



My Drift

Title: Inflation

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Date: 20 Nov 2022

Article Number: (407-2022-28)



In a recent Gallup Poll (Oct 2022), Americans across the country were asked the following question: “What do you think is the most important problem facing our country today?”

Responses are grouped into two main categories:

ECONOMIC PROBLEMS (47%)

High cost of living/Inflation (37%)

Fuel/Oil prices (3%)

Unemployment/Jobs (2%)

Federal debt (2%)

Lack of money (1%)

Taxes (1%)

Wage issues (1%)

NON-ECONOMIC PROBLEMS (53%)

The government/Poor leadership (14%)

Border Control and Immigration (8%)

Unifying the country (4%)

Crime/Violence (4%)

Poverty/Hunger/Homelessness (4%)

Pollution/Climate change (4%)

Election reform/Democracy (4%)

Abortion (2%)

Race relations/Racism (2%)



Judicial system/Courts/Laws (2%)
Ethics/moral/religious/family decline (2%)
Education (2%)
Guns/Gun control (2%)
Healthcare (1%)
Coronavirus/Diseases (1%)
Drugs
Fear of War
Social Security
Terrorism

As you can see, Americans think the high cost of living/inflation is by far our biggest problem today. If you include the high cost of gas, 40% of Americans think this 2022 inflation surge is our biggest problem today. Next with 14% comes our own government with the poor leadership they are providing.

Do you agree with the results of this poll? What do you think is the most important problem facing the country today?

Well, I stopped at the gas station this morning to fill up my Tundra truck. Price of gas for mid-grade was \$5.90 a gallon and it cost me \$146.50 to fill up my truck. I came home and finished paying the bills for the month. My electricity bill six months ago was about \$300 – this month it was \$608.



Yes, I agree that the high cost of living/inflation are the biggest problem today. Especially here in Hawaii!



There are many things to worry about here in America and there are a lot of people who worry about all of these problems. Our biggest problems can change quickly depending on what's currently going on in the world and what's fresh in our minds. For example, this runaway inflation and high prices has mostly happened in the past year. A year or so ago, the Coronavirus Pandemic was our biggest problem. After 9-11, terrorism was our biggest worry for years – now it is near the bottom of the list.

In this article, we are going to learn about inflation which causes the cost of living to go up. What is inflation? What causes inflation? What can be done to control or fix runaway inflation?

The following is from an article I found about inflation that I found interesting: For retirees, who must live on a fixed income and/or their savings, the worst thing about inflation is that those savings may run out. For a wage earner, the difficulty is that you need big raises, or you are losing ground against inflation. For home buyers, mortgage rates go up which jacks up home prices. For everyone, the value of cash goes down, and money set aside for big purchases, vacations, or education no longer is sufficient during inflationary times.

For our federal politicians, the worst thing about inflation may be getting blamed for it. That is why those in charge—right now, the Democrats—feel the need to deny there is a serious inflation problem, or at least to appear to have inflation under control. And the motive for the party not running the government—the Republicans today—is to assign fault and to insinuate that things will be better if they were in charge.

Knowing that approval ratings do not look good for him right now, President Biden's political strategy is to give the impression he is busy trying to tame inflation, while simultaneously arguing that everyone but him has caused it. Recently, he submitted an article, which the Wall Street Journal published, titled "My Plan for Fighting Inflation."

After seven paragraphs claiming that things actually are going amazingly well economically in America, the article turns to the Biden "Plan," which contains three components: (1) the true but unplan-like statement that "the Federal Reserve has a primary responsibility to control inflation"; (2) a



President Joe Biden

reiteration of past actions or proposals the Biden Administration has taken or suggested, none of which have helped much; (3) generalities that seem impossible to accomplish. The entire article appears to have been written so President Biden can say he offered a plan and then, when inflation does not go away, the Republicans or others can be criticized.

Similarly, calls by politicians (including the president and various governors) to suspend federal gas taxes, which currently are 18.4 cents per gallon, appear designed to win votes more than actually to reduce inflation. So, too, the president's desperate trip to Saudi Arabia, which is unlikely to cut gas prices, let alone overall inflation.

Meanwhile, Republican attempts to exploit inflation for political gain and to pretend they have plans to control it after they win the mid-term elections, are no better.

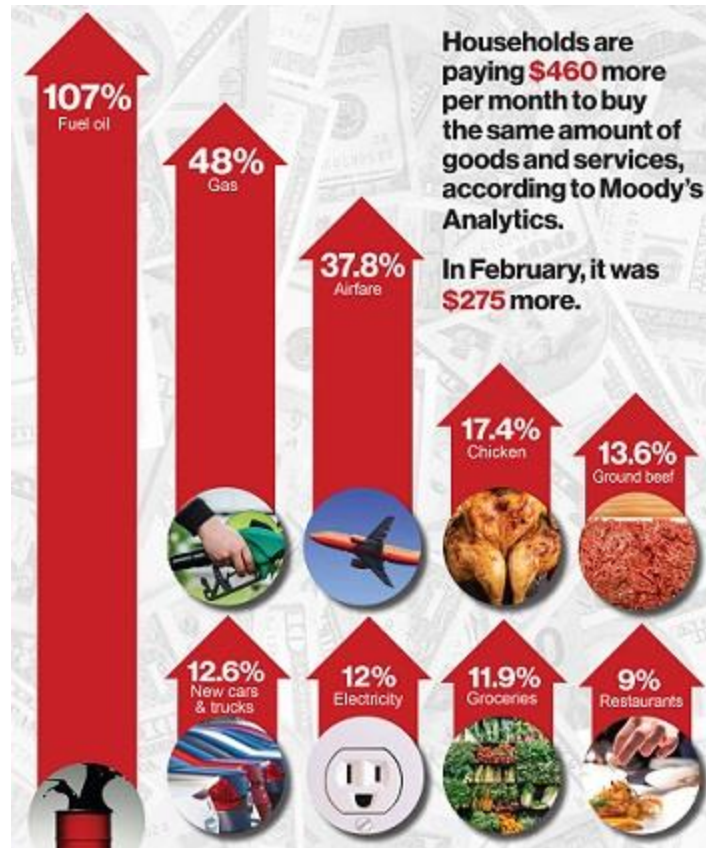
Bottomline: Inflation largely is an economic phenomenon, not a political one.

What is the Definition of Inflation?

Inflation occurs when prices rise on most goods and services. It's a large-scale increase across the board. You don't just see one or two costs in your budget get more expensive. Instead, everything gets more expensive at once.



While it's a fact of life that costs generally rise over time, a period of inflation leads to rapid increases that most people just can't afford. During an inflationary period like the one we're in now, the purchasing power you have declines. Each dollar you earn buys less stuff. It takes more money to purchase the same everyday goods.



Cost of Inflation

What is causing the inflation in 2022?

Monetary policy is a major cause of the increase in inflation. Inflation rises when the Federal Reserve sets too low of an interest rate or when the growth of money supply increases too rapidly – as we are seeing now.



Global Supply-Chain

Many economists attribute the current US inflation surge to product shortages resulting from the global supply-chain problems, itself largely caused by the COVID-19 pandemic. This coincided with strong consumer demand, driven by low unemployment, and improved financial conditions following the pandemic.

Other Supply Chain Issues

Driver shortages, logistics provider capacity issues, inflation, shipping delays, increased freight costs, depleted inventory levels, labor shortages and demand peaks.

What can be done to fix runaway inflation?

In the U.S., much of the responsibility for controlling inflation falls on the Federal Open Market Committee (FOMC), a Federal Reserve committee that sets monetary policy to achieve the Fed's goals of stable prices and maximum employment.

Contractionary Monetary Policy

Contractionary monetary policy is now a popular method of controlling inflation. The goal of a contractionary policy is to reduce the money supply within an economy by increasing interest rates. This helps slow economic growth by making credit more expensive, which reduces consumer and business spending.

Price Controls

Price controls are price caps or floors mandated by the government and applied to specific goods. Wage controls can be implemented in tandem with price controls to suppress wage push inflation. Most economists now believe that price controls are an ineffective tool for managing inflation.

Government Fiscal Policies

The government can use fiscal policy to fix inflation by increasing taxes. Increasing taxes leads to decreased individual demand and a reduction in the supply of money in the economy. This is not a very popular fix.

THE INFLATION REDUCTION ACT OF 2022

This Biden administration bill will invest approximately \$300 billion in Deficit Reduction and \$369 billion in Energy Security and Climate Change programs over the next ten years. How this will reduce inflation is a great mystery to most economists and “not-so-smart” US citizens like me.

The Bottom Line - Governments have relatively few ways to stop inflation.

Can Inflation lead to a Recession? Yes

Inflation and recessions are very different economic phenomena, but they are intrinsically linked. High inflation rates can indicate an impending recession, as businesses react to higher costs by reducing production and increasing prices.



When demand peaks and starts to decline, the excessive supply of goods and services that aren't consumed can lead to a recession, with companies producing less and downsizing while people lose purchasing power and consumption continues to fall.

The economy doesn't look good for the next couple of years, but it is not all the government's fault and there is not much they can do to fix it. The last great recession lasted from December 2007 to June 2009, this economic downturn was the longest since World War II.

RECAP: The runaway inflation started late last year (2021) when prices started rising on the back of supply chain clogs, shutdowns related to Covid-19, Russia's invasion of Ukraine and rising energy costs. Runaway inflation is still going on at this writing with no end in sight. Government actions like raising interest rates have had little effect so far. Let's all hope that prices and the cost of living starts going down soon.

GOD BLESS AMERICA!

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