

Biden's Pyrrhic Legislative Victories

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In August, the Biden administration and Congress celebrated their third legislative victory in less than a year. As with Russia's invasion of Ukraine, they are celebrating Pyrrhic victories.

As Russia's invasion will seriously undermine Russia's living standards, President Joe Biden's massive government expansion will stifle U.S. growth for years to come.

It often takes a while for bad legislation to impact the economy, as businesses usually need time to adjust to the increase in burdens. However, when legislation is bad enough, the economic damage can appear quickly. This is what the United States is experiencing in the wake of the president's legislative "victories."

The president signed his [Build Back Better](#) bill in November 2021. That legislation involves shifting the control of \$200–400 billion a year from the productive private economy to the nonproductive government sector for the next decade.

Historically, shifting control over private sector resources to the public sector produced serious problems in the economy. My book, *Rich Nation, Poor Nation*, provides details of major policy mistakes and the problems they produced. The Build Back Better legislation is so bad, the problems are already apparent. In the six months following its approval, America's productivity declined by 3

percent, the fastest six-month decline in U.S. productivity since the data first appeared in 1947.

Productivity performance is the key to a nation's economic health. When productivity registers the worst performance in 75 years, it's not cause for a victory celebration.

Instead of considering the role Build Back Better might have played in producing a precipitous decline in productivity, the Biden administration doubled down and shifted even more spending from the private sector to the public sector. Legislative bills in July and August—Chips for America and the [Inflation Reduction Act](#)—will shift control of an additional \$100 billion-plus a year for the next decade from the private sector to the public sector.

The timing couldn't be worse. The flash August S&P Global business survey shows the U.S. economy declining. The composite report reading was 45, down from 47.7 in July (50 is no growth). In addition to the decline in overall business, new orders also are declining. This indicates the downward move in the economy is likely to continue in the months ahead.

The Biden administration consistently blames Russia's invasion of Ukraine as an excuse for our own poor economic performance. This makes no sense. For example, Standard & Poor's August reports for the United Kingdom and the eurozone show business activity in each are close to break-even. Given their proximity to the problems with the Ukraine, these countries should be performing far worse than the United States. Instead, it is the U.S. economy that is leading in a downward direction.

Legislation Has Consequences

So-called "progressive" legislation that boosts federal spending and raises taxes has a consistent history of destroying economic growth. Government is simply not as effective as the private sector in allocating economic resources. By

following the same problems that destroyed America's economy on five previous occasions, the Biden administration and Congress have undermined America's economic health and have set the stage for America's further economic decline.

The only consolation we have is to recognize how the United States has survived similar periods of destructive legislation. Each of these periods involved the type of increases in federal spending and taxes as our recent legislation. In each of these periods, the U.S. economy performed as an underdeveloped nation, with flat to down living standards.

In a democracy, tough times tend to lead to change. Each time America's economy was dragged down by ruinous policies, there was a political change leading to a policy reversal. The good news is that when policies shift to lower tax rates and less government spending and regulations, good things happen. Productivity recovers and the economy comes back to life.

Throughout history, unshackling the private sector by reducing tax rates and limiting government spending and regulation has always restored prosperity. It will happen again, but not until the public decides it has had enough of Biden's pyrrhic legislative victories.