How To Fix The Biden Economy

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SPEAKERS

Keith

K Keith 00:00

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting â€œAs I SEA It!â€ â€“ Keith DeGreen

K Keith 00:07

Welcome to as I SEA it. I am Keith DeGreen. And our topic today is how to fix the Biden economy. Now to buy into this discussion, I guess you have to agree upfront that some fixing is in order. I certainly think there is. And I will make my case as we proceed. A reminder, incidentally, for more great content, please don't hesitate to visit DeGreen.com. And you also have an opportunity to weigh in there with your thoughtful comments. They are always welcome. All right, here we go.

K Keith 00:30

Yahoo, we're doing great. President Biden tells us the economy is in great shape. I'm so relieved. Yes, inflation is gradually abating. But it should never have gotten so out of control. And here's just one sign of the times, credit card and household debt increased during the first quarter of 2023. To record levels. But that's not the real headline. The headline is that this is the first time in 20 years that Americans did not pay down their credit cards and reduce their debt during a first quarter of the year after the holidays. Normally, folks spend a lot of money during the holidays, and then they pay off their debt, or at least a big chunk of it during the first quarter. That's been the norm for 20 years, not this year. They're increasing their debt in q1 of 2023, just as they did in q4, of 2022. In fact, Americans credit card debt now stands at a record $968 billion. That's just credit card debt, household debt has climbed to a record $17 trillion.

That's trillion with a T. Meanwhile, regarding inflation, you are not getting your last purchasing power back, because inflation is cumulative, even if the rates of inflation begin to decline. Now I'll explain more that in a moment. Inflation is always and I do mean always caused by demand outstripping supply. Too many dollars chasing too few goods. This is not rocket science. At a time when demand outstrips supply, as it did during COVID. You don't increase demand by giving away $5 trillion for free. Of course, people took that money, and they spent it as soon as they could. But productivity did not increase with demand. You can't increase the money supply. Without commensurately increasing productivity without causing inflation, it cannot be done. Now to fight inflation, you must lower barriers to productivity by reducing regulations on taxes and business so they can make more stuff and hire more people. Don't worry, the government gets its piece of the action for more revenues due to an expanded economy. Instead, as we'll discuss, the Biden administration has systematically reduced production at many levels. And incidentally, the old saw by Washington liberals, that tax cuts and deregulation don't pay for themselves. It's that's just mathematical. Nonsense, it they do, in fact pay for themselves nicely. As a matter of fact, meanwhile, it continues to provide welfare to millions of able bodied people are government who simply find it more profitable not to work than to work, something else we're going to discuss today. And our government is going to continue to provide wealth, welfare support to the millions of illegal immigrants they have allowed to pour into our country. More on that in a future episode. Look, I'm sorry, but as happy as I would be to present a credible case in defense of these policies, I can't, because there's no, there are no credible arguments, unless your goal is to create a socialist economic model, where citizens look to the government, not to themselves for their health, education, maintenance and support. Sure, some of the recent lack of economic production was absolutely due to COVID related supply chain disruptions. And that was serious for a while. But that is absolutely not the entire story. You know, capital investment. That's the long term investment of money into new facilities and equipment is a good measure of the confidence businesses have in the regulatory and tax environment. It also results in creating great new jobs. Now in real dollars, capital investment in the US has declined lined since President Biden took office, there's just too many companies out there looking at the regulatory landscape and saying, We'll wait. The real price tag cumulative inflation, is the key. And the key to remember here is that inflation doesn't just go away once the rates of inflation come down. Although the price of some items is probably going to come down a bit, the cumulative rate of inflation over any period is money that Americans will never get back, except in the unlikely event and overall disinflation. Here are some numbers according to the Heritage Foundation since January 2021. When Joe Biden took office through the end of February 2023, real disposable income, the money you actually have to spend versus the price of things these days, real disposable income is down 11%. Over those past two years, homeownership affordability is down 34.3% credit card debt is up 27.2%. Americans monthly savings are now down at 3.5%. Despite all the money they got sent for free during COVID. And according to factcheck.org through 2022, not including 2020 threes inflation numbers, consumer prices rose 14%. During President Biden's first two years in office, wages didn't rise briskly. It's true. They rose by 9.4% Thanks to the government reducing the supply of labor by continuing to pay people not to work, but real weekly earnings after inflation declined by 4.6%. Now, what about the stuff you really buy? Because you might be listening to these numbers and saying, wait a minute, that 14% rate of inflation total over the last two years. That seems low? Well, it is if you measure the things that most families must buy, it is low, very low. So back to the heritage Foundation's numbers. Since Biden took office through February 2023. Let's look at food costs. Fair enough. This is this is uplifting, eggs now cost 229% More than they did in January 2021. Flour 32.9% Peanut butter 31.8% roasted coffee 21.9% frozen vegetables 20.8% Lunch me 21.8% ground beef 20.8% Milk 19% and ice cream up 17.7% All in two years and here are other essential costs you're never going to get back home heating oil up 87% Over the last two years gas up 57% Over the last two years gasoline up 48% last two years propane up 26% delivery services up 24% Electricity up 23% vehicles up 22% flooring up 21% tires up 21% and transport services up 20.7% In the last two years, but it should never never have gotten so out of control. What's more, it may take years if ever for inflation rates to return to where they were when Mr. Biden took office. And even if they do, again, you will have permanently lost the purchasing power that inflation destroyed in the meantime. Now let me offer a note on stocks. You know I was an investment advisor for decades. Here's what I would point out.

K Keith 09:17

publicly traded companies are larger than small mom and pop businesses. And those larger companies have pricing power. A recession on Main Street may subdue rising profits, but it will not end them. That is why as an investment advisor for four decades, I believe that our stock markets may gradually grind higher. Now this may not be as robust as we experienced during the Trump years, but they will grind higher in my opinion. And remember that equities are historically a good hedge against inflation. So and remember also of course, returns are never guaranteed. Consult with your advisor. But if inflation remains elevated. And I'm not confident it's going to decline back to pre pandemic levels. A broadly diversified portfolio of stocks is is not a bad place to be, again, in my opinion. Incidentally, regarding inflation, I want to congratulate Phoenix, Arizona. Now back to Mr. Biden's inflation. Now, something we all know he economist Milton Friedman was correct years ago, when he said that inflation is caused by too many dollars chasing too few goods. It's the direct result of our government pumping free money into the economy without creating a commensurate increase in economic productivity without requiring able bodied people to work. And I'll have more on that in a minute. But make no mistake, printing money incurring debt, to pay people not to work is absolutely positively inflationary. economies can absorb a greater money supply only when increased productivity creates a commensurate increase in goods and services. Incidentally, here in the Phoenix area, we're coming to you today from our home in Paradise Valley, a suburb of Phoenix, I, we we win the prize, we have been ground zero for the Biden inflation, spiral spiral, congratulations, makes us feel special. In fact, during 2022 alone, the Phoenix metro area expense experienced the biggest consumer price index CPI increase in the country, a whopping 13% In one year, that's well above the 2022 national average, which was certainly high enough, increasing by 8.3% over 2022. And remember, unless there is disinflation, which is very unlikely, we're not going to get those increases back. No matter what the rate of future inflation, we're going to live with those increases that lost purchasing power for the rest of our lives. Especially if you're retired and on a fixed income, that's a killer. Your expensive green new world is a big reason why inflation is where it is. Right now. It helps explain why everything is more expensive. Consider the list of items we just discussed. They either contain oil or other derivative products of oil, and they must all be transported using oil or gasoline. If those items are available, the reduced amount of and the increased price of oil is the single largest contributor to price inflation. All this in the name of the so called environmental crisis, whatever it takes to reduce demand. Someday soon, I hope, alternative energy will provide a viable price sensitive alternative to fossil fuels. But you do not create viable alternative energy sources by making conventional fuels more expensive. That's just dumb. And it smacks of special interest influence in Washington and remember, the world the world desperately needs our oil and natural gas. Germany in particular became way too dependent on Russian natural gas. This helped Putin believe that Europe would not push back against his invasion of Ukraine today that Germany and much of Europe must depend on other sources of natural gas, including from the United States is a given only in that way, will it never that is to say the EU never again be held hostage by an aggressive authoritarian power. Germany should have known I was railing against this on our radio show over the years here in Phoenix for years, and you're saying was just a boneheaded thing. And one of the first things that Biden administration did was sign off on the pipeline that was coming in from Russia, there was something we had to do to approve the final project. She should never have done that. We you know, within months, everything's about face now. But it sent all the wrong messages to Russia, and to Europe. Meanwhile, the emerging world desperately needs our natural gas. Sure, someday, as alt energy becomes price competitive, we can export that too. But in the meantime, don't we want the developing world to lift its standard of living? Well, that requires power and the cleanest low cost power out there is natural gas and we have virtually unlimited supply of it. Oh, but worry, not the so called and incred Blood misnamed inflation Reduction Act, passed by the Democrat controlled Congress in 2022, just as they were on their way out the door, gives tax credits to companies that power up using alternative energy. But wait, where did those tax credits come from? Oh, yeah, they come from you, you, the taxpayer. More on that in a moment as well. Green subsidies and the liberal agenda are killing us right now. Look, I truly support green energy when it becomes economically feasible. economic feasibility is not based on how many tax credits you get, or other subsidies that an industry receives for creating less efficient power sources. economic feasibility comes from really lowering the price and raising the efficiency of a product, even energy. It's also boneheaded and you are paying for it. In my opinion, the very best way to slow the development of a new technology is to subsidize it with subsidies, companies and consumers center their efforts on qualifying for government money, rather than on making their product, in this case, green energy more reliable and cost efficient. This doesn't mean that with our tax dollars, we shouldn't fund a reasonable amount of research and development. You know, a great example, is a place called Sandia Labs. You might never have heard of it, but it was founded 70 years ago as a federally funded research and development center. Now let's focus happens to be on national security and technology innovations. But its model is sound. It often participates on behalf of the government in revenues created by the innovations it helps private companies create in their labs. But that's a far cry from simply paying people to buy and companies to build expensive and not very reliable alternative energy products. So the true liberal agenda here becomes clear. Considered, Biden's agenda was immediately evident when on day one of his administration, he cancelled the Keystone pipeline. Since then, his administration has systematically blocked government drilling permits. Obviously, this has driven up oil prices, prices that were already rising significantly, long before Putin invaded Ukraine. Don't believe me? Today? US oil production is at about 11,600,000 barrels per day. Two years ago, we were producing 13,000,100. It was a billion. Let me get my math straight here. No, two years ago, I'm right. I'm just I'm thinking in terms of zeros B's and m this let me get this correct.

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Keith 18:12

Two years ago, a year today, we are producing 11,600,000 barrels per day. See, even your astute commentator gets confused. Just ask my wife. Two years ago, we were producing 13,100,000 barrels per day. That's an 11% reduction in US oil production in two years. But the US consumes about 20 million barrels per day. Where does the rest come from? It comes from countries that don't like us very much. This is why in November 2022, even as they cut our production here at home production that is much cleaner than anywhere else in the world. The Biden administration agreed with Venezuelan dictator Nicolas Maduro to allow Chevron to start pumping for oil in Venezuela. Maduro will profit his generals will profit and American workers will miss out. But that's not all. Mr. Biden also compromised our national security by releasing oil from our National Petroleum Reserve in the fall of 2022, just in time to artificially reduce gas prices prior to the election. Incidentally, China was the primary beneficiary of that release, they bought up most of the excess created in our markets. Now, our government has been driving gas prices back up as it competes with consumers to buy oil to restock the petroleum reserve between elections. But it gets even worse. The Biden sec, the Securities and Exchange Commission is pressuring banks not to make loans to the US fossil fuel industry. This is a blatant and wildly unconstitutional example of administrative overreach. Meanwhile, the bogus ESG environmental, social governance and investment movement with its vague standards of what's a good company and what's a bad company is being defined by the left and driven by large money managers who use your money to signal their virtue by withholding investment dollars from, for example, the US fossil fuel industry, the national defense industry, firearms industry, probably contrary to your wishes as an investor.

K Keith 20:44

Let's talk about the other half of the left's agenda, so called tax fairness. You know, the President has repeatedly told us that higher income Americans and of course, those evil corporations don't pay their fair share of taxes. First, folks, corporations don't pay taxes, they collect taxes from their customers and pass them to the government. Corporations must show a decent profit or one way or another, they're going to go out of business, unlike the government. And regarding those Americans who aren't paying their fair share, let's talk about fairness. Showering, nearly 99 million households are about 56% of all American households pay. No, that's zero federal income tax. The remaining 44% about 78 million households pay the bill. So yes, we have fewer people pulling the wagon, then we have people sitting in the wagon. Meanwhile, the top 50% of all taxpayers paid 97.7% of all federal income taxes last year, while the bottom 50% paid the remaining 2.3%. In fact, by all objective standards, we have one of the most progressive tax systems in the world. For those of us paying the tab, here's some news of interest as well. In fiscal 2022, we ponying up $392 billion just to pay the interest on the public portion of the national debt. Now, in the meantime, interest rates have risen, and so has the national debt. So we'll be spending a lot more on national debt interest going forward. But that $392 billion dollars amounts to more than $5,000 for each of America's 78 million taxpaying households in one year, for the interest only on our national debt. And as interest rates increase, that cost will also increase. Yes, the left has weaponized the American government against not only unfavored industries, but also against working families whose money politicians use to buy the votes of Americans who do not contribute their fair share. Oh, but wait, there's more. Income inequality. Let's look at America's alleged income inequality. Now, I've touched on this subject in a previous podcast. But the facts are indisputable. America's alleged income inequality is the sand upon which America's socialist agenda is built. If we continue to embrace this fiction, we will become a nation dependent on our government rather than a nation whose government is dependent on the people. It is a favorite tactic of the left to bemoan our economic system as unjust as something that demands equality of result. And not just equality of opportunity. But what really is the truth? You know, it's a very recent study by the committee to unleash prosperity out of the University of Chicago. It's headed by economics professor Casey Mulligan. Now the name of the study is paying Americans not to work. It's online, if you wish to read it, and I recommend you do. The study found that even after the expiration of some of the COVID related benefits, but with existing unemployment benefits, and the dramatic recent expansion of Obamacare subsidies, also known as the Affordable Care Act, or the ACA, and I quote The the report, a spouse would have to earn more than $80,000 a year from a 40 hour a week job to have the same after tax income as certain families with unemployed spouses receiving government benefits. In these states, the report continues working 40 hours a week and earning $20 An hour would mean a slight reduction in income, compared to two parents receiving unemployment benefits and health care subsidies without working. The federal government and the states offer a wide array this report continues of more than two dozen programs that provide cash assistance or income benefits to low income families. These safety net programs are designed to keep families out of poverty but the expansion of assistance, especially in subsidized health insurance to families with children, and no parents working can mean that families can earn as much or more income from receiving government assistance than the median household does from working. This study also finds that in 24 states, unemployment benefits and ACA subsidies for a family of four with both parents not working are the annualized equivalent of at least the national median household income that's in 24 states. In five states. Those two programs provide the same family with both parents not working the annualized equivalent of at least the national median household income plus benefits. In 14 states. Unemployment benefits and ACA subsidies are equivalent to a head of household earning $80,000 in salary plus health insurance benefits. This is a higher wage than is earned by the national median secondary school teacher, a higher wage than electricians, truckers machinists, and many other jobs. In more than half the state's unemployment benefits and ACA subsidies exceed the value of the salary and benefits of the average firefighter, truck driver, machinist or retail associate in those states. In a dozen states, unemployment benefits and ACA subsidies exceed the value of the salary and benefits of the average teacher, construction worker or electrician in those states and get this, a family of four with income over $227,000 still qualifies for ACA subsidies in all states, and families earning over $300,000 A year still qualify for ACA subsidies in 40 states and in Washington DC. The report offers a much longer list, but let me just give you a list of the highest benefit states for not working remember, the national median household income, often with both spouses working is $92,814 a year pre tax. So here's the earned income equivalent for the top five welfare states. This is what a working household would have to earn to generate the same cash and benefits after taxes that households receive in the States for not working at all. In Washington State $122,653 Which you'd have to earn to match welfare benefits. Massachusetts $117,063, New Jersey $108,857 Minnesota $98,915 in Montana 990 $5,265.

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Keith 28:33

Meanwhile, in a new book, The Myth of American inequality a book I've discussed with you before three well respected economists, John early Phil Gramm and Robert Eklund objectively examined whether income inequality in America is as great as everybody seems to think it is. They objectively conclude that by wide margin, it is not. In fact, and please follow me here. In the book, these authors of different political persuasions authoritatively demonstrate that after we subtract the taxes paid by working families, and add the welfare benefits received by non taxpaying households, those households in the lowest quintile the bottom 20%, two thirds of whom receive government assistance, aka welfare, those non taxpaying households wind up with about $3,000 more to spend each year than the next 20% of households in America, America's working poor, and that bottom 20% of households wind up with only about $3,000 a year less to spend less to spend each year than America's working and tax paying middle class about $3,000 more per year and then the working poor about $3,000 less per year than America's working middle class that's yet that's America's income inequality. The author's authoritatively report that the so called bought In 20% of households work only a fraction of the hours the working poor do. And an even smaller fraction of the time, middle and upper level quintile households work. Yet they have more to spend than the working poor and only slightly less to spend than America's middle class. Meanwhile, the author's estimate that only about three of remember these guys are economists there, I felt that they were very objective in their work that only about three to 4% of working age Americans lack the physical or mental capabilities to work. And we're not talking about retirees here we're talking about working age people only three to 4%. But our government is paying millions of able bodied people in that lowest quintile to not work. And the Biden administration continues to our lawfully waive work for welfare requirements. Those requirements contained in the Welfare Reform Act of 1996. Incidentally, first President Obama unlawfully waived the work for welfare requirement of the law, then President Trump reinstated it and then President Biden waived it again in April of 2021. And he still dickering with Congress over keeping not imposing the work requirements on a large swath of welfare recipients, especially those who happen to receive Medicaid, which is free medical. All this is massively inflationary because again, you cannot pay people to not work without creating inflationary pressure. Now, the authors of the myth of American inequality also demonstrate that after taxes and welfare benefits, there's actually less income inequality here in the US than in the major European economies of Germany, France and Great Britain. Yes, I said less income inequality here, then in Germany, France and Great Britain. So how did we get it so wrong? The authors explain that our government uses all the wrong data points, all the wrong indices to measure poverty and income. But it does so to increase the social welfare programs that feed the Goliath we call the American government. Again, the book is titled The Myth of American inequality. It's a great book. So what's the fix? How do we fix the Biden economy? Well, we can start by kicking the bums out. Next, we must increase productivity with less regulation and lower taxes to permanently bring inflation down. Remember, inflation averaged less than 2% per year and the four years prior to Joe Biden taking office. And incidentally, during that period of time, the group of workers that saw their wages increase the most on a percentage basis, were the lowest paid people, so much for the rich getting richer. Also, we absolutely positively must stop demonizing lawful and critically important industries, and responsibly unlace our oil and natural gas industries. We must also accelerate the development of viable alternative energy by reducing taxpayer funded favored company and customer subsidies, cooperate on research and development, and push the alt energy industry to finally compete on its own merits. And finally, we must stop pandering to the myth of income inequality in America and demand that able bodied Americans not receive our money to not work and that they get their butts off the couch and get to work with the rest of us. Unleash the power of Americans by once again rewarding work by rewarding investment by rewarding innovation. In short, we can and must save America by returning to all the principles that historically made our nation America the greatest and wealthiest nation on Earth. Thanks for joining me, folks. I am Keith DeGreen. And this is as I SEA it

K Keith 34:19

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting â€œAs I SEA It!â€ â€“ Keith DeGreen