

Who is constantly making choices because of a scarce amount of resources?

I'm Mr. Beat

The economy is almost always the most important issue for voters.

<https://www.youtube.com/watch?v=evUn9K8A0aA>

https://youtu.be/VP41OQ1ZSYA?si=GFMBSVUoLeAx_Ry8&t=47

<https://www.youtube.com/watch?v=fGgyfLIFw1M>

In fact, the economy is such an important issue for voters in presidential elections here in the United States, that I literally can look at economic data to predict who will be the next president of the United States.

<https://www.youtube.com/watch?v=diM0ROfBpT0>

The economy is also what many in the media tend to focus on when determining if an American president is good or bad

When things are going well, presidents take credit

<https://www.youtube.com/watch?v=r5PUzlvMtBk>

<https://youtu.be/hfYMzqvIKHk?si=K7GhFvh1hzCHLsD1&t=440>

When things aren't going well, presidents blame their political opponents

<https://www.youtube.com/watch?v=LdZXm4zTlrA>

<https://www.youtube.com/watch?v=DfEDqYS8Fhl>

And because the United States has the biggest economy in the world, the world tends to pay close attention to how a new presidential candidate talks about the economy.

<https://www.youtube.com/watch?v=Hz3G9ny19Ug>

CNN, (turning) everybody's favorite news company amirite?, once reported that the stock market does better under Democratic presidents.¹

Indeed, ten of the last eleven recessions began under Republican presidents, with Ronald Reagan being the only exception. 13:35 <https://www.youtube.com/watch?v=tSzM0IZoAFs> That crazy old man...uh...I mean...Bill Clinton...was technically correct. Other economists have pointed out that, between 1949 and 2012, job growth under Democratic presidents was 2.6% annually, as opposed to just 1.2% annually under Republican presidents.²

But how much do presidents actually control the economy?

Meh, not that much actually. Not that much.

¹ <https://www.cnn.com/2020/09/23/investing/stock-market-election-trump-biden/index.html>

² Blinder, Alan S.; Watson, Mark W. (April 2016). "Presidents and the U.S. Economy: An Econometric Exploration". *American Economic Review*. **106** (4): 1015–1045. doi:10.1257/aer.20140913. S2CID 32188412

As internet dorks like to point out, correlation doesn't equal causation. It is absolutely ridiculous to blame Donald Trump for the COVID-19 recession. A pandemic obviously caused that recession, not Donald Trump. COVID-19 (COVID-19) (look up at panicky) uh...caused the COVID-19 recession. I mean, it's in the name. Not only that, economic indicators, or statistics about how we make choices in an economy, are often lagging, meaning they are confirming stuff that has already long already started.

And yet, this myth persists. The myth that the president pulls all the strings on the economy. That a president creates jobs. :34 <https://www.youtube.com/watch?v=xvY0cMMqLQ8>
<https://www.youtube.com/watch?v=QoD6ozjmHIM>

Yeah, saying the president "create jobs" is quite the stretch.

[Sen. Cotton: The problem here is Joe Bidenhttps://www.youtube.com/watch?v=BOLHOTKOJpA](https://www.youtube.com/watch?v=BOLHOTKOJpA)
1:12 <https://www.youtube.com/watch?v=Jn8AvBRwGik>

Yeah, saying the president controls inflation is an even bigger stretch.

The President of the United States has little control over jobs. The President of the United States has little control over prices. (turning) That said, that doesn't mean a The President has no control over the economy whatsoever. (turning)

So how much control DOES a president have over the economy? In this video, we're gonna attempt to answer that question. (turning) But first, let's go to the kitchen because I'm hungry dad gomit...

(Hello Fresh sponsorship)

Why do I take sponsors for my videos? Because they support me financially. It's almost as if I make choices based on scarcity. (turning) It's almost as if WE LIVE IN A FREAKING ECONOMY.

(turning) So yeah, anyway, how much do American presidents control the economy?

(turning) Now, if you were paying attention earlier, you may remember I already said presidents have LITTLE control over the economy (turning) Regardless, let's look at what they DO have the power to do to affect it.

These are the four ways a president can attempt to at least guide the economy. To illustrate each of these four ways, we are going to look at an example of a bad economic trend that happened from 2021 to 2023. Historically high inflation. The inflation we saw between those years was the worst the country had seen since the early 1980s. Naturally, Joe Biden got the blame for this inflation.:13 <https://www.youtube.com/watch?v=h86lGqWQpxo> People even put up stickers at gas pumps like this. Wait a second, I wonder if those stickers are still up since gas prices have gone down since then? Yeah I don't think they thought that through enough. Anyway, how much was Biden to blame for the higher inflation? Well, let's take a look.

1. Signing or Vetoing Legislation

First of all, I want you to please, please remember this one important fact: the president of the United States does not control the money.

You may recall that the U.S. Constitution says that only Congress can “regulate Commerce with foreign Nations.” And yep, Congress controls how the money is spent. Sure, the president sends a budget to Congress every year, but Congress has the ultimate say, man. In fact, if Congress does not approve a budget, the federal government literally shuts down. Geez, that’s dramatic. Congress, not the president, controls the currency. Sure, the United States Treasury CREATES the currency, but only after Congress tells it to. Congress also instructs the Treasury...specifically the Internal Revenue Service, or I.R.S., to collect all federal taxes. Congress is responsible for all federal taxes to begin with.

Now that all said, don’t get it completely twisted sister here. The President does have some legislative powers. They are the Chief Legislator, after all. First of all, they can either sign spending bills into law or veto them. Now, unless your name is Grover Cleveland, you’re probably gonna sign spending bills into law as a president.

Not only that, in recent decades, Congress has given more and more powers to the president to control tariffs, or taxes on imports or exports.

So based on what I just said, let’s take a look at the historically high inflation that happened between 2021 and 2023.

In response to the aforementioned COVID-19 recession, Congress passed laws like the CARES Act and the American Rescue Plan to stimulate the economy. These laws included direct payments to individuals, unemployment benefits, and grants to businesses.

Many economists also say inflation is a lagging indicator, which means what happened during the COVID-19 pandemic (COVID-19) will you stop that, man? (shaking head). Anyway, many economists say that one cause of the too-high inflation of 2021 to 2023 was because of the fiscal policy that happened BEFORE that high inflation occurred...ya know...during the COVID-19 pandemic. (COVID-19) :sigh:

And hey, look at that. Biden DID sign the American Rescue Plan so he IS partially to blame for the inflation. Oh, and well...Trump signed the CARES Act, so I guess he is partially to blame for the inflation as well. Biden also kept some of the tariffs Trump implemented. Some economists argue these tariffs also caused at least some of the inflation.

2. How they enforce the law

Now, just because Congress controls whether or not the president CAN spend money, doesn’t mean they micromanage EXACTLY how the president spends it. Also, if Congress DOESN’T

approve a budget and the federal government DOES shut down, many Americans don't realize that the president can sign executive orders to move money around. (SNL clip <https://www.youtube.com/watch?v=JUDSeb2zHQ0&t>) Indeed, in 2020 Trump signed executive orders extending pandemic relief after Congress failed to pass legislation.³ I found multiple executive orders by Biden that could affect the economy. One encouraged stronger enforcement of antitrust law.⁴ Another created a policy plan for the regulation of cryptocurrencies.⁵ Yet another implemented labor protections for migrant workers.⁶

Another example of an executive order affecting the economy is when the president directs where resources go during national emergencies. Specifically, the International Emergency Economic Powers Act authorizes the president to regulate international commerce after declaring a national emergency. Notably, it allows the president to freeze assets and block transactions. The president has regularly used the law to punish countries.⁷ Biden has used it to fight fentanyl being sold online and to fight other governments from stealing data.^{8,9} And yep, Biden has used it to punish Russia for invading Ukraine. One executive order banned importing Russian fossil fuels.¹⁰ Others have banned doing business in Russia.¹¹

Did these executive orders affect inflation? Well, the ones banning importing oil from Russia and doing business in Russia sure did. (turning) That said, the one enforcing antitrust law will likely help prices go down.

I should also mention there are other, more indirect ways the president can influence the economy through how they enforce the law. For example, where they deploy troops can affect the economy. They make decisions about where they stay when they travel. You know, like which hotels they stay at, for example.

³ <https://www.cnn.com/2020/08/08/trump-signs-executive-order-on-coronavirus-relief.html>

⁴

<https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/>

⁵

<https://www.federalregister.gov/documents/2022/03/14/2022-05471/ensuring-responsible-development-of-digital-assets>

⁶ <https://www.dhs.gov/enforcement-labor-and-employment-laws>

⁷ <https://www.brennancenter.org/our-work/analysis-opinion/reining-presidents-sanctions-powers>

⁸

<https://www.whitehouse.gov/briefing-room/presidential-actions/2022/12/12/notice-on-the-continuation-of-the-national-emergency-with-respect-to-the-global-illicit-drug-trade/>

⁹

<https://www.whitehouse.gov/briefing-room/presidential-actions/2024/02/28/executive-order-on-preventing-access-to-americans-bulk-sensitive-personal-data-and-united-states-government-related-data-by-countries-of-concern/>

¹⁰

<https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/08/fact-sheet-united-states-bans-imports-of-russian-oil-liquefied-natural-gas-and-coal/>

¹¹

<https://www.whitehouse.gov/briefing-room/presidential-actions/2023/12/22/executive-order-on-taking-additional-steps-with-respect-to-the-russian-federations-harmful-activities/>

3. The Bully Pulpit

That's right, the president can be a bully!

Well, "bully pulpit," a term dating back to President Theodore Roosevelt, just means using the presidency to speak out and be heard about something...anything really...even if it's the "late, great Hannibal Lecter." Not that many people were talking about Hannibal Lecter, but after Trump mentioned him multiple times Hannibal Lecter definitely was on the minds of millions of Americans, that's for sure.

So what I'm trying to say is that the President can use their influence to influence the economy. They're an influencer. Being a president is arguably the most powerful job in the world, after all, so if you say something about the economy, probably a lot of people are going to listen and make different choices than they would have made otherwise. Markets respond to what presidents say. For example, if a president publicly praises Costco, it's likely that Costco's stock price would go up for various reasons, particularly because the president praising it might be a signal also to Congress to pass legislation that favors Costco.

I wish I had invested in Costco five years ago. (turning) If anyone has a time machine I can borrow, please comment below. (ever wish you could go back? meme)

(turning) So was there significant evidence Biden used the bully pulpit to drive up inflation? Nah.

4. Influencing the Federal Reserve

While Congress has control over FISCAL policy, or how the government spends and taxes people, the Federal Reserve has control over MONETARY policy, or how the money SUPPLY is managed. Yep, the Federal Reserve is an organization that effectively has the ability to CREATE MONEY OUT OF THIN AIR. HOLY WOWZA.

What the heck is the Federal Reserve, you might be asking right now (turning) or maybe you're not. I still can't hear you, unfortunately.

The Federal Reserve System is pretty much the most influential central bank system in the world. Congress created it mostly to prevent bank panics and make the economy more stable. It has three main goals:

- 1) Maximizing employment
- 2) Keeping prices stable
- 3) Managing interest rates in influence lending

Often, these three are related. In order to keep prices stable, the Fed, as economics news junkies like me like to call it, often has to adjust interest rates. If inflation is sharply increasing, it likely will increase interest rates to lower borrowing and spending. If unemployment is too high, it will likely LOWER interest rates to ENCOURAGE borrowing to pay for more workers. Part of

the appeal of the Fed is that it's decentralized. It's made up of 12 different banks that control 12 districts. Each reserve bank has a board of nine directors.

So where does the president come in? Well, the president can ATTEMPT to influence the Federal Reserve. (turning) Their key word there being "attempt."

The Fed is pretty independent. The President has no control of what they do, nor does it get money from Congress. The terms of the members of the board of governors span multiple presidential and congressional terms. Due to that, the Fed is often immune from politics. Still, mostly due to its secretive nature and its vast amount of power, the Fed is controversial.

In my opinion, it's one of the most powerful institutions in the world. (turning) I totally get why there's so many conspiracy theories about it. Or, shall I say, conspiracy "hypotheses."

If the President could control the Fed, they truly WOULD have a lot of power over the economy. However, all they can do is appoint the Federal Reserve Board of Governors and the Chairman of the Federal Reserve, the leader of the Federal Reserve. Now, the U.S. Senate has to APPROVE all those nominations.

But that's about it. I mean, the president can use their bully pulpit to try to influence the Fed, but often the Fed doesn't give a crap about what the president says. They really do try to be above DC politics. Donald Trump appointed the current Chairman of the Federal Reserve, Jerome Powell, but Biden has kept him around, and originally Barack Obama nominated him to the Federal Reserve Board of Governors. Before that, George H.W. Bush had him working in the Department of the Treasury.

So was there significant evidence Biden used the Federal Reserve to drive up inflation? Not really. No.

I will say, though, that before the Federal Reserve existed presidents indeed had more influence over the economy, as seen with Andrew Jackson removing the deposits of the country's central bank at the time, which most economists say was a big cause of the Panic of 1837.

So did Biden cause the high inflation of 2021-2023?

In reality, most of the inflation we saw between 2021 and 2023 came from a global pandemic that disrupted supply chains, reduced how much could be produced, and led to labor shortages. This combined with demand that did go up on many goods and services after being pent up for awhile, yes in part because people had more money since both Congress and the Federal Reserve made it easier to get money. But other factors, like the Russian invasion of Ukraine and price gouging, also played a role in the really high inflation.

To recap, the president has very little control over most of what happens in the economy. I mean, just think about it. (just think about it) If presidents actually DID have control, they would

make everything cheap all the time, make it easy to find a nice job all the time, make our incomes all go up, and make it extremely easy to borrow money. Heck, they'd probably just give everybody free money if they could get away with it. Why? Because they want to get re-elected. They generally just want to stay in power. Come on!

I would argue billionaire investors like Warren Buffett and Jeff Bezos have way more control over the economy than the President of the United States.

I'm begging you. Please. Don't fall for the myth that the president has a lot of control over the economy.

Cypher's part (Start out something like "but hey that's not the ONLY American Presidential myth")

Uh yeah, check out the Cynical Historian's video. By golly, it just came out at the same time as this video. What a coincidence!

And while you're over there subscribe to his channel. But what do YOU think? Did I miss any important information about how much a president can control the economy? Let me know down below. One of my favorite things in life is finding out that I was completely wrong about everything. Seriously. It's fun to be wrong. My ego is too big anyway. Thanks for staying curious.

Related videos:

https://www.youtube.com/watch?v=Q4ulrQNae_Q&t

Sources/further reading:

<https://www.marketplace.org/2021/02/05/how-much-control-do-presidents-really-have-over-the-economy/>

<https://cals.ncsu.edu/news/you-decide-can-the-president-control-the-economy/>

<https://www.usatoday.com/story/news/factcheck/2020/05/28/fact-check-do-gop-presidents-overs-ee-recessions-dems-recoveries/5235957002/>

<https://www.usatoday.com/story/news/factcheck/2020/08/21/fact-check-presidential-spending-through-executive-order-allowed/5582667002/>

https://en.wikipedia.org/wiki/U.S._economic_performance_by_presidential_party

<https://www.thebalancemoney.com/u-s-congress-definition-duties-effect-on-economy-3305980>

<https://www.cfr.org/blog/election-2024-donald-trump-has-vowed-raise-tariffs-can-he>

For Cypher's video:

Thanks Cypher.

Yeah, it's not that the president has NO control over the economy, they just have LITTLE control over it. Cypher brought up the example of the Smoot-Hawley Tariff, which I argue is one of the worst laws in American history because it arguably turned a recession into a DEPRESSION. However, as Cypher mentioned, Hoover only signed it after being pressured to. Congress passes laws and has more influence over the economy than the president does. But that's kind of besides the point. I mean, just think about it. (just think about it) If presidents actually DID have control, they would make everything cheap all the time, make it easy to find a nice job all the time, make our incomes all go up, and make it extremely easy to borrow money. Heck, they'd probably just give everybody free money if they could get away with it. Why? Because they want to get re-elected. They generally just want to stay in power. Come on! (turning) Anyway, uh yeah...you can learn more about this by watching my video. Check it out if you so dare.