

Headache for Biden: Threats of recession and high inflation

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A few months before mid-term elections, which does not look good for his political party, the president of the United States, Joe Biden, faces a possible recession, with two consecutive quarters of negative growth, and soaring inflation that mainly affects the most vulnerable people.

Biden assures that there is no recession, such a situation is temporary and will not affect the nation's growth, but he was incoherent regarding inflation, which has broken records, and acknowledged the problems that high prices bring to Americans.

He has already stopped using the pretext of blaming

Russia for high fuel prices, a prop that has been exploited by the US itself to take advantage of its European allies.

As his administration scrambles to pull every available lever to reduce prices, there is little room left for Biden, or any president, to unilaterally rein the short-term inflation. However, there are policies that he could defend and alleviate inflation pressures.

Republicans are eager to connect the problem to major government spending plans, in order to try to end supply chain bottlenecks and shortage of goods. Even officials acknowledge that it will take time for consumers to feel the effects of such a strategy.

The coronavirus pandemic distorted global supply and demand patterns, causing a mismatch that has pushed up prices. Ending the pandemic will help those patterns return to normal. The steps Biden is taking now could have limited effect, but they will not be felt for some time.

Note: Disruptions in the global supply chain due to labor shortages, COVID-19 restrictions, and increased demand for goods (as opposed to services) have triggered up the prices of some products.

In this regard, attempts are being made to unclog those bottlenecks in US ports, where container ships are waiting to unload. He announced last month that two of the largest ports in the United States, Los Angeles and Long Beach, would operate 24 hours a day. And he

announced this week in Baltimore new funding to expand port capacity across the country.

Experts point out that, however, once goods are unloaded, there is a shortage of truck drivers to transport them across the country. The administration is weighing steps like lowering the minimum age for truck drivers or trying to raise their pay to attract more drivers. And officials did not rule out using the National Guard to step in and start moving goods.

One of former President Barack Obama's top advisers, Jasin Furman, told CNN "*focus on ports and supply chains*," but price declines will take time to materialize.

News agency specialists agree that the much-bashed immigration could solve the shortage of workers. The United States has a near-record number of job openings, and a staggering number of Americans are quitting their jobs.

And yet, immigration has fallen dramatically in recent years amid the pandemic and stricter policies during the Trump's administration, and this is not on Biden's agenda, who tends to follow the lines drawn by the former president despite having promised his elimination.

*"We have a lot of job openings. This is not going to threaten people here in the United States. In fact, it would help them,"* said Furman, who is now a professor at Harvard University.

As the global economy recovers from the pandemic, the

price of crude oil soars, contributing to inflation. High gasoline prices are one of the most frustrating phenomena for any government, because they affect almost all Americans, but most are immune to presidential action.

The White House has not ruled out tapping into the Strategic Petroleum Reserve, the reserve of 600 million barrels of crude oil stored in underground salt caverns in Louisiana and Texas. But that could only have a limited effect, due to the amount of oil that can be released at once. And it does not solve the underlying problem: the supply is not keeping up with the growing demand.

Thus, the price of gasoline reached the maximum in seven years and Biden, who had cornered Russia first, then did so with the Organization of Petroleum Exporting Countries that do not accept his demands in relation to supply.

A group of Democratic senators asked Biden last week to ban oil exports to increase domestic supply. But it has the potential to anger both American producers and foreign allies. And some industry experts argue that it would be counterproductive, because the price of US gasoline is not that of Brent crude, the global benchmark. Removing US barrels would only push up Brent and therefore gasoline prices.

Without many concrete political levers to lower prices, Biden has tried to use his presidential pulpit to engage industry leaders on the issue. He spoke Tuesday with the

CEOs of four major retailers and carriers (Wal-Mart, UPS, FedEx and Target) about supply chain disruptions and heard about their companies' efforts to speed deliveries.

A day later, Biden said he was told by executives that the shelves would be full during the upcoming holiday season, but it will take several months.

## **BUT THE MAIN JOB IS YET TO BE DONE...**

At the same time, he has been reluctant to take a step that will actually help: lifting tariffs on Chinese imports would save the average household hundreds of dollars a year. And just as tempting, it would reverse the failed trade war policy of his disgraced predecessor, Donald Trump.

But strategic and political considerations outweigh all of the above. Whatever the benefits to tormented consumers are, the implications at home and abroad of America's darker international relationship raise the stakes.

*"Inflation should not be the reason for doing this or not,"* said Richard Haass, a top State Department adviser under President George W. Bush who now heads the Council on Foreign Relations. *"The impact on US-China relations, and the domestic politics of US-China relations, would be greater than any impact on inflation,"* he said.

Those powerful cross currents were stirred up last week when Biden met virtually with China's leader, Xi Jinping, which also discussed imperialist interference in China's

internal affairs, specifically in Taiwan. Ahead of the meeting, a number of business groups issued a public letter calling for relief from China's tariffs costing US importers \$110 billion and households \$1.3 billion.

*"These costs, exacerbated by other inflationary pressures, place a significant burden on American businesses, farmers, and families trying to recover from the effects of the pandemic,"* wrote business groups, ranging from the American Soybean Association to the Information Technology Industry Council.

But White House officials said tariffs were not on the US agenda. After Biden and Xi spoke for over three hours, and with the White House politically battered by the highest inflation in decades, no policy change was announced.

Let us remember that when taking office after the violent insurrection of January 6 in the US Capitol, Biden framed his presidency as an opportunity for the US to show that *"democracies can overcome authoritarian regimes,"* like China in the 21st century.

On issues like human rights, Taiwan and the coronavirus, interactions between the two powerful nations have become so acute that Biden cast the meeting as an attempt to ensure competition *"doesn't veer into conflict."*

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