



The Daily Dish

Inflation Follies

DOUGLAS HOLTZ-EAKIN | MAY 13, 2022

Inflation redistributes from lenders to borrowers, hits some families harder than others, and varies in its pace and duration. But it uniformly makes politicians stupid. Among the silliest of notions is the idea that inflation is the result of corporate greed and that, accordingly, Congress can take on the problem.

Consider [H.R. 7688](#), the “Consumer Fuel Price Gouging Prevention Act.” This spiffy little gem would make it the law of the land that “It shall be unlawful for any person to sell a consumer fuel, at wholesale or retail, in an area and during a period of an energy emergency covered by a proclamation issued under paragraph (2) at a price that—

(A) is unconscionably excessive; and

(B) indicates the seller is exploiting the circumstances related to an energy emergency to increase prices unreasonably.

So, all we need to do is find a price tag that contains the words “unconscionable,” “excessive,” “exploiting,” and “unreasonable.” Oh, but wait, first we need to have an energy emergency proclamation. Those are easy. “The President may issue an energy emergency proclamation for any area within the jurisdiction of the United States, during which the prohibition in paragraph (1) shall apply, that includes the geographic area covered, the consumer fuel covered, and the time period that such proclamation shall be in effect.”

It is important to note that there are no criteria for an emergency proclamation that lasts for 30 days, but can be renewed indefinitely. Since issuing a proclamation will eliminate “unconscionable,” “excessive,” “exploiting,” and “unreasonable” price increases, it raises the question of why the president would ever not have one in effect. To pass up the opportunity would be an unconscionable, excessive, exploitative, and unreasonable dereliction of duty.

Wait! It gets better. A key test is: “Whether the amount charged by such person grossly exceeds the price at which the same or a similar consumer fuel was readily obtainable in the same area from other sellers during the energy emergency period.” So, the logic is this: If prices are going up everywhere (as they are) and by everybody (as they are), then it must be due to price gouging, but the legislation to prevent price gouging makes it the law that if prices are going up everywhere (as they are) and by everybody (as they are) it is not price gouging.

The real booby prize goes to the Federal Trade Commission, which is tasked with enforcing this mess.

H.R. 7688 does not have a monopoly on this silliness. Senator Warren's "[Price Gouging Prevention Act of 2022](#)" takes a similar approach but applies to all goods and services: "It shall be unlawful for a person to sell or offer for sale a good or service at an unconscionably excessive price during an exceptional market shock, regardless of the person's position in a supply chain or distribution network." In this case, we just need market shocks to come labeled "exceptional" and prices to be tagged "unconscionably excessive." No problem.

Inflation is not due to price gouging. It will not be solved by legislation. It is the result of excessive demand stimulus and costly supply shocks. There are only three names that matter for the future of inflation – Jerome Powell, Vladimir Putin, and Xi Jinping – and none has anything to do with the legislative process.