



Jerome Powell, Dems Dismiss Inflation Fears With Stimulus Bill

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Democrats on Tuesday brushed aside Republicans' concerns about overheating the economy with the Biden administration's \$1.9 trillion coronavirus relief bill, as Federal Reserve Chairman Jerome Powell signaled that the central bank won't pull back anytime soon on its own aggressive actions to aid the recovery.

Despite Republicans' warnings of inflation and overheated asset prices after the U.S. money supply jumped 26% in the past year, Mr. Powell said harmful inflation "doesn't seem likely." He said inflation has averaged less than 2% annually for more than 25 years despite Washington's increasingly massive budget deficits.

"We don't really see how a burst of fiscal support or spending that doesn't last for many years would actually change those inflation dynamics," Mr. Powell told the Senate Committee on Banking, Housing and Urban Affairs.

He indicated that the Fed will continue buying \$120 billion per month in securities and mortgage-backed debt and will keep interest rates near zero. Mr. Powell said the economic recovery "remains uneven and far from complete, and the path ahead is uncertain."

"The economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved," Mr. Powell said. About 10 million people who have lost jobs since the onset of the pandemic are still out of work.

Financial markets reversed losses after his testimony. The Dow Jones Industrial Average and the S&P 500 moved into positive territory by the close of trading.

Democrats didn't need a green light for more spending but took Mr. Powell's testimony as a sign to move ahead with President Biden's full \$1.9 trillion aid package, which should pass the Democratic-controlled House this week with little or no Republican support.

The package includes \$1,400 stimulus checks for many Americans, an extension of beefed-up unemployment benefits, more money for coronavirus testing and vaccinations, hundreds of billions of dollars for state and local governments and, for now, an increase in the minimum wage to \$15 an hour.

Senate Democrats said the nation needs another huge rescue plan, even after Mr. Powell predicted that the U.S. economy will grow this year at a whopping 6% without it.

"Most people I talk to in Ohio and around the country are not worried about doing too much in the battle against this virus. They're worried about doing too little," said committee Chairman Sherrod Brown, Ohio Democrat. "They want to do whatever it takes."

Sen. Patrick J. Toomey, Pennsylvania Republican, said the \$1.9 trillion relief bill isn't needed with the dramatic improvement in the economy.

"We are well past the point where our economy is collapsing," Mr. Toomey said. "In fact, our economy is growing very powerfully. The last thing we need is a massive, multitrillion-dollar universal spending bill. It all gets funded with government debt. ... There's also a real danger that we have overheating in places that lead to unwanted inflation. I think the data is increasingly pointing in that direction."

Sen. Susan M. Collins of Maine, who is leading a group of Senate Republicans in negotiations with the White House on coronavirus relief, said those talks have "pretty much stalled."

"The administration has not indicated a willingness to come down from its \$1.9 trillion figure," Ms. Collins said.

She essentially accused Mr. Biden and White House Chief of Staff Ron Klain of playing a good cop/bad cop routine during an Oval Office meeting this month with Republican senators who were seeking a lower price tag for the bill.

"[Mr. Biden] was very attentive, gracious, into the details," she said. "And Ron [Klain] was shaking his head in the back of the room the whole time, which is not exactly an encouraging sign."

Mr. Klain tweeted Tuesday of the administration's plan, "Why should any Republican vote for it? Because it funds a plan to crush the virus and save the economy. ... Republican governors, mayors and business leaders support it. ... A large share of Republican voters support it."

Sen. Mitt Romney, Utah Republican, said it doesn't make sense to include \$350 billion for state and local governments when tax revenues are rebounding significantly, compared with dire forecasts in the middle of the pandemic last year. He said he hadn't heard from the White House since he indicated that he would not support Neera Tanden, Mr. Biden's pick to lead the White House budget office.

"There's been very little effort on the part of the White House to meet with us and to see if we can find a middle ground," Mr. Romney said.

Senate Minority Leader Mitch McConnell, Kentucky Republican, said Tuesday that Democrats "are steamrolling ahead with a massive spending plan on a partisan basis." He called it "a combination of miscellaneous, non-COVID-related liberal wish-list items ... and the kinds of Band-Aid policies that make a defensive crouch slightly less painful but don't help us get back on offense."

Democratic economist and former Treasury Secretary Larry Summers also has warned that too much spending could boost the inflation rate, which affects prices on groceries, electronic gadgets and just about everything else. An overheating economy also could spark a rise in interest rates, which would increase the cost for consumers on big-ticket items such as auto loans and home mortgages.

The U.S. money supply increased an average of 5.8% per year in the past decade, said Steve Hanke, an economist with the libertarian Cato Institute. But since February 2020, it has grown 26%, the largest year-over-year increase since 1943.

“You can bet your bottom dollar that #Inflation is right around the corner,” Mr. Hanke tweeted.

Mr. Powell, however, insisted that the spike in liquidity “doesn’t really have important implications for the economic outlook.”

Congress and the Trump administration approved \$4 trillion in COVID-19 relief last year in five installments. The economy has started the year relatively strong, with significant increases in manufacturing output and retail sales, although sectors such as restaurants and travel are still hurting badly.

The unemployment rate in January was 6.3%, down from a high point of nearly 15% last April but nearly double its pre-pandemic level. Mr. Powell said the pace of hiring has slowed considerably in the past three months.

He said the Fed is “committed to using our full range of tools to support the economy and to help ensure that the recovery from this difficult period will be as robust as possible.”

The \$15-per-hour minimum wage proposal is unlikely to survive in the Senate. Democratic Sens. Joe Manchin III of West Virginia and Kyrsten Sinema of Arizona have said an increase to \$15 per hour shouldn’t be included under the fast-track process Democrats are using to thwart a possible filibuster, known as “reconciliation.”

It’s also not clear whether the minimum wage proposal would pass muster with Senate rules for reconciliation.

Mr. Manchin said this week that he would support an increase to \$11 per hour, which liberal Democrats would likely reject.

Sen. Tom Cotton, Arkansas Republican, and Mr. Romney on Tuesday released new details of their plan to increase the federal minimum wage to \$10 per hour and prevent employers from hiring illegal immigrants.

Their proposal would increase the wage from \$7.25 to \$10 per hour within five years and then index it to inflation.

The increase would not go into effect until after the COVID-19 crisis passes. Businesses with fewer than 20 employees would have a more gradual phase-in.

The plan would require all employers to use the federal E-Verify system, which includes an 18-month phase-in period. E-Verify is currently a voluntary system to check potential employees’ immigration status.

“Ending the black market for illegal labor will open up jobs for Americans,” Mr. Cotton said. “Raising the minimum wage will allow Americans filling those jobs to better support their families. Our bill does both.”

The plan also would increase penalties on companies that hire illegal immigrants and would require workers 18 and older to present a photo ID.