INFLATION FEARS ARE OVERSTATED AND MISREPRESENTED

Fearmongering over inflation must not derail investments that are deeply needed, popular, and economically sound – especially when inflation fears are overstated and misrepresented.

The only way to achieve a full, equitable recovery and a more stable economy for the future is to continue making public investments in the workers, families, and communities who make up our economy.

Inflation fears are overstated. Slightly higher inflation now is a result of returning consumer demand and a sign of economic recovery.

- Given that the country is coming out of a pandemic that necessitated the shutdown of huge swaths of our economy almost overnight, it's not surprising that we are seeing some price increases as consumer demand picks up and businesses are able to safely open again.
- It is a good sign that people feel secure enough to spend money on goods and services and that they have the cash they need to make these purchases. However, we have a long way to go: our economy needs a lot more spending and investment to achieve full employment, rising wages and to restore our long-term economic potential, especially for Black and brown communities who have historically been left out of periods of economic recovery.

Inflation data are being misrepresented – comparing price increases this year to a deflationary period last year is overstating the threat of inflation, and some inflation right now is actually a *good thing*.

- Inflation rates in the coming months will likely appear to rise steeply because they are being measured against a period of deflation in 2020, even if prices remain stagnant or only marginally increase in 2021. Thus, data releases in the coming months will likely show rising inflation, and higher inflation compared to last year, but these numbers must be interpreted in context.
- The Federal Reserve aims to achieve 2 percent inflation over time. Even before the pandemic, inflation was too low – the Federal Reserve has said that we need more inflation, and welcomes it to achieve target inflation. A rise in inflation is a good thing as it helps to level out the below-target inflation we've seen leading up to and during the pandemic.

The costs of an unequal recovery are far greater than those of manageable inflation. History tells us that the best thing to do in a crisis is to invest big to make sure the most marginalized aren't left behind.

- Failing to provide adequate fiscal support for recovery from the Great Recession cost our economy more than $8.2 trillion in GDP between 2010-2019. That's equivalent to losing nearly $65,000 in income for a family with two adults – almost a full year's income for the median household.
- The response to the Great Recession was too small and ended too soon, especially for the Black and brown families that never recovered; ten years after the start of the Great Recession, Black and Asian households had not recovered their pre-recession income. Yet again, it is Black and brown workers disproportionately affected by the economic devastation of today's COVID-19 recession that will be left behind, undermining economic resilience for everyone. **We cannot afford to make the same mistake again: The costs of *inaction* far outweigh the costs of manageable inflation**.

Experts Agree: We Don't Need to Worry About Inflation

- "At the moment, it looks as though people fully expect this inflation to be temporary – where temporary is when the economy more fully recovers – but that we understand that **there are not... structural factors that should lead to an inflation that the Federal Reserve cannot control.**" - **Cecilia Rouse**, Chair of the Council of Economic Advisers (5/14/2021) https://www.whitehouse.gov/briefing-room/press-briefings/2021/05/14/press-briefing-by-press-secretary-jen-psaki-and-chair-of-the-council-of-economic-advisers-cecilia-rouse-may-14-2021/

- "If anything, what **we're seeing are the positive impacts of the rescue plan as they work their way through the recovery**. ...The most fundamental observation of this price report is that people are reengaging with sectors that were hit terribly hard. **That's good for those businesses. That's good for those families**." - **Jared Bernstein**, Economic Advisor to the White House (5/12/2021)https://www.washingtonpost.com/business/2021/05/12/inflation-cpi-april-prices/

- "The evidence above is clear that **the U.S. economy is not overheating** and that today's data reflect only extraordinary events of a year ago." - **Josh Bivens**, Economic Policy Institute (5/12/21) https://www.epi.org/blog/todays-inflation-data-show-zero-sign-of-sustained-economic-overheating/

- "One thing that should be clear, however, is that **an uptick of inflation this year is nothing to be upset about**. After all, wage and price increases are an essential part of rebalancing the economy. Real production, real wages and real asset values will all be higher as a result of this year's inflation, whereas the price level will remain far below what it would have been had the Fed managed to hit its inflation targets in the years since the Great Recession following the 2008 global financial crisis." - **J. Bradford DeLong**, National Bureau of Economic Research (5/6/2021) https://www.latimes.com/opinion/story/2021-05-06/inflation-economy-recovery-labor-shifts

- "**An episode of one-time price increases** as the economy reopens is **not likely to lead to persistent year-over-year inflation** into the future." - **Jerome Powell**, Federal Reserve Chair (4/28/2021) https://apnews.com/article/financial-markets-health-coronavirus-economy-inflation-bbe992c9352a72f189ffd634fe7c9383

- "There are more reasons to think **[inflation] will not likely get out of control over the next year**, including a still very large gap in employment (over 10 million fewer jobs than prior trend leaving extensive slack in the economy now), a lack of inflation in recent decades anchoring expectations, and a low responsiveness of prices to periods of strong employment growth (limiting price pressure once employment has recovered more). Given the competing narratives, there will be a temptation to overinterpret each data release." - **Jay Shambaugh**, Professor of Economics and International Affairs, The George Washington University (4/8/2021) https://www.hamiltonproject.org/blog/dont_overreact_to_inflation_data_this_spring

- "The high year-over-year inflation of the coming months will **reflect the falling prices of a year ago**, whether or not prices are rising more rapidly today. Achieving the Federal Reserve's price-stability goals requires a period of above-trend inflation; **if inflation, correctly measured, rises modestly in the coming months, that's a good thing**." - **Mike Konczal, J.W. Mason, Lauren Melodia,** Roosevelt Institute (4/8/2021) https://rooseveltinstitute.org/2021/04/08/the-illusion-of-inflation-why-this-springs-numbers-will-look-artificially-high/

- "**The most significant risk we face is a workforce that is scarred by a long period of unemployment**. People being out of work, not able to find jobs can have a permanent effect on their well-being. I think that's the most significant risk. Is there a risk of inflation? I think there's a small risk. And I think it's manageable. I don't think it's a significant risk. And if it materializes, we will certainly monitor for it. But we have tools to address it." - **Janet Yellen**, Treasury Secretary (3/14/2021) https://abcnews.go.com/Politics/bidens-covid-relief-package-size-treasury-secretary-janet/story?id=76439203