



Pressure Rising on Biden, Fed to Offset Inflation

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President Joe Biden and the Federal Reserve face growing calls to prevent rising inflation from hurting the economy as the U.S. attempts to recover from the recession caused by the COVID-19 pandemic, [The Hill](#) reports.

While some inflation had been expected as the economy reopens and customers begin spending after a widespread decline during the pandemic, the sudden increase in prices has some concerned. The [consumer price index](#) rose by 0.8% in April for a 4.2% increase in total over the past year, according to the Labor Department, the fastest annual rate since 2008.

“There's never been a time that I know of in history where you have had a significant increase in money supply where you don't have inflation,” Sen. Rick Scott, R-Fla., told the Hill.

“Now people are spending again, and obviously April's numbers show that they're spending even more aggressively than forecasters, most of them, anticipated,” said George Selgin, a Cato Institute economic policy expert.

“There are some adverse supply shocks going on, some of which affected the April numbers, but the big story is the pent-up demand and purchasing power that people have finally started to dispose of,” he said.

Selgin also noted that the Fed is having a difficult time convincing financial markets about its new stance on inflation, which involves letting prices rise above the target level to make up for years of low inflation that has hurt wage growth and the Fed's ability to raise interest rates. The central bank said it won't raise interest rates until inflation is set to make up for shortfalls and the U.S. has reached maximum employment, which likely won't happen for another year.

“All of these reasons make this a difficult time for the Fed to start raising interest rates, and that means we have to worry whether it will do so when it needs to do so aggressively enough to meet its targets,” he said.

Scott said that the Biden administration should cut back on the \$1.9 trillion infrastructure plan, which he says is financially unfeasible.

“You have to stop the reckless spending,” Scott said. “The federal government's got to start living within its means.”

But many economists say that prices will naturally settle once the economy goes back to normal.

“We’ve only seen really two months of strong price increases,” said Laura Rosner-Warburton, senior economist at the research service MacroPolicy Perspectives.

“It would be premature and kind of an overreaction to look at the [April CPI report] in particular and to be overly concerned,” she said, adding that the price increase was due to three short-term causes: statistical quirks that come with a sudden increase after a year of significant decline, supply restrictions caused by the pandemic, and the pent-up demand that people are now able to release.

“Last year, we had outright declines in prices, and this year, we’re not seeing those declines repeat,” she said. “So on a year-over-year basis, comparing it looks like inflation is artificially higher because of the decline last year.”