

From healthcare to housing to energy, their policies have made life more expensive.

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The 'Affordability' Democrats?

REVIEW & OUTLOOK

Democrats are trying to capitalize on voter frustration with inflation by running on "affordability." Fair enough, but then let's look at their record in power on the cost of living and what they propose if they win. Affordable by whom is the question.

One basic measure is inflation, which captures the overall price level. The consumer price index increased on average 5% a year during the Biden Presidency, versus 1.9% during the first Trump term and 2.9% so far during the second. *Note*

Both parties contributed to the initial burst of inflation during the Biden years with their spending splurge in late 2020. But Democrats in March 2021 fueled the fire with their \$1.9 trillion spending blitz, largely for transfer payments and for states and localities. The Federal Reserve made the mistake of accommodating the spending binge. Yet as inflation heated up in 2021, Democrats urged the central bank not to raise interest rates.

The Biden team also relaxed mortgage underwriting standards, which enabled borrowers to qualify for bigger mortgages and turbocharged the surge in home prices. Housing prices rose 5.3% a year on average during the Biden years, compared to 2.7% during the first Trump term and 3.7% so far in the second. *Note*

Prices initially shot up more in Sun Belt areas during the pandemic owing to a demand shock from population migration. But as housing supply caught up, prices have stabilized in these markets. By contrast, home prices and rents are now growing fastest in the Northeast, West Coast and areas of the Midwest where local zoning regulations and burdensome permitting make it harder to build. Rent control and "just cause" eviction laws in progressive cities also deter new housing.

Over the last year, housing prices have grown significantly faster in metro areas like Boston (4.4%), New York City (4.4%), Minneapolis (3.7%) and Los Angeles (3.4%) than Dallas (1.9%), Atlanta (1.4%), Houston (0.3%) and Tampa (-0.6%).

It costs on average about 2.8 times as much to build an apartment in California as in Texas, according to the RAND Corp. Some "affordable" housing projects in the Golden State cost more than \$1 million per unit to build. One reason is state and local prevailing wage mandates, which Democrats want to require for all projects that benefit from federal funds.

Democrats also want to raise the \$7.25 an hour federal minimum wage to \$15 or higher. Most Democratic-run states already impose minimum wages of at least \$15 an hour, so this would mainly slam states with lower wage mandates, many of which have contested Senate races this year like Texas, Iowa and New Hampshire (all \$7.25) and Ohio (\$11). Businesses pass on higher wage costs to consumers to the extent they can.

Gasoline prices have shot up amid the war in Iran. But the inflation-adjusted average of \$3.43 a gallon across the second Trump term is still lower than the \$3.89 average in the Biden years. The average was \$3.27 in the first Trump term, as the nearby chart shows. Recall how the Biden Administration tried to restrict oil and gas production by cancelling leases in Alaska's Arctic National Wildlife Refuge, banning new offshore drilling in much of the Gulf of Mexico and Atlantic coasts, and pausing leases on federal lands. The result: Higher prices.

Or consider the climate-policy utopia of California, where gasoline costs \$6.37 a gallon and diesel \$8.40. The state's cap-and-tax program, low carbon fuel standard and hefty fuel taxes have driven up fuel prices and spurred refineries to shut down. Democrats now talk less about climate than during the Biden years, but their goal of banishing fossil fuels persists.

Democrats blame President Trump and data centers for rising electricity costs, but rates have generally increased with inflation since the pandemic. The exception is Democratic-led states along the coasts, which have forced fossil-fuel and nuclear plants to shut down prematurely and tried to replace them with more expensive renewables like offshore wind and batteries. The average residential retail electricity rates in California (33.6 cents a kilowatt hour), Massachusetts (30.5 cents), New York (29.9), Rhode Island (28.3) and New Jersey (25.2) are about double that of most Republican-led states like Florida (15 cents), Nebraska (13.8), Tennessee (13.7) and Utah (13.1).

So what are Democrats now proposing to improve affordability? More of the same policies— more spending on welfare and “affordable” housing, more green-energy subsidies, more healthcare regulation and higher minimum wages nationwide.

Democrats claimed the Affordable Care Act would reduce healthcare costs. But that law's command-and-control regulations drove industry consolidation and pushed up prices instead. Premiums for employer plans have roughly doubled since 2010, rising at about twice the rate of inflation.

As for tariffs, Joe Biden vowed in the 2020 campaign to repeal Mr. Trump's first term border taxes but never did. You can't believe Democrats will do so now, especially given that labor unions support many of the tariffs. Democrats also want to raise taxes on business, which would flow to consumers in higher prices.

Americans may choose to vote for Democrats to send a message to President Trump, but expecting daily life to become more affordable under their policies is indulging hope over expensive experience.

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