden and Obama administrations have seized power over the economy through executive actions and accelerated rulemaking into the hands of an unelected federal bureaucracy. The hyper-regulation of the Biden administration has stalled economic recovery,[16] leaving American businesses and families with less money to deal with mounting financial risks and economic uncertainty.

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[1] Richard Rubin and Catherine Lucey. Biden's Vow Not to Raise Taxes on Most Americans Limits Infrastructure Options. The Wall Street Journal. June 23, 2021. https://www.wsj.com/articles/bidens-tax-pledge-limits-options-for-infrastructure-deal-11624454898

[2] Deficit Tracker. Bipartisan Policy Center. May 15, 2023. https://bipartisanpolicy.org/report/deficit-tracker/

[3] According to the Tax Foundation: "Inflation is when the general price of goods and services increases across the economy, reducing the purchasing power of a currency and the value of certain assets. The same paycheck covers less goods, services, and bills. It is sometimes referred to as a "hidden tax," as it leaves taxpayers less well-off due to higher costs and "bracket creep," while increasing the government's spending power.' Tax Foundation. https://taxfoundation.org/tax-basics/inflation/

[4] Jessica Dickler. Who does inflation hit the hardest? Experts weigh in on how higher prices impact households. CNBC. June 1, 2023. https://www.cnbc.com/2023/06/01/who-is-the-hardest-hit-by-inflation-in-the-us.html
[5] U.S. Bureau of Labor Statistics, Nonfarm Business Sector: Real Hourly Compensation for All Workers [PRS85006151], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PRS85006151, July 24, 2023.
[6] This rounded number shows what the average hourly wage today could purchase when the Biden administration took office in January 2021. The average hourly wage in January 2021 was $29.94 and the $33.58 in June 2023 as reported by the Bureau of Labor Statistics. This corresponds to a rounded 12.2% increase in average hourly earnings (not adjusted for inflation) and a rounded 16% increases in prices. Real Earnings- February 2021 and June 2023 Bureau of Labor Statistics. https://www.bls.gov/news.release/pdf/realer.pdf
[7] E.J. Antoni. How Bidenomics is quietly robbing you blind. The Washington Times. July 19, 2023. https://www.washingtontimes.com/news/2023/jul/19/how-bidenomics-quietly-robbing-you-blind/
[8] The JEC economists have estimated that annual inflation costs the average American household at least $8,900 (cost estimate for December 2022 through November 2023 and, based on an annualized salary using the $33.58 nominal hourly wages for June 2023, more likely an additional tax at upwards of $9,000. State Inflation Tracker November 2022. U.S. Joint Economic Committee-Republicans. December 13, 2022. https://www.jec.senate.gov/public/_cache/files/b1733e30-2646-43fa-b029-4943ef849860/inflation-tracker-november-2022.pdf
[9] The Biden administration in its first two years promulgated $260 billion in regulations under the Departments of Health and Human Services (HHS), Federal Communications Commission (FCC) and the Consumer Financial Protection Bureau (CFPB), $187 billion in rulemaking for tighter auto fuel economy/GHG standards, and over $170 billion in regulations across the EPA, Department of Energy, and other agencies. Casey B. Mulligan. Burden is Back: Comparing Regulatory Costs between Biden, Trump, and Obama. Committee to Unleash Prosperity. June 2023. https://committeetounleashprosperity.com/wp-content/uploads/2023/06/CTUP_BurdenisBack_ComparingRegulatoryCosts.pdf
[10] https://committeetounleashprosperity.com/wp-content/uploads/2023/06/CTUP_BurdenisBack_ComparingRegulatoryCosts.pdf
[11] *Id*.
[12] One economic study estimates that the cumulative regulations in the U.S. between 1949 and 2005 likely reduced total economic growth by an average of 2 percent per year. Put differently, without the long-term accumulation of regulatory costs in the U.S. over this period, GDP, or total economic output, would have been $39 trillion higher. This translates to about $130,000 greater household income for American families. Patrick McLaughlin, Nita Ghei, and Michael Wilt. Regulatory Accumulation and Its Costs. Mercatus Center at George Mason University. May 4, 2016. https://www.mercatus.org/research/policy-briefs/regulatory-accumulation-and-its-costs
[13] Antony Davies. Regulation and Productivity. Mercatus Center. May 8, 2014. https://www.mercatus.org/research/research-papers/regulation-and-productivity
[14] Regulatory Costs Worsen Inflation. House Republican Policy Committee. September 30, 2022. https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/regulatory-costs-worsen-inflation_0.pdf
[15] Dustin Chambers and Colin O'Reilly. The Regressive Effects of Regulation-2022 Edition. Mercatus Center at George Mason University. May 2, 2022. https://www.mercatus.org/research/policy-briefs/regressive-effects-regulation-2022-edition
[16] Phil Gramm and Mike Solon. How Congress Can Stop Biden's Regulatory Onslaught. The Wall Street Journal. July 13, 2023. https://www.wsj.com/articles/congress-halt-biden-regulatory-oecd-tax-debt-ceiling-mccarthy-esg-climate-spending-defense-department-ftc-sec-b374c6e4?mod=Searchresults_pos5&page=1