

The Biden Economy Is ‘Glorious’—if You’re Wealthy

Asset values have grown, but the working class bear the brunt of inflated prices and higher interest rates.

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President Joe Biden speaks about his administration's support for unions in Philadelphia, Nov. 1. Photo: ting shen/Agence France-Presse/Getty Images

“Irrational gloominess.” That’s how the Economist magazine recently described Americans’ views of the economy. An outpouring of similar commentary has blanketed the liberal press. The economy is “glorious,” toots New York Times columnist Paul Krugman. If you disagree, you’re a dense partisan who refuses to give President Biden credit for anything. I’ve received many emails to this effect.

Mr. Biden’s economy has been glorious—for affluent liberals. It’s been awful for the working class. Socioeconomic disparities have grown in recent years owing to the policies that were supposed to shrink them. The well-to-do got wealthier while the rest got poorer.

[Consider a Federal Reserve study](#) last month, which examines socioeconomic disparities in consumer spending between 2018 and 2024. Inflation-adjusted spending grew at roughly the same rate for households of different education and income levels [between 2018 and 2020](#). Then differences emerged.

Working-class Americans sharply boosted their spending in early 2021 amid the gusher of transfer payments but then also sharply cut back as inflation took hold. Americans with higher incomes and more education continued to increase their spending, even after adjusting for inflation.

As a result, spending has increased 7.9% for those making less than \$60,000 vs. 16.7% for those making more than \$100,000 since January 2018. Spending by Americans who have attended graduate school climbed 19.4%, roughly twice as much as those who haven’t attended college. The study posits that “higher-income households might experience a wealth effect as their homes and investments increase in value, while they also receive more interest and investment income during periods of higher interest rates, all providing a stimulus for sustained levels of spending.”

Americans who own stocks are feeling good about the economy as they watch their 401(k)s and mutual funds grow. The S&P 500 index has surged by some 50% since January 2021. Ditto Americans who owned homes before interest rates rose in 2022 and may have refinanced at historically low interest rates.

But others have seen inflation erode their wages and spending power. Those who can’t work from home are spending considerably more to fuel up. New home buyers are spending thousands more each month on mortgage payments than those who bought homes before Mr. Biden took office.

While pandemic transfer payments such as sweetened unemployment benefits and child tax credits fueled inflation, the Fed deserves some blame too. The central bank went missing in action as inflation picked up, perhaps because it was receiving political pressure from Democrats not to raise rates, lest doing so hurt minorities.

Democrats claim [Donald Trump](#) will bully the Fed to keep rates low, but Mr. Biden and congressional Democrats have attempted the same. In June 2020, Mr. Biden's economic adviser Jared Bernstein [proposed broadening](#) the Fed's employment mandate to "make it more racially inclusive" and correct "persistent economic injustice." [Mr. Biden endorsed a 2022 bill](#), which passed the Democratic House, that would have required the Fed to use its monetary and regulatory tools to promote racial equity.

As the Journal's editorial board [warned in July 2020](#), "a racial-equity mandate would give the Fed an excuse to rarely if ever raise interest rates under any circumstances." This is effectively what happened after the central bank adopted a "broad-based and inclusive" employment goal in August 2020.

As inflation surged in 2021, the Fed [cited higher unemployment rates](#) for minorities as an excuse not to tighten. Chairman [Jerome Powell](#) told a House committee in June that the central bank was cognizant that "joblessness continues to fall disproportionately on lower-wage workers in the service sector and on African Americans and Hispanics."

Blame the latter on lockdowns and transfer payments that made lower-income work less attractive. As inflation flared out of control, the Fed eventually had no choice but to raise interest rates—and higher than it probably would have if it had acted sooner. Those most hurt by higher rates and inflation have been working-class Americans, including minorities.

The well-to-do continue to spend liberally as stock and home values rise, which is what's driving the economy. Business and housing investment, however, are slowing. Consumer spending has accounted for 79% of economic growth under Mr. Biden, compared with 63% during Mr. Trump's first three years in office.

This means the current economic expansion may not be broad-based or durable. It's certainly not inclusive. Perhaps the liberal media realizes this and are preparing to blame any downturn on a President Trump. "The next U.S. president could inherit a booming economy," read a CNBC headline over the weekend.

One silver lining for Republicans if [Kamala Harris](#) wins: She will own any economic crack-ups that come during the next four years.