



It's Not Putin's Price Hike, No Matter What Biden Claims

Description

No, It's Not the Putin Price Hike, No Matter What Joe Biden Claims

By: William L. Anderson

Politicians love their buzzwords and talking points, and the Joe Biden White House and the Democratic Party use them as much or more than when Donald Trump and the Republicans ran Washington's freak show. Last year, the mantra from the Biden administration was that inflation was "transitory," meaning that the inflation would not last long. From Biden (when he could remember what his talking points were supposed to be) to Paul Krugman in the *New York Times*, the faithful repeated the newest word of life: "Transitory."

As the hard reality has set in that this inflation will not be going away any time soon, we have new talking points and buzzwords from the house of Biden and his political allies, the renaming of inflation itself. No longer do the faithful dutifully repeat "transitory" when asked about skyrocketing consumer and producer prices; today the holy writ is "[Putin's price hike](#)."

Americans can be assured that inflation is the result of an unholy alliance between Vladimir Putin and American energy companies, claim the Biden administration and its supporters. How do we know this? We have it from the highest authorities of truth, Sen. Elizabeth Warren and Jerome Powell, chairman of the Federal Reserve.

In a recent [op-ed](#) for the *New York Times*, Warren informs her readers that all that is needed to control inflation is some tough talk from Biden along with a new regime of price controls. She writes:

We can also act quickly to rein in costs for middle-class families. In the very short term, that means stopping companies from jacking up prices to boost their profits. Price increases are driven by many factors, including pandemic disruptions to global supply chains and Vladimir Putin's war in Ukraine. But when the Kroger chief executive, Rodney McMullen, said "a little bit of inflation is always good in our business," it is no surprise that, by a margin of two-to-

one, American voters don't buy the explanation that companies are just passing along costs. Instead, they blame corporations for raising prices to boost their own profits. Even Fed Chair Jerome Powell, a conservative Republican, acknowledged that giant corporations raise prices simply "because they can."

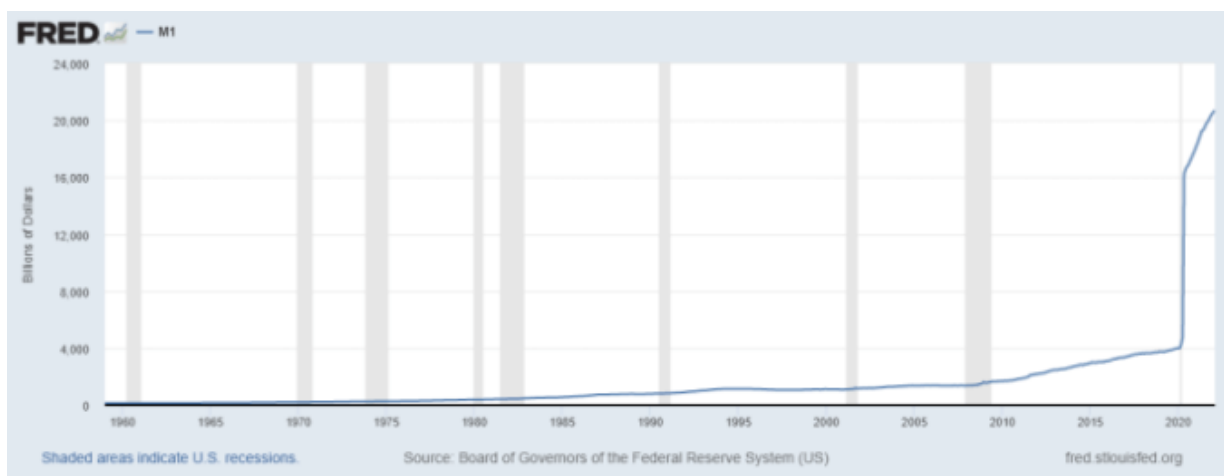
Elsewhere, Warren claims that the answer for lower prices lies in enforcement of antitrust laws, echoing Joe Biden's recent claim that our economy suddenly has become a nest of price-gouging monopolies. Warren goes on to say:

Congress should pass laws to reinvigorate competition and three quarters (of American voters) strongly believe that oil and gas companies should not make gobs of money off this energy crisis. Beefing up regulators' authority to end price-gouging, breaking up monopolies, and passing a windfall profits tax is a good start.

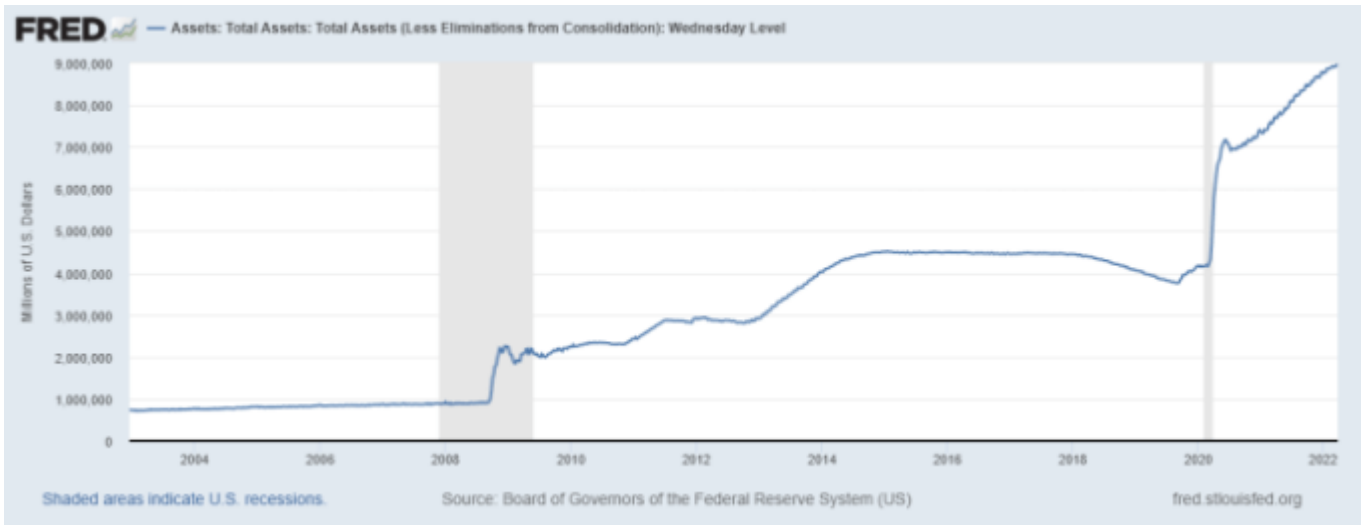
To read Warren, one would have to believe that the Federal Reserve's policies of pumping trillions of dollars directly into the hands of consumers to offset the covid lockdowns and restrictions really had nothing to do with what we are seeing now. Instead, we are expected to believe that suddenly (and for absolutely no reason whatsoever) greedy capitalists started to raise prices because they wanted higher profits. Even though they had not raised prices when Trump was president (even though Trump himself was a greedy capitalist who would not hesitate to raise prices), they decided to pounce when a hostile regime took over the federal government.

Interestingly, neither Biden nor Warren is willing to lay the blame on Powell and even the Trump administration despite the fact that both men have played a huge role in the inflationary chaos we currently are experiencing. They have chosen, instead, to blame private enterprise and call for the kinds of price control regimes that even the Jimmy Carter regime refused to implement even though the official inflation numbers under Carter were higher than they are today. In the three graphs below, it is not hard to observe the culprit: a huge spike in the money supply, all underwritten by the Fed, which went on an asset-buying spree to finance the unholy mess.

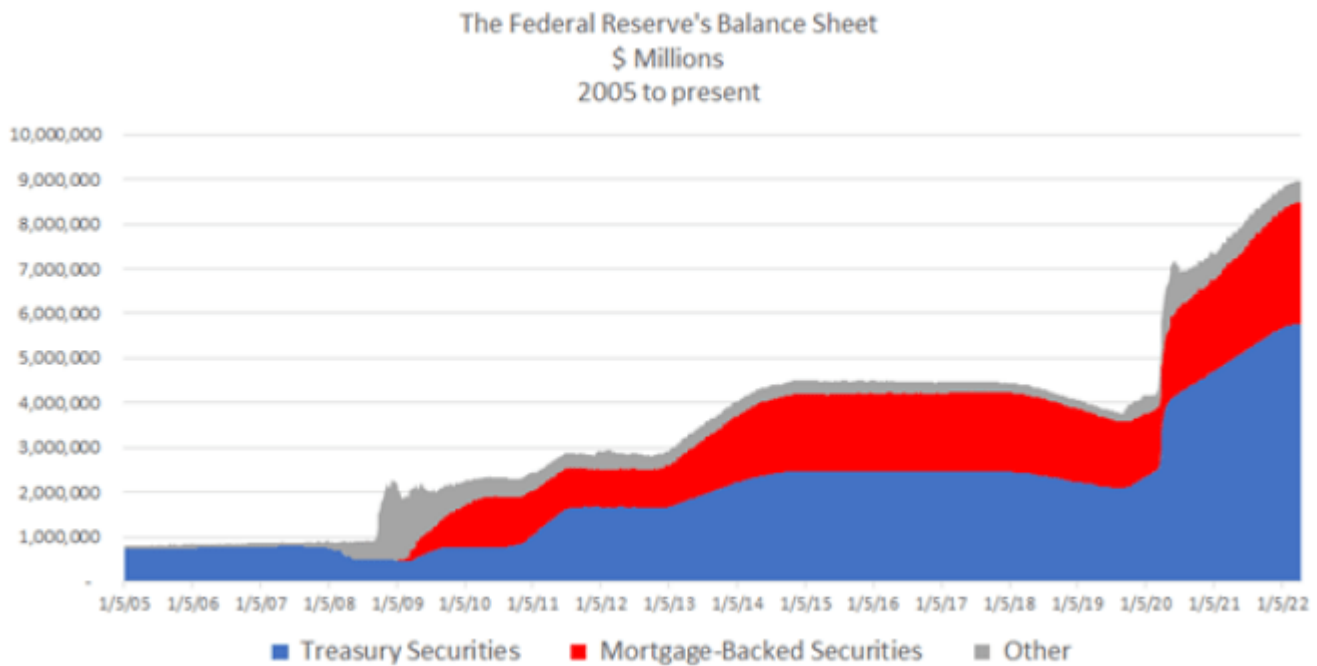
[fredgraph_2.png](#)



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The second and third graphs show the growth of the Fed balance sheet, and one can see that, like the spike in money growth, the balance sheet exploded during the covid lockdowns and is still metastasizing to the point where Fed asset purchases are consisting of about 40 percent of US gross domestic product. [Jeff Deist explains](#) what happened:

First, consider the two covid stimulus bills passed by Congress in 2020 and 2021. These pumped more than \$5 trillion directly into the economy in the form of payments to

government, payments to households, unemployment benefits, employer payroll loans, cash subsidies to airlines and countless other industries, and a host of grab-bag earmarks which had nothing to do with covid. This new money injected itself straight into the veins of the daily economy.

Second, supply chains remain degraded because politicians around the world didn't think through their lockdown policies. The deeply interconnected global economy does not have an ON/OFF switch. Idle resources and idle workers don't simply spring to life and produce goods and services on command. But our policy makers have no conception of a structure of production, its temporal elements, or the ravages of malinvestment created by their political decision to shutter businesses.

Third, covid allowed the Fed to justify yet another spasm of "extraordinary" monetary policies beginning in March 2020. This gave central bankers an easy out, in a sense, because real trouble was already on the horizon back in September 2019. The repo market, which commercial banks use for short-term (overnight) financing of their operations, suddenly seized up and sent rates spiking. These paroxysms embarrassingly forced the Fed to inject billions of dollars into its "standing" (i.e., permanent) repurchase facility and to consider yet another round of QE (asset buying) even after it had promised to shrink its balance sheet, still bloated with the detritus of the 2007 crisis.

When one understands the extent of the economic intervention of both the Fed and governments at all levels in the past two years, the real question one should ask is not why we are having inflation, but rather why prices have not risen further. Moreover, ever since September 2008 (as is clear from the second and third graphs), the Fed has gone on an unsustainable buying binge that has propped up the mortgage markets, repos, and long-term government bonds (Operation Twist).

One must emphasize that the economy simply cannot absorb the dollars that the Fed has flushed into it. Furthermore, despite what the so-called ruling classes are telling us, stuffing dollars into the hands of people who lost their jobs due to wrong-headed covid lockdowns and production restrictions and paying other people not to work are *not* a perfect substitute for producing real goods and services.

Even if Putin were to call off the Ukraine invasion and agree to sell Russia's oil and natural gas at steep discounts, the current consumer price increases in the USA would remain near unchanged. While no doubt the invasion has affected current gasoline and oil prices (and European natural gas prices), it has been irrelevant in the overall inflation picture in this country.

Biden and the ruling classes never will admit to such a state of affairs, and we can be sure that Krugman, the *New York Times*, the *Washington Post*, and other mainstream journalism outfits will blame Putin, climate change, corporate profits, and whatever else crosses their paths. Meanwhile, the Fed will continue its unsustainable practices and everyone else will watch inflation erode their personal assets.

Category

1. Economy-Business-Fin/Invest
2. Main

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