Congress Considering More Stimulus Money - Will Only Make Inflation Worse

January 31, 2022 - Poll after recent poll shows that the number one concern of most American families is the economy. And chief among their concerns is inflation. The cost of virtually everything is going up and the Biden administration has proven that it is incapable of dealing with it. And now there is talk that Congress is considering another so-called stimulus bill that would pump trillions of dollars into the economy. That would be like pouring gasoline on an already raging fire where inflation is concerned.

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How Inflation Works

Most people know that "inflation" means that prices go up. But don't necessarily understand why. Here is a simplified explanation.

In short, money has value because it is rare. People use the amount of money that they have to make purchasing decisions and when they don't have enough money to purchase what they want, they often eliminate items. When congress just hands out money in stimulus packages, it becomes less rare and there is more competition to purchase items. So the value of money goes down, and the demand for items goes up. Both of these things drive prices up.

Why Is Inflation So Bad Now?

There are three major factors driving the inflation we're seeing today in the United States. One is that the FED has basically been printing money. Without going into the details of how this works, they have been using a policy they call "quantitative easing" which essentially means they print money and dump it in the economy. That's what has been largely responsible for the stock market surge over the past few years and it is a primary factor in inflation.

The second reason is that the supply chain is currently broken and the current administration has proven that it is incapable of dealing with the issue. That's why you are seeing bare shelves in grocery stores and, because it makes many items harder to find, when you do find them, the prices have gone up. It's a simple matter of supply and demand.

The third reason is that congress has now passed multiple stimulus packages in the past two years that have been used to put money into the hands of just about every American. That's placed us in a position that more people have more money than they did prior to this, even if they don't currently have jobs, and they are buying more goods. That alone would drive prices up but because of the supply chain issues and the FED's policies, prices are now rising faster than they otherwise would have.

Rumors Of More Stimulus

Unfortunately congress, the White House and the FED have made a complete mess of the economy and they appear to know it. The FED is at a point that it really doesn't have many tools to stop what is going on. In normal times, they would just raise interest rates but because of quantitative easing they would probably hurt the economy more than they would help it. So to save their hides in the next election, the geniuses in congress have started discussing a new stimulus package.

While it may be nice to get a check you weren't expecting from the government, that money isn't free. I will have to be paid back in the form of taxes. And it will also add to the inflation we're currently seeing. It is a very bad idea and it would be very nice is both parties could come together now and stop it.

Congress and the White House don't have a revenue problem. They have a spending problem. Both of these branches of government really need to get into a 12-step program for shop-o-holics.
by Jim Malmberg
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