

Inflation is Soaring, So What's Next?

March 16, 2022 - If you're bank account seems to be draining faster, you aren't imagining it. The United States is going through the worst inflationary period in 40 years, and it would appear that things are about to get worse.

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According to government numbers, the current inflation rate is 7.9%. If we still calculated inflation the same way as we did in the 1970s, it would be over 15%. As awful as that sounds, it's not the worst news. The federal government release the Producer Price Index (PPI) earlier this week. The PPI tracks the costs that companies have to pay for the materials they use in production. And this week's PPI showed inflation running at 10%. All of those costs will be passed on to consumers... meaning us... within a couple of months. All this means that we're heading for double digit inflation; the worst that any of us have seen in our lifetimes and perhaps the worst in the history of the United States.

If you are wondering what's causing this, it isn't the war in Ukraine. That is what the Biden administration and many members of congress are trying to sell to the American people, but it's a lie. Inflation was a rapidly rising problem well before Russia invaded Ukraine.

The real problem is that congress, the White House and the FED are all engaging in policies that are hurting the economy. Just yesterday, congress passed a bill that President Biden signed into law hours later, with \$1.5 trillion dollars in additional spending. All of that new spending is like pouring fuel on a fire when it comes to inflation. It's going to make things worse.

And the administration is adding to the problems by restricting petroleum drilling - which is contributing to high fuel prices - and leaving the southern border wide open - which is driving down wages.

The agency most responsible for controlling inflation is the FED. In normal times, they would start to raise interest rates. But if they do that now, they're going to create a different kind of pain. That's because they have been buying bonds to fund the economy. If they raise interest rates substantially, they're going to make it much more expensive for the government to make interest payments on those bonds. And since it is taxpayers who pay that interest, that means that the government would likely be forced to increase taxes to cover the debt.

The bottom line here is that regardless of what the government does, consumers are going to get squeezed. There are

no easy solutions to the issue, and the potential solutions that are available seem to be a bridge too far for the political establishment.

The administration could open up energy exploration again to drive down fuel prices and for exports. That would help the country a lot but it would upset the "green" energy lobby. Additionally, a crackdown on all forms of immigration would drive American wages up and help consumers, but that would upset a good number of business groups.

And congress could cut back on much of the spending it is doing, but they seem to be completely incapable of exercising any self-control.

To be clear here, these aren't necessarily partisan issues. The spending problem runs on both sides of the aisle. The same can be said of immigration issues. So as taxpayers and consumers, about all we can do is make sure that our representatives hear from us; both on the phone and at the ballot box. If you are among that 65% or so of people who now believe that the country is on the wrong track, make sure your representatives hear from you. And if you are still unhappy by this November, make sure you let them know that by voting against them, regardless of party. Under the Constitution, our politicians answer to us, but only if we hold them accountable.

by Jim Malmberg

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