



Economists say inflation is side effect of rapid reopening, pent-up demand

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Americans preparing for the holiday weekend should expect to pay higher prices for food and fuel compared to last year.

According to the U.S. Bureau of Labor Statistics, the Consumer Price Index rose 4.2% from April 2020 to April 2021.

The cost of fruits and vegetables was up 3.3%. Senior fellow in economic studies at Cato Institute Scott Lincicome said countries around the world are also facing steeper food prices.

“Food prices are generally global prices, so Argentina stopped exports, China is consuming a lot of meat, that will tend to affect prices as well,” Lincicome said.

Lincicome put some of the blame on federal stimulus for higher prices of other goods, like used cars up 21% and energy prices up 25.1%, though higher gas prices are largely still an effect from the Colonial Pipeline shutdown.

“All of that increases the money that Americans can spend on food. Combined with restricted supply and you’re gonna get higher prices,” Lincicome said.

Joseph Gagnon, a senior fellow at Peterson Institute for International Economics told Sinclair the recent spikes in prices seem worse than they are when compared to prices this time last year because prices dropped when the pandemic began.

"Yeah they jumped 4% in April from a year earlier but a year earlier they were very, very low if you look at the two-year average it's only about a 2 to 2.5% inflation rate," Gagnon said.

On Wednesday Senate Republicans held a press conference chiding President Joe Biden, blaming his American Rescue Plan for inflation.

"Joe Biden's gotta stop this reckless spending, gotta stop asking for it and all of us have to figure out, how do we stop this wasteful spending?" Sen. Rick Scott, R-Fla., said.

Sen. Sherrod Brown, D-Ohio, the chairman of the Senate Banking, Housing, and Urban Affairs Committee told Sinclair the Republican criticism is predictable.

about because that's what the bankers talk about. Republican politicians essentially represent the big banks so often," Brown said.

Brown said he's optimistic because of what he hears from officials at the Federal Reserve.

"They all think this economy's about to take off. Their concern about inflation is minimal," Brown said.

Gagnon said he's confident the current inflation is temporary.

"There are shortages because firms really weren't ready for the rapid growth in activity and demand. They're investing rapidly. They're expanding their production plans and I think these are all just temporary," Gagnon said.

Gagnon said current inflation shouldn't get in the way of people making plans for Memorial Day. However, he did encourage people to understand that there could be higher inflation next year.

"If the economy grows very strongly this year, if workers all get rehired back to where we were in 2019 and there's continued growth, then you could see inflation of a different kind that is more sustainable, increases in broader measures in prices, not caused by particular bottlenecks but just by the fact that there's no more workers left," Gagnon said.