



The Daily Dish

The Inflation Tax

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The Bureau of Labor Statistics (BLS) yesterday released the Consumer Price Index (CPI) data for April and CPI inflation came in at 8.3 percent over the past 12 months. This was viewed as a combination of good news, it was lower than March's 8.5 percent, and bad news, it was above the expected rate of 8.1 percent. The consensus view is that the "inflation tax" – the diminished value of your money – was high, but no longer rising.

This is a rosy view of the situation. Depending on how you look at it, the key number is either 10 percent, 15 percent, or 20 percent.

Purchases of food (13.4 percent), energy (8.3 percent), and shelter (32.5 percent) (FES) constitute over half of the CPI; i.e., 50 percent of the average family budget. As shown below, the price of FES has risen by 10 percent over the past 12 months, considerably faster than the CPI as a whole. The inflation tax on family essentials rose to double digits.

Inflation Taxes (percent increase, annual rate)			
CPI year-over-year	Food, Energy, Shelter year-over-year	CPI Biden Administration	Food, Energy, Shelter Biden Administration
8.3%	10.0%	14.8%	19.8%

But that does not come close to explaining the political heat faced by the Biden Administration. To understand that, look at the remainder of the table. Since January 2021, the CPI has risen at an average annual rate of nearly 15 percent – essentially twice the headline figure in the newspapers today. But the real bone-crushing inflation tax is the nearly 20 percent rate on FES.

There are two maxims of life in Washington. Maxim 1: Presidents get credit or blame for what happens on their watch, whether they deserve it or not. Maxim 2: If you are explaining, you are losing. Right now, President Biden has 20 percent inflation for Maxim 1 and is trying desperately to explain that inflation isn't real, isn't his fault, and isn't going to stick around.

Draw your own conclusions.