



By: **Daniel Lacalle**

Kamala Harris will bring debt and deficits to all-time highs



Elections are usually times when politicians promise free stuff, ignoring the consequences. The problem comes when promises are so outlandish that they become a threat to the economy. It is even more worrying when those promises are realistic.

No serious economist can accept Kamala Harris' price control promises. Governments do not lower prices. They increase the cost of living by increasing taxes, perpetuating deficit spending, and printing currency.

Harris claims that grocery stores are committing "price gouging." Facts debunk it. Grocery sector margins have fallen to 1.6% in 2023, according to the IMF.

Furthermore, stores and corporations do not raise prices in unison or attempt to hurt their customers. Competition and technology would swiftly reduce the market share of those who choose to act against their customers' interests.

Furthermore, even if all stores and corporations were stupid and evil at the same time, they would not increase aggregate prices, the CPI measure of inflation, every year. Demand would decline and many would die due to the building of the building of working capital.

The only thing that makes aggregate prices rise, consolidate the increase, and continue to rise is massive currency printing due to excessive government spending. The government creates inflation by printing currency, destroys its purchasing power, and then moves on to blame stores, businesses, and consumers.

Socialist measure

Implementing price controls is a typical socialist measure that always hurts consumers, destroys small businesses, and perpetuates inflation. None of the countries that have implemented price controls have eliminated inflation.

Like protectionism, the words used are deceitful. Protectionism does not protect, and price controls do not reduce prices.

The Harris plan is concerning because it will make the debt soar even faster

The Harris plan is not only alarming because it promises price controls. It is concerning because it will make the debt soar even faster.

According to the Committee for a Responsible Federal Budget (CRFB), Harris's plan will cost \$1.95 trillion over 10 years. More importantly, if certain measures are made permanent, this figure could rise to \$2.25 trillion.

The Congressional Budget Office (CBO) has already outlined an alarming budget situation, predicting an increase in debt of \$22 trillion by 2034, even before Harris's additional expenditure.

According to the CBO, even if the United States experiences no recession or crisis between 2024 and 2034, the deficit will remain above 6% of GDP, and the cost of debt will become unsustainable, ballooning the debt in the hands of the public to \$50.7 trillion (122.4 percent of GDP).

Taxing the rich

The Harris campaign states that these added expenditures will be offset with "higher taxes for the wealthy and corporations." However, we already know that this does not work.

There is no tax measure that can raise \$2 trillion per year in additional taxes in every part of the economic cycle. Furthermore, spending is annualized and revenues are cyclical, so even a small slowdown will derail the budget again.

We know that it does not work because, in an allegedly strong economy with record tax receipts, the United States has accumulated a

\$1.5 trillion public deficit in only ten months of the 2024 fiscal year.

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Taxing the rich is a comfortable political lie and always ends with higher taxes and persistent inflation for everyone. Inflation is a hidden tax and governments feel very comfortable blaming everyone and anyone for the price increases except the only one that can make prices rise every year: the erosion of the purchasing power of the currency due to excessive printing.

The Harris team knows that price controls don't work and that their expenditures will not be offset by higher taxes "to the rich" because it has never happened.

However, they count on persistent inflation due to higher deficit spending and Fed monetization in order to disguise fiscal imbalances, knowing that they will blame prices on businesses and corporations and a few millions of their voters will believe it.

"Progressive" plans

There is a larger problem looming. The entire economic plan of the Harris team is predicated on the idea that the world will continue to accept rising US deficits, purchase US Treasury bonds as a haven and maintain a low cost of debt due to the manipulation of the price and quantity of money by the Federal Reserve.

They forget that even in Japan, this policy has failed and now the cost of debt is almost 20% of the budget despite low borrowing costs, which has destroyed the yen.



Harris' economic plan is an enormous bet on increasing the size of government and punishing the private sector - Daniel Lacalle

They often repeat that deficits do not matter, but this is like saying, "We have not killed ourselves yet driving at 200 mph; accelerate." The cracks are already evident.

Persistent inflation is a direct consequence of this insane monetary and fiscal policy. Diminishing global demand for Treasury securities is already showing, and global central banks are purchasing more gold than ever to offset their losses in their US bond portfolio.

Harris' economic plan is an enormous bet on increasing the size of government and punishing the private sector. It will likely cause the national debt to reach unseen records, make the cost of debt become unsustainable and lead to subsequent stagnation.

The path to the end of the United States as a world reserve currency is built on these so-called "progressive" plans. There is nothing progressive about increasing the national debt and making the currency less valuable every year. It is profoundly regressive.