The Daily Dish

Inflation News Roundup

DOUGLAS HOLTZ-EAKIN | NOVEMBER 12, 2021

First, the facts. Wednesday the Bureau of Labor Statistics (BLS) released its report on the Consumer Price Index (CPI) for October. The dramatists at BLS rolled out the news with all the flair of 1950s linoleum: "The all items index rose 6.2 percent for the 12 months ending October, the largest 12-month increase since the period ending November 1990. The index for all items less food and energy rose 4.6 percent over the last 12 months, the largest 12-month increase since the period ending August 1991. The energy index rose 30.0 percent over the last 12 months, and the food index increased 5.3 percent."

That's right, the highest year-over-year inflation in three decades. When you add in the fact that shelter prices rose 3.5 percent, the cost of food, energy and shelter – which constitutes 54 percent of the household budget – rose by 7.6 percent since October 2020. Year-over-year inflation for these categories was only 1.5 percent in January of this year, highlighting the key role played by the ignominious $1.9 trillion stimulus (the American Rescue Plan) in March. (Meanwhile, earlier in the week the Producer Price Index was released and showed pipeline inflation pressure in excess of 7 percent.)

Second, the commentary. This is best left to former Secretary of the Treasury Lawrence Summers: "The policymakers in Washington unfortunately have almost every month been behind the curve," he told Chris Cuomo on Wednesday night on CNN. "They said it was transitory. It doesn't look so transitory. They said it was due to a few specific factors. Doesn't look to be a few specific factors. They said when September came and people went back to school that the labor force would grow and it didn't happen. So I hope they're right…. My experience is that you should hope for the best and plan for something much less than the best." Ok, then.

Third, the plan. The Tax Foundation released an update to its analysis of the tax provisions of the Build Back Better Act (BBBA). (Full disclosure: I am on the Board of the Tax Foundation.) For purposes of this Eakinomics, the most important finding is that the current version of the BBBA is a tax cut for all income levels next year. When combined with the additional spending the bill will bring, this constitutes a completely irresponsible fiscal stimulus that will exacerbate the inflation problem. That's not much of a plan.

Fourth, the scapegoating. The White House released a statement by the president on the economic news. Casually tossed into the end of the third paragraph was this gem: "And I want to reemphasize my commitment to the independence of the Federal Reserve to monitor inflation, and take steps necessary to combat it."

There you have it. The administration has conspired with Congress to create record inflation, plans to fuel further the record inflation, and then blame the Fed for not combatting it.